

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

ATLANTA GAS LIGHT COMPANY,
Petitioner,

v.

BENNETT REGULATOR GUARDS, INC.,
Patent Owner.

Case IPR2013-00453
Patent 5,810,029

Before JENNIFER S. BISK, JAMES B. ARPIN, and
PATRICK M. BOUCHER, *Administrative Patent Judges*.

BOUCHER, *Administrative Patent Judge*.

ORDER

35 U.S.C. § 312(a) and 37 C.F.R. § 42.8(b)(1)

On January 22, 2014, we instituted an *inter partes* review of claims 1–8 of U.S. Patent No. 5,810,029 (“the ’029 patent”), based on a Petition filed by Atlanta Gas Light Company (“Petitioner”). Because the Petition failed to identify all real parties in interest as required by 35 U.S.C. § 312(a)(2), we vacate our Decision to Institute (Paper 31) and terminate the review.

I. FACTUAL BACKGROUND

Petitioner is a utility company that constructs, operates, and maintains a natural-gas-system infrastructure in Georgia. Ex. 1037 ¶ 5. On July 18, 2012, Petitioner was served by Patent Owner with a complaint alleging infringement of the '029 patent in *Bennett Regulatory Guards, Inc. v. McJunkin Red Man Corp. and Atlanta Gas Light Company*, Civil Action 5:12-cv-1040 (N.D. Ohio) (“the related litigation”). Paper 4 (“Pet.”), 1. On July 3, 2013, the U.S. District Court dismissed Petitioner from the related litigation for lack of personal jurisdiction. *Id.* at 1–2. Exactly one year after being served in the related litigation, on July 18, 2013, Petitioner filed its Petition for *inter partes* review of the '029 patent. Paper 3.

Petitioner is a direct, wholly owned subsidiary of AGL Resources, Inc. (“AGLR”). Ex. 2006, 4. AGLR has officers, but no other employees, and is characterized by Petitioner as a “holding company that . . . conducts substantially all of its operations through its subsidiaries.” Paper 62 (“Reply”), 17 (citing Ex. 2043, 51:24–25, 59:11; Ex. 1039 ¶ 4).

Another of AGLR’s several subsidiaries is AGL Services Company (“AGLS”), a sister company of Petitioner. Ex. 2006, 5. AGLS “provides support services (*e.g.*, legal, supply chain, facilities) to various subsidiaries of AGLR, such as [Petitioner].” Reply 17–18 (citing Ex. 2043, 38:15–25, 43:18–44, 125:24–126:2). Petitioner explains that operating entities such as Petitioner “‘dictate what they want and what they need’ in the form of support services from AGLS.” Reply 18 (citing Ex. 2043, 92:13–22). The cost of work performed by AGLS on behalf of an entity, such as Petitioner, and the cost of materials related to such work are

charged to the entity receiving the service or using the materials. Reply 18 (citing Ex. 2043, 93:5–22, 97:1–4, 119:8–120:3).

Evidence presented established that, although certain functions are assigned to the different entities, they are referred to casually, both internally and externally, by the umbrella designations “AGL” or “AGL Resources.” *See, e.g.*, Ex. 2043, 8:23–9:2, 12:20–22. The extent of this corporate blurring is illustrated by negotiations with McJunkin Red Man Corporation (“MRMC”) related to indemnity provisions of a “Master Agreement for Inventory Support Services” (“the supply agreement”).¹ The supply agreement was entered into by AGLR “in its own behalf and/or on behalf of [AGLR] and one or more subsidiaries of AGLR.” Paper 55 (“PO Resp.”), 3 (citing Ex. 2018, 1); *see* Ex. 2006, 5. After Patent Owner sued Petitioner for infringement of the ’029 patent, Petitioner and MRMC disputed “whether any indemnity is owed between them” in connection with the related litigation as a result of those indemnity provisions. Paper 27, 4 (citing Ex. 1027 ¶ 3).

Negotiations with MRMC were undertaken by at least Robert (“Bob”) Schnorr and Bryony Hodges. PO Resp. 4–5. Mr. Schnorr serves as Vice President, Supply Chain and Fleet, for Petitioner, as well as for other AGLR subsidiaries. Reply 18 n.3; Ex. 1027 ¶ 1.² During such negotiations, various

¹ McJunkin Red Man Corporation was formed in 2007 as the result of a merger between McJunkin Corporation and Red Man Pipe & Supply Co. Ex. 2010. The relationships among various entities related to McJunkin Red Man Corporation are summarized by our diagram on page 8 of our Decision to Institute (Paper 31). Those details are not relevant to our conclusions herein.

² Mr. Schnorr’s deposition (*see* Ex. 2043) involved considerable inquiry by Patent Owner attempting to establish Mr. Schnorr’s precise position at Petitioner and/or related entities. Two factors appear to underlie much of the apparent disconnect

pieces of correspondence were exchanged directly between Mr. Schnorr and Rory Isaac of MRMC. *See* Exs. 2021, 2031–2033. Those originated by Mr. Schnorr are written on “AGL Resources” letterhead (*see, e.g.*, Ex. 2031) or bear the “AGL Resources” letterhead symbol in the body of an email communication (*see, e.g.*, Ex. 2033). Those originated by Mr. Isaac are addressed to Mr. Schnorr at “AGL Resources Inc.” (Ex. 2030) or “AGL Resources, Inc.” (Ex. 2032).³ The body of these pieces of correspondence identify the party with whom MRMC is negotiating as “AGL.”⁴ During his deposition, Mr. Schnorr testified that he had access to letterhead specific to Petitioner (“AGLC”), but did not “know specifically” whether he had previously written letters on “AGLC letterhead”: “it would depend

between Patent Owner’s questions and Mr. Schnorr’s responses: (1) different assumptions whether a vice-president is an “named officer” (*compare* Paper 87 (“Tr.”), 59:22 *with id.* at 75:3–10); and (2) Mr. Schnorr’s casual reference to “AGL Resources” as an umbrella term referring to AGLR and its subsidiaries. We need not decide whether the lack of clarity in Mr. Schnorr’s testimony resulted from a desire not to answer, a lack of knowledge, or a simple difference in assumptions underlying questions by Patent Owner and responses by Mr. Schnorr. The specific character of that lack of clarity is sufficient as evidence of the pervasive nature of the corporate blurring by AGLR and its subsidiaries, including Petitioner and AGLS.

³ Correspondence between attorneys was more precise in identifying parties to the negotiation. *See, e.g.*, Ex. 2022 (letter from Russell Blythe, counsel for Petitioner, to Rick L. Rambo, counsel for MRMC, identifying party as “Atlanta Gas Light Company”).

⁴ We accept Petitioner’s explanation at oral hearing that “the specific identification of a particular AGL entity or McJunkin entity was [not] at issue in the discussion.” Tr. 81:6–8. Nevertheless, the casual identification of “AGL” as a party to the negotiation and use of the “AGL Resources” logo by Mr. Schnorr contribute to an overall picture in which AGLR and its subsidiaries externally blur distinctions between them.

on the individual circumstance and *what company I was representing at the time.*” Ex. 2043, 144:15–145:13 (emphasis added).

In addition, Mr. Schnorr identifies himself as “Vice President, Supply Chain & Fleet at AGL Resources” on his LinkedIn[®] profile. Ex. 2045. His business card includes a similar identification and provides his email address as “bschnorr@aglresources.com.” Ex. 2048. A similar identification also is provided with his biographical information on the “AGL Resources” web site at http://www.aglresources.com/about/bios_Schnorr.aspx. Ex. 2047. The “AGL Resources” web site also identifies Mr. Schnorr as “Vice President, Supply Chain and Fleet” on a web page bearing the copyright notice “©2014 AGL Resources Inc.” Ex. 2035. Barbara Christopher, Assistant Corporate Secretary for Petitioner, provided a declaration in the related litigation that identifies Mr. Schnorr as an “officer[] of AGL Resources Inc.,” with the title “Vice President, Supply Chain and Fleet,” and that omits Mr. Schnorr’s name in a list of “officers” of Petitioner. Ex. 2046 ¶ 11. Mr. Schnorr testified that his “paycheck comes from AGL Resources Services, Inc. [presumably AGL Services Company].” Ex. 2043, 54:7–8.

Ms. Hodges’s participation in the negotiations is evidenced by an email string between her and Aditi Dravid, in-house counsel for an entity related to MRMC. Ex. 2026. Her email communications identify her as “Chief Counsel, Field Operations & Litigation,” without specific identification of the entity that employs her. *Id.* During those negotiations, Ms. Hodges used the email address “bhodges@aglresources.com.” *Id.* Ms. Christopher testified in the related litigation that Ms. Hodges is “employed by AGL Services Company,” and affirmatively testified that she is “not employed by Atlanta Gas Light Company [i.e., Petitioner].” Ex. 2038, 35.

We consider the facts related more directly to this proceeding in light of this corporate blurring. For example, in describing actions taken with respect to this proceeding, Mr. Schnorr signed a letter that stated:

Please note that, even in the absence of an indemnification agreement, AGL has taken steps to support [MRMC]’s defense. For example, AGL’s outside counsel has taken the lead on preparing joint exchanges and filings (including non-infringement contentions, invalidity contentions, and claim construction positions). In addition, *AGL has also filed a petition for inter partes review of [Patent Owner]’s U.S. Patent No. 5,810,029 by the U.S. Patent and Trademark Office – at AGL’s sole expense.*

Ex. 2031 (emphasis added). These statements were prepared with the assistance of Ms. Hodges. Ex. 2043, 161:20–162:1, 166:16–167:10. Preparation for Mr. Schnorr’s deposition included assistance by David Slovensky, whom Ms. Christopher identified as “Vice President and Associate General Counsel (Distribution Operations)” for “AGL Resources Inc.” Ex. 2043, 11:21–12:15; Ex. 2046. Ms. Christopher did not identify Mr. Slovensky as an officer of Petitioner.

II. ANALYSIS

A petition for *inter partes* review “may be considered *only if*— . . . the petition identifies *all* real parties in interest.” 35 U.S.C. § 312(a)(2) (emphases added).

A. Burden

“In an inter partes review . . . , the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.” 35 U.S.C. § 316(e).

The statutory requirement that a petition for *inter partes* review identify all real parties in interest defines a “threshold issue.” See *ZOLL Lifecor Corp. v. Philips Elec. N. Am. Corp.*, Case IPR2013-00606, slip op. at 10 (PTAB Mar. 10, 2014) (Paper 13). The Office Trial Practice Guide (“Practice Guide”) explains that “[t]he typical common-law expression of the ‘real party-in-interest’ . . . does not fit directly into the AIA trial context” because that notion reflects standing concepts, and no such requirement exists in the context of an *inter partes* review proceeding.” 77 Fed. Reg. 48,756, 48,759 (Aug. 14, 2012). Rather, a real party in interest is a party that “desires review” of the patent at issue, and “may be the petitioner itself, and/or it may be the party or parties at whose behest the petition has been filed.” *Id.* The Practice Guide further directs parties to the Office’s prior application of similar principles in the context of *inter partes* reexaminations, specifically noting those set forth in *In re Guan, Inter Partes Reexamination Proceeding*, Control No. 95/001,045, Decision Vacating Filing Date (Aug. 25, 2008).

In *Guan*, the Office explained that, generally, in *inter partes* reexamination proceedings, it “will not look beyond the required statement identifying the real party in interest,” but that exploration is appropriate when “the statement related to the real party in interest is not facially accurate, or is ambiguous.” *Guan* at 7. Similarly, in *inter partes* review proceedings, the Board generally accepts the petitioner’s identification of real parties in interest at the time of filing the petition. *Zoll*, 7 (citing 77 Fed. Reg. at 48,695).

The Board has adopted the Federal Rules of Evidence as applying to *inter partes* review proceedings. 37 C.F.R. § 42.62(a). The Office’s practice, explained in *Guan*, of initially accepting the identification of real parties in interest in a petition as accurate acts as a rebuttable presumption that benefits petitioners.

“[T]he party against whom a presumption is directed has the burden of producing evidence to rebut the presumption. *But this rule does not shift the burden of persuasion, which remains on the party who had it originally.*” Fed. R. Evid. 301 (emphasis added). Thus, when, as here, a patent owner provides sufficient rebuttal evidence that reasonably brings into question the accuracy of a petitioner’s identification of the real parties in interest, the burden remains with the petitioner to establish that it has complied with the statutory requirement to identify all the real parties in interest.⁵

This allocation of the burden for establishing whether third parties have, or have not, been identified properly as real parties in interest appropriately accounts for the fact that a petitioner is far more likely to be in possession of, or to have access to, evidence relevant to the issue than is a patent owner.

B. Factors

“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.” Practice Guide at 48,759. Several factors are relevant.

⁵ The Board has not adopted the Federal Rules of Civil Procedure. Nevertheless, an analogy with the allocation of burden to show satisfaction of the “minimal contacts” prong of the *International Shoe* test for personal jurisdiction by a district court—also a “threshold issue”—is instructive. *Int’l Shoe v. Wash.*, 326 U.S. 310 (1945). The Federal Circuit has held that this prong allocates the burden to the plaintiff to show that (1) the defendant purposefully directed its activities at residents of the forum state, and (2) the claim arises out of or relates to the defendant’s activities with the forum state. *Grober v. Mako Products, Inc.*, 686 F.3d 1335, 1346 (Fed. Cir. 2012). The burden allocated to the defendant of showing that personal jurisdiction is otherwise unreasonable relates to the “fair play and substantial justice” prong of the *International Shoe* test, and is reached only after the threshold “minimal contacts” prong has been satisfied by the plaintiff. *Id.*

Id. (citing *Taylor v. Sturgell*, 553 U.S. 880 (2008)). In *Taylor*, the Supreme Court identified the following factors, but noted that the list “is meant only to provide a framework . . . , not to establish a definitive taxonomy” (*Taylor*, 553 U.S. at 893 n.6): (1) whether the third party agrees to be bound by the determination of issues in the proceeding; (2) whether a pre-existing substantive legal relationship with the party named in the proceeding justifies binding the third party; (3) “in certain limited circumstances,” whether the third party is adequately represented by someone with the same interests; (4) whether the third party exercised or could have exercised control over the proceeding; (5) whether the third party is bound by a prior decision and is attempting to rehear the matter through a proxy; and (6) whether a statutory scheme forecloses successive hearing by third parties.

A common focus of inquiry is the fourth factor, namely whether the third party exercised or could have exercised control over the proceeding. But “[c]ourts and commentators agree . . . that there is no bright-line test for determining the necessary quantity or degree of participation to qualify as a ‘real party-in-interest’ . . . based on the control concept.” Practice Guide at 48,759 (citing *Gonzalez v. Banco Cent. Corp.*, 27 F.3d 751, 759 (1st Cir. 1994)).

C. Application

Both AGLR and AGLS have had a level of involvement in this proceeding. The issue before us is whether Petitioner has shown that that level of involvement is insufficient to conclude that they are real parties in interest.

We find that Mr. Schnorr engaged in negotiations with MRMC regarding whether indemnity was owed, and that he conducted those negotiations at least partially on behalf of AGLR. Even if Mr. Schnorr also has a position with Petitioner, both the testimony of Ms. Christopher and extrinsic evidence establish

that he is an officer of AGLR. In addition, even though he had access to letterhead specific to Petitioner, Mr. Schnorr repeatedly conducted those negotiations with letterhead that bears the designation “AGL Resources,” a federally registered trademark owned by AGLR.⁶ *See* Ex. 3001. Mr. Schnorr testified specifically that choice of letterhead would depend on the individual circumstances and which company he was representing at the time. His letter of August 5, 2013, to Mr. Isaac, in which Mr. Schnorr asserted that “AGL has also filed a petition for *inter partes* review . . . at AGL’s sole expense” was made in response to a letter addressed to him in his capacity at “AGL Resources, Inc.,” i.e., at AGLR. His August 5, 2013, letter was prepared with the assistance of Ms. Hodges, an employee of AGLS and not of Petitioner. Furthermore, Mr. Schnorr was prepared for his deposition in this proceeding, at least in part, by Mr. Slovensky, an officer of AGLR.

It remains unclear who paid the filing fees and legal expenses associated with this proceeding. Petitioner intimates that such fees and expenses may have been paid by AGLS and charged back to Petitioner, but makes no unambiguous statement to that effect:

Operating entities such as [Petitioner] ‘dictate what they want and what they need’ in the form of support services from AGLS. Work done by AGLS on behalf of an entity such as AGLC *may get billed* to the entity receiving the service. Likewise, the cost of materials – such as the accused products in the litigation – is charged to the entity that

⁶ Petitioner was asked at oral hearing about who owns the trademark, but did not provide an unambiguous response. Tr. 73:15–74:5. Contrary to the position taken by Patent Owner, we do not find that every use of “AGL Resources” letterhead must be imputed to AGLR. Rather, our conclusion that Mr. Schnorr engaged in negotiations, at least in part, on behalf of AGLR results from considering the totality of the circumstances.

uses the materials. As a sister company, there is no indication that AGLS could control AGLC's operations.

Reply 17 (emphasis added, citations omitted). Patent Owner correctly observes that Petitioner has not produced receipts or statements that show Petitioner paid the filing fee, and has not produced internal records showing a chargeback to Petitioner for any filing fees or other legal expenses that may have been paid by AGLS. Tr. 50: 2–51:7. When asked at oral hearing why Petitioner did not produce such documents, Petitioner's counsel replied that "it is not clear that there is any single document that would clear that up," and reaffirmed that his law firm represents Petitioner. *Id.* at 77:16–78:6.

Rather than maintaining well-defined corporate boundaries, AGLR, Petitioner, and AGLS are so intertwined that it is difficult for both insiders and outsiders to determine precisely where one ends and another begins. Indeed, use of the umbrella term "AGL Resources" in referring to AGLR and its subsidiaries—on letterheads, email addresses, website addresses, etc.—encourages the perception that AGLR and its subsidiaries function as a single entity. Although parent-subsidary relationships are not among those expressly identified by the Supreme Court in the second *Taylor* factor, this factor weighs heavily in favor of finding AGLR to be a real party in interest in this proceeding. *Taylor*, 553 U.S. at 894 ("Qualifying relationships include, *but are not limited to*, preceding and succeeding owners of property, bailee and bailor, and assignee and assignor" (emphasis added)).

We also find that the fourth *Taylor* factor weighs in favor of finding AGLR to be a real party in interest in this proceeding, particularly when considered in light of Petitioner's overall burden to establish that it correctly identified all real parties in interest in its Petition. As explained in *Gonzalez*,

[T]here is no bright-line test for gauging substantial control. The inquiry must be case-specific, and fact patterns are almost endlessly variable. The critical judgment cannot be based on isolated facts. Consequently an inquiring [tribunal] must consider the totality of the circumstances to determine whether they justify a reasonable inference of the nonparty's potential or actual involvement as a decisionmaker. . . . The nonparty's participation may be overt or covert, and the evidence of it may be direct or circumstantial—so long as the evidence as a whole shows that the nonparty possessed effective control over a party's conduct of the [proceeding] as measured from a practical, as opposed to a purely theoretical, standpoint.

Gonzalez, 27 F.3d at 759 (citations omitted).⁷ We emphasize that our determination that AGLR possessed sufficient control over the proceeding to conclude—in combination with application of other *Taylor* factors—that it is a real party in interest does not hinge on any particular, isolated fact. Rather, our determination results from consideration of the entire circumstance of AGLR's involvement in this proceeding, including the demonstrated participation of officers and employees of AGLR and AGLS and the lack of clarity over who actually financed filing fees and attorney costs.

In applying the remaining *Taylor* factors, we note that we give little weight to the fifth and sixth factors, which are not readily applicable to the facts at issue in

⁷ This quotation from *Gonzalez* continues by asserting that “[t]he burden of persuasion ultimately rests with him who asserts that control (or the right to exercise it) existed to such a degree as would warrant invoking nonparty preclusion.” *Gonzalez* addressed real party in interest in the context of whether issue preclusion could be asserted against a non-party to a prior litigation. Thus, its discussion of “burden of persuasion” is not entirely applicable here. However, we note that this assertion of who must come forward with evidence is consistent with our determination that Patent Owner must rebut adequately the presumption that Petitioner accurately identified all real parties in interest.

this proceeding. Although we conclude that AGLR has the same interests in this proceeding as Petitioner, and that Petitioner adequately represents those interests, we also give little weight to *Taylor*'s third factor because it is not apparent that this proceeding falls within the "limited circumstances" identified by the Supreme Court.

The only *Taylor* factor that weighs against finding AGLR to be a real party in interest is the first factor. No evidence establishes, or even suggests, that AGLR has agreed to be bound by the determination of issues in this proceeding. Indeed, Petitioner's vigorous opposition suggests the opposite.

D. Correction of Petition

We conclude that at least AGLR is a real party in interest that Petitioner failed to identify in its Petition. The Petition is, therefore, incomplete and, pursuant to 35 U.S.C. § 312(a)(2), may not be considered.

Petitioner argues that "the remedy is not termination of the IPR." Reply 20. Instead, Petitioner contends that "the Board could simply allow [Petitioner] one month to add other parties under 37 CFR § 42.106(b) and then proceed to a final decision." *Id.* Two considerations caution against doing so.

First, the Board has previously authorized amendment of a petition to correct the identification of real parties in interest under 37 C.F.R. § 42.106(b). *See, e.g., Petroleum Geo-Services Inc. v. Westerngeco LLC*, Case IPR2014-00678, slip op. at 6–7 (PTAB Aug. 12, 2014) (Paper 23). But Petitioner acknowledges that, to its knowledge, such authorizations have only been made by the Board *before* institution of a trial (Tr. 38:19–39:24), and we are unaware of any instance in which the Board has granted such an authorization *after* trial institution. Patent Owner contends that, because the Petition was, in fact, accorded a filing date, the

curative provisions of 37 C.F.R. § 42.106(b) are not applicable. Paper 65, 4. Patent Owner reasons that accepting Petitioner's position that a petition could be cured after institution for failure to identify all real parties in interest would encourage concealment at the time of filing. *Id.*

We lack sufficient briefing by the parties whether the curing provision of 37 C.F.R. § 42.106(b) should extend to correction of incomplete petitions after trial institution. Petitioner was aware that Patent Owner challenged its identification of real parties in interest, including its failure to identify AGLR as a real party in interest, before we instituted trial. Paper 13, 16; Paper 26, 8–11. Nevertheless, Petitioner did not request authorization to correct its Petition, even when granted authorization, over Patent Owner's opposition, to file a Reply to Patent Owner's Preliminary Response and Supplemental Preliminary Response to address issues raised under 35 U.S.C. § 312(a). *See* Paper 22, 2–3. At best, and only after institution of trial, Petitioner has *suggested* that correction of the Petition is a potential remedy—without actively and affirmatively seeking authorization to make such a correction and while simultaneously resisting acknowledging that AGLR is a real party in interest. Petitioner, thus, has failed to take the necessary steps to put the merits of its position squarely before us.

Second, Petitioner filed its Petition exactly one year after being served with a complaint in the related litigation. Pet. 1. Correction of the Petition as proposed by Petitioner would require assignment of a new filing date. 37 C.F.R. § 42.106(b). Because the new filing date necessarily would fall more than a year after service of the complaint, the Petition would be barred under 35 U.S.C. § 315(b) if service of the complaint was effective.

Both parties acknowledge that the complaint was dismissed with respect to Petitioner for lack of personal jurisdiction. Reply 20. Petitioner contends that the

complaint was dismissed without prejudice and, therefore, is treated as though it had never been filed under the reasoning of *Macauto U.S.A. v. BOS GmbH & KG*, Case IPR2012-00004, slip op. at 15 (PTAB Jan. 24, 2013) (Paper 18). Patent Owner contends that “*Macauto* does not stand for the sweeping proposition that any dismissal of a complaint without prejudice makes service a nullity,” distinguishing the *voluntary* dismissal at issue in *Macauto* with the *involuntary* dismissal in the litigation related to this proceeding. Although Petitioner appears to have the stronger position, Petitioner’s failure to seek authorization to correct its Petition again leaves us with insufficient briefing to address fully this issue on its merits.

In the absence of adequate opportunity by both parties to address fully the issues of (1) whether 37 C.F.R. § 42.106(b) applies to correction of petitions after institution of a trial, and (2) whether an involuntary dismissal for lack of personal jurisdiction renders service of a complaint a nullity, we decline to decide these issues.

E. Sanctions

During the course of the trial, Petitioner cross-examined, as routine discovery, Gregory A. Bennett and Joseph M. Prah, both of whom provided declarations filed in this proceeding by Patent Owner. *See* Exs. 1031, 1032. At the depositions of both Mr. Bennett and Dr. Prah, before examination by Petitioner, Patent Owner objected to the qualifications of the videographer and the court reporter, asserting that it believes a contractual relationship between them and Petitioner’s counsel calls their objectivity into question. Ex. 2052, 5; Ex. 2053, 5. Patent Owner subsequently filed a Motion to Exclude the deposition testimony of Mr. Bennett and Dr. Prah, asserting that “[t]he court reporter was not authorized

by law to take the depositions in violation of 35 U.S.C. § 23, 37 C.F.R. § 42.53(f), and Rule 30(b)(5), Fed. R. Civ. Pro.” Paper 72, 2. In opposing Patent Owner’s Motion to Exclude, Petitioner filed a declaration by Linda Oda, General Manager for the Atlanta office of the reporting firm that employed the court reporter. Paper 78, 1; Ex. 1054. Patent Owner subsequently cross-examined Ms. Oda as routine discovery. Ex. 2058.

Each party requests that sanctions be imposed on the other party as a result of this sequence of events. Petitioner contends that Patent Owner lacked a good-faith basis for its Motion to Exclude, and that Petitioner improperly “was forced to conduct a factual investigation, obtain a declaration from a third party, and prepare [an] opposition paper.” Paper 78, 8. Patent Owner contends that Ms. Oda’s deposition was disrupted by actions of the deponent’s attorney that “were serious violations of the deposition guidelines laid down in Appendix D of the Trial Practice Guide as well as 37 C.F.R. [§] 42.1(b) and (c).” Paper 83, 3. Patent Owner specifically contends that Ms. Oda’s attorney “interpos[ed] numerous speaking objections,” “argued with [Patent Owner’s] counsel in a hostile manner, gave speeches, . . . answered questions as if he were a witness,” and “instructed the witness not to answer questions on a number of occasions that did not involve preserving a privilege.” *Id.* at 2–3.

The Board has discretion to impose a sanction against a party for misconduct, including “[f]ailure to comply with an applicable rule or order in the proceeding,” “[a]dvancing a misleading or frivolous argument,” and “actions that harass or cause unnecessary delay or an unnecessary increase in the cost of the proceeding.” 37 C.F.R. § 42.12(a). We decline to impose sanctions on either party.

Although Patent Owner's objections at the time of the depositions appear to be based on weak evidence, namely a remark made by the videographer (Paper 78, 4 n.3), it was required to make any objection to the qualifications of officers taking the deposition at the time of the deposition and on the record. 37 C.F.R. § 42.53(f)(8). Patent Owner's Motion to Exclude relies instead on sworn testimony by Tiffany Horton. Ex. 2054. Even if aspects of Ms. Horton's testimony would be entitled to little weight, we do not find Patent Owner's argument sufficiently frivolous to warrant imposition of sanctions.

We have reviewed the transcript of Ms. Oda's deposition and find Patent Owner's characterization generally accurate. But termination of this proceeding renders consideration of whether to exclude Ms. Oda's declaration and deposition transcript, as requested by Patent Owner (Paper 83, 3), moot. We also decline to award Patent Owner fees and expenses in connection with Ms. Oda's deposition. Petitioner was the proponent of Ms. Oda's direct testimony, and our Rules already contemplate that "[e]xcept as the Board may order or the parties may agree in writing, the proponent of the direct testimony shall bear all costs associated with the testimony, including the reasonable costs associated with making the witness available for the cross-examination." 37 C.F.R. § 42.53(g).

Because we terminate this proceeding and vacate our Decision to Institute, we do not reach the merits of Patent Owner's Motion to Exclude.

III. ORDER

In consideration of the foregoing, it is
ORDERED that the proceeding is hereby *terminated*; and
FURTHER ORDERED that the Decision to Institute (Paper 31) is *vacated*.

IPR2013-00453
Patent 5,810,029

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