

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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ZOLL LIFECOR CORPORATION  
Petitioner,

v.

PHILIPS ELECTRONICS NORTH AMERICA CORP. and  
KONINKLIJKE PHILIPS ELECTRONICS N.V.  
Patent Owner.

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Case IPR2013-00606  
Patent 5,593,427

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Before SALLY C. MEDLEY, MIRIAM L. QUINN, and GREGG I. ANDERSON,  
*Administrative Patent Judges.*

QUINN, *Administrative Patent Judge.*

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

## I. INTRODUCTION

On September 23, 2013, ZOLL Lifecor Corporation (“Petitioner” or “ZOLL Lifecor”) filed a Petition to institute an *inter partes* review of all the claims, claims 1-18 (the “challenged claims”), of U.S. Patent No. 5,593,427 (“the ’427 patent”). Paper 1 (“Pet.”). Koninklijke Philips Electronics N.V. (“Patent Owner”) timely filed a Preliminary Response. Paper 7 (“Prelim. Resp.”). The Board authorized the Petitioner to file a brief addressing the privity and real party-in-interest issues raised in the Preliminary Response. Paper 10. Petitioner filed a brief addressing those issues. Paper 11 (“Brief”). We have jurisdiction under 35 U.S.C. § 314.

After consideration of all the arguments and evidence presented by Petitioner and Patent Owner, we are persuaded that the Petition does not identify “all the real parties in interest,” as required by 35 U.S.C. § 312(a).

The instant Petition is denied under 35 U.S.C. § 315(b) for the reasons that follow.

### *Related Proceedings*

The ’427 patent is the subject matter of pending district court litigation, filed against Petitioner on September 21, 2012 and captioned *Koninklijke Philips N.V. v. ZOLL Lifecor Corp.*, No. 12-cv-1369 (W.D. Pa.) (“the Pennsylvania Action”). The Pennsylvania Action also involves seven other patents, all related to the ’427 patent. Prelim. Resp. 7. Each of these patents, including the ’427 patent, claims priority to the same application, No. 08/103,837, filed on August 6, 1993. *Id.*

A district court case filed by Patent Owner, captioned *Koninklijke Philips N.V. v. ZOLL Med. Corp.*, No. 10-cv-11041 (D. Mass.) (“the Massachusetts Action”), involves the parent company, ZOLL Medical Corporation (“ZOLL Medical”). Prelim. Resp. 6-7. In the Massachusetts Action, Patent Owner sued ZOLL Medical for infringement of six of the eight patents-at-issue in the

Pennsylvania Action. The '427 patent, although related to the other asserted patents, is not involved in the Massachusetts Action.

Petitioner has filed eight petitions (including the instant case) for *inter partes* review involving the patents in the Pennsylvania Action. Pet. 2. The Petition identifies as a related matter the Pennsylvania Action (involving Petitioner), but not the Massachusetts Action (involving the parent, ZOLL Medical). Pet. 2. On January 3, 2004, after Patent Owner filed its Preliminary Response, Petitioner amended its Mandatory Notice to list, as a related matter, the Massachusetts Action. Paper 9.

## II. DISCUSSION

### A. *Factual Background*

ZOLL Medical is a manufacturer of resuscitation devices and related software solutions. Ex. 2010. On April 10, 2006, ZOLL Medical announced that it had acquired the assets and business of Lifecor, Inc., a privately held company that designs, manufactures, and markets a wearable external defibrillator system. Ex. 2010. At the time ZOLL Medical acquired Lifecor, Inc., ZOLL Medical announced that it would operate the Lifecor, Inc. business through the ZOLL Lifecor subsidiary, based in Pittsburgh, Pennsylvania. *Id.* It is undisputed that ZOLL Lifecor, Petitioner, is a wholly-owned subsidiary of ZOLL Medical. Prelim. Resp. 1; Brief 1.

After the acquisition, ZOLL Medical referred to itself and Petitioner collectively as “ZOLL.” Ex. 2011 (ZOLL Medical’s Annual Report, Form 10-K, dated Dec. 15, 2006). In filed public financial statements, ZOLL Medical asserted that it “now manufactures and markets [a] wearable external defibrillator system [i.e., LifeVest] through its subsidiary, ZOLL Lifecor Corporation.” Ex. 2011 at 10.

Under the ZOLL brand, ZOLL Medical used a dedicated sales force to sell the Petitioner's LifeVest product. Ex. 2011 at 19. In 2008, ZOLL Medical asserted in public financial documents that ZOLL was conducting clinical trials related to the LifeVest product. Ex. 2013 at 27.

The LifeVest is Petitioner's only product, which is marketed on the ZOLL Medical website. Ex. 2014.

Petitioner sought a stay of the Pennsylvania Action based on the overlap with, and the impact of, the Massachusetts Action. Ex. 2005 at 5. Petitioner took the position that issues of invalidity addressed in the Massachusetts Action would be directly applicable to the eight patents involved in the Pennsylvania Action. Ex. 2005 at 2. The district court granted a stay of the Pennsylvania Action, and required the parties to mediate. Exs. 2007-08. Three officers of ZOLL Medical, which is not a party to the Pennsylvania Action, attended the mediation on behalf of Petitioner. Ex. 2018 at 6-7, 9; Ex. 2006 at 1. Petitioner also was represented at the mediation by Mr. Grossman, its Secretary, who provides legal guidance for both ZOLL Medical and Petitioner. Brief 5.

To maintain the stay, Petitioner again relied on the "high degree of overlap between this [Pennsylvania Action] and the Massachusetts [Action]," and that resolution of the parties' negotiations with Patent Owner involved a "global resolution" that included both pending Actions. Ex. 2006 at 1, 6. Petitioner argued against ramping up activity in the Pennsylvania Action because the parties were focusing on preparing for the trial in the Massachusetts Action. Ex. 2006 at 3-4.

The instant Petition for *inter partes* review was filed on September 23, 2013. Paper 1. The petitions rely on declarations from the same expert witness disclosed in the Massachusetts Action on behalf of ZOLL Medical. Exs. 1004 and 2022.

*B. Arguments Presented*

Patent Owner argues that the relationship between Petitioner and ZOLL Medical supports its contention that ZOLL Medical is a real-party-in-interest. Prelim. Resp. at 16-19.

Patent Owner further argues that ZOLL Medical's close involvement in the Pennsylvania Action shows control of Petitioner in the Pennsylvania Action and this proceeding. Prelim. Resp. 20-22.

Furthermore, Patent Owner argues that ZOLL Medical could have controlled Petitioner's involvement in this proceeding because:

(1) ZOLL Medical has the legal right of a parent corporation to control its wholly-owned subsidiary when there are common interests and the relationship justifies the parent's control, *id.* at 23 (citing *Copperweld Corp. v. Independence Tube Corp.*, 467 U.S. 752, 771-72 (1984)); and

(2) the Federal Circuit has recognized the legal right of a parent corporation to control an administrative proceeding, *id.* at 24 (citing *Dalton v. Honda Motor Co.*, 425 F. App'x 886, 890 (Fed. Cir. 2011) (dealing with standing by a parent corporation having a "real interest" in a TTAB proceeding)); and

(3) a favorable outcome in this proceeding would directly benefit ZOLL Medical, *id.* at 23 (citing Ex. 2010 at 1, 10).

In response, Petitioner argues that Petitioner is the real party-in-interest. Brief 3. Petitioner contends that it, not ZOLL Medical, has the greater liability for infringement of the patents for which *inter partes* review is requested, and that Petitioner is paying for and supervising the *inter partes* reviews and district court litigation without compensation from ZOLL Medical. Brief 3-5 (citing Exs. 1015-18).

Petitioner further argues that had the Board allowed testimonial evidence,<sup>1</sup> Petitioner would have established facts that show: (1) Petitioner's management develops the plans and budget for Petitioner's business, which are presented to ZOLL Medical for approval, as is typical in a parent-subsidary relationship, but the direction is provided from ground up, not top down; (2) ZOLL Medical does not hold the LifeVest regulatory approval, does not control LifeVest research, development, and manufacture, and does not control LifeVest marketing, sales, leasing, and revenue collection; (3) Petitioner is paying the costs of the litigation and the IPRs, and is not being compensated by ZOLL Medical for those costs; and (4) Petitioner's management is supervising the conduct of the IPRs and the litigation against Petitioner. Brief 4-5.

Petitioner disputes Patent Owner's assertion of control by ZOLL Medical because: (1) Petitioner has full control over its hiring, even though Petitioner and ZOLL Medical share the Career website; (2) Petitioner was represented at settlement by Mr. Grossman, its Secretary, who provides legal guidance for both companies; (3) the use of common counsel is not evidence of control; (4) the use of "we" in an SEC filing is not evidence of control; and (5) the LifeVest facility is subject to an obligation to ZOLL Medical, but not to its control. Brief 5-6 (citing Exs. 1016, and 1019-20).

C. 35 U.S.C. § 312(a)(2) and 37 C.F.R. § 42.8

Patent Owner urges the Board to vacate the Petition because Petitioner failed to identify ZOLL Medical as a real party-in-interest. Prelim. Resp. 15-27.

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<sup>1</sup> We note that the Board's authorization to file a brief on the issue of privity and real party-in-interest gave Petitioner discretion to file all evidence supporting Petitioner's arguments. Petitioner did not *request* authorization to file testimony and such a *request* was not precluded. See Paper 10.

Section 312(a) of Title 35 of the United States Code provides:

(a) REQUIREMENTS OF PETITION.—A petition filed under section 311 may be considered only if—

(1) the petition is accompanied by payment of the fee established by the Director under section 311;

(2) *the petition identifies all real parties in interest;*

(3) the petition identifies, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim, including—

(A) copies of patents and printed publications that the petitioner relies upon in support of the petition; and

(B) affidavits or declarations of supporting evidence and opinions, if the petitioner relies on expert opinions;

(4) the petition provides such other information as the Director may require by regulation; and

(5) the petitioner provides copies of any of the documents required under paragraphs (2), (3), and (4) to the patent owner or, if applicable, the designated representative of the patent owner.

For a petition to receive a filing date, the petition must satisfy section 312(a) statutory requirements. *See, e.g.*, 37 C.F.R. § 42.106; 77 Fed. Reg. 48,689 (Aug. 14, 2012). The mandatory notices included in the petition must, therefore, include the identification of “each real party-in-interest for the party.” 37 C.F.R. §§ 42.8(a)(1), (b)(1). The Board generally accepts the petitioner’s identification at the time of filing the petition. 77 Fed. Reg. at 48,695.

The Board accords a filing date and generally accepts minor deficiencies that do not impact the Board’s ability to determine whether to institute the review or the patent owner’s ability to file a preliminary response. *Id.* at 48,700-01. The Board, however, relies on petitioner’s identification of the real party-in-interest to determine conflicts of interest for the Office, the credibility of evidence presented in a proceeding, and standing of a party that previously has filed a civil action

involving a patent for which an *inter partes* review is requested. *Id.* at 48,617. The failure to identify all the real parties-in-interest impedes the Board's ability to determine whether a request for *inter partes* review is timely. This is so because an *inter partes* review may not be instituted if the petition is filed more than one year after the date on which the petitioner, the real party-in-interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. 35 U.S.C. § 315(b). Further, the failure to identify the real parties-in-interest impedes the Board's ability to determine whether *inter partes* review may be barred under 35 U.S.C. § 315(a)(1), or whether a real party-in-interest or privy of the petitioner is estopped from requesting review under 35 U.S.C. § 315(e).

Rule 42.106(a) provides petitioners a one-month time frame to correct defective petitions. 37 C.F.R. § 42.106(b). This rule is consistent with the requirement of 35 U.S.C. § 312(a) that the Board may not consider a petition that fails to meet the statutory requirements for a petition. 77 Fed. Reg. at 48,689.

A threshold issue for the Board is to determine whether ZOLL Medical is a real party-in-interest under 35 U.S.C. § 312(a) and 37 C.F.R. § 42.8(b)(2). That determination follows.

#### *D. Real Party-in-Interest Analysis*

Patent Owner contends that ZOLL Medical controls and could have controlled both the business and legal proceedings of its wholly-owned subsidiary Zoll Lifecor. Prelim. Resp. 16, 22. In response, Petitioner argues that: (1) control is the wrong standard to apply in the real party-in-interest determination; (2) Petitioner is the sole real party-in-interest; and (3) Petitioner is not estopped because the parties, the accused products, and the asserted claims are different in the Pennsylvania and Massachusetts Actions. Brief 1.

“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.” 77 Fed. Reg. at 48,759. “[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 real party or parties at whose behest the petition has been filed.” *Id.* (emphasis added). “Courts invoke the terms ‘real party-in-interest’ and ‘privy’ to describe relationships and considerations sufficient to justify applying conventional principles of estoppel and preclusion.” *Id.* The determination of whether a non-party is a real party-in-interest involves a consideration of “control.” *Id.*

Factors for determining actual control or the opportunity to control include existence of a financially controlling interest in the petitioner. 77 Fed. Reg. at 48,617 (discussing the mandatory notice codified in 37 C.F.R. § 42.8). Additional relevant factors include: the non-party’s relationship with the petitioner; the non-party’s relationship to the petition itself, including the nature and/or degree of involvement in the filing; and the nature of the entity filing the petition. 77 Fed. Reg. at 48,760.

The non-party’s participation may be overt or covert, and the evidence 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.*

After considering the evidence presented by Petitioner and Patent Owner we are persuaded by the evidence presented that ZOLL Medical is a real party-in-interest for purposes of 35 U.S.C. § 312(a)(2) and 37 C.F.R. § 42.8(b)(2), because

it “has the actual measure of control or opportunity to control that might reasonably be expected between two formal coparties.” 77 Fed. Reg. at 48,759 (quoting Wright & Miller § 4451). We are persuaded that the evidence presented by Patent Owner shows sufficiently that ZOLL Medical and Petitioner have a very close parent and wholly-owned subsidiary relationship with aligned interests and sufficient opportunity for ZOLL Medical to control the challenge to the patentability of the patent-at-issue in the instant petition.

Petitioner acknowledges that ZOLL Medical controls 100% of Petitioner and authorizes its budget and plans. Brief 4. Although Petitioner asserts that it is paying the costs and supervising the conduct of the IPRs, and that Petitioner’s management is held responsible for its performance, Petitioner also acknowledges that its budgets and plans are approved by ZOLL Medical. *Id.* What Petitioner does not state affirmatively also is telling—that neither Mr. Grossman, who by admission provides legal counsel for both ZOLL Medical and Petitioner, nor legal counsel for ZOLL Medical provided input into the preparation of the IPRs filed by Petitioner.

The circumstantial evidence shows unified actions by Petitioner and ZOLL Medical in the “multi-state patent war” (Ex. 2006, 2)—of which the instant IPR is a part—with Patent Owner. We also are persuaded that Petitioner’s actions have blurred sufficiently the lines of corporate separation with its parent, ZOLL Medical, such that ZOLL Medical could have controlled the filing and participation of the IPRs. For example, the absence of Petitioner’s management team and presence of ZOLL Medical’s management team at the court-ordered mediation in the Pennsylvania Action suggest an involved and controlling parent corporation representing the unified interests of itself and Petitioner.

The Board provided Petitioner with an opportunity to rebut Patent Owner’s

assertions that ZOLL Medical is a real party-in-interest that should have been identified in its petition in accordance with 37 C.F.R. § 42.8 and 35 U.S.C. § 312(a). Petitioner argued, unpersuasively, that control is not the legal standard and that its relationship with ZOLL Medical is like that of co-defendants who face the same plaintiff. Brief 5. We disagree that control is not a factor. See 77 Fed. Reg. at 48,759. We also are not persuaded that the relationship between ZOLL Medical and Petitioner merely is one of co-defendants who face the same plaintiff. Petitioner does not rebut the other indicia of control over its legal proceedings, such as ZOLL Medical's management team representing the Petitioner in the court-ordered mediation in the Pennsylvania Action, and Petitioner's arguing for a stay in district court on the basis that *the parties* (ZOLL Medical and Petitioner) would be busy with the ZOLL Medical trial. Further, we are not persuaded by Petitioner's argument that it is not estopped because of the differences between the Pennsylvania and Massachusetts Actions. Differences between the actions do not overcome the Board's determination that a non party is a real party-in-interest because of considerations of control.

Based on the foregoing, we determine that the failure to identify the parent corporation, ZOLL Medical, violates the statutory and regulatory requirements that the petition identify *all* real parties-in-interest. 35 U.S.C. § 312(a); 47 C.F.R. § 42.8(b)(1). To comply with these provisions the Petition should have identified ZOLL Medical as a real party-in-interest.

*E. Compliance With 35 U.S.C. § 312(a) and 37 C.F.R. § 42.8*

Having determined that the petition does not identify each real party-in-interest, 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 ZOLL Medical as a real party-in-interest. In this instance, however, curing the omission of ZOLL Medical as a real party-in-interest would be futile because, even if corrected, the earliest filing date that could be accorded to the Petition would not fall within the one-year period specified by 35 U.S.C. § 315(b).<sup>2</sup> Accordingly, we deny this petition as untimely.

### III. ORDER

After due consideration of the record before us, it is

ORDERED that the petition is denied and no trial is instituted.

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<sup>2</sup> Petitioner was served with a complaint alleging infringement of the '427 patent on September 21, 2012. Thus, the one year period expired on September 21, 2013. *See* 35 U.S.C. § 21(b).

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