

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

PROPPANT EXPRESS INVESTMENTS, LLC,
PROPPANT EXPRESS SOLUTIONS, LLC,
Petitioner,

v.

OREN TECHNOLOGIES, LLC,
Patent Owner.

Case IPR2017-01917
Patent 9,296,518 B2

Before MITCHELL G. WEATHERLY, KEVIN W. CHERRY, and
MICHAEL L. WOODS, *Administrative Patent Judges*.

CHERRY, *Administrative Patent Judge*.

ORDER
Denying Patent Owner's Motion to Terminate
37 C.F.R. §§ 42.5, 42.20

I. INTRODUCTION

Pursuant to our authorization (Paper 46), Patent Owner filed a Motion to Terminate this proceeding. Paper 53 (“Motion to Terminate” or “Mot.”). Petitioner filed an Opposition. Paper 60 (“Opposition” or “Opp.”). Patent Owner argues that Petitioner’s updated real-party-in-interest disclosures require that we must change the filing date of this Petition and therefore terminate the proceeding because this date change would place the Petition outside the one-year period under 35 U.S.C. § 315(b). For the following reasons, we *deny* Patent Owner’s Motion to Terminate.

II. BACKGROUND

On February 16, 2018, we entered a Decision on Institution in this case. *See* Paper 19 (“Institution Decision” or “Inst. Dec.”). In the Institution Decision, we declined to deny institution of the Petition based on Patent Owner’s argument that the Petition failed to name all of the real parties in interest. Inst. Dec. 15–20. In particular, we determined that, on the record before us at institution, the evidence failed to show that Liberty Oilfield Services, LLC (“Liberty”) had controlled or was capable of controlling this proceeding, and therefore, on that record, was not shown to be an unnamed real party in interest. *See id.* at 20.

Patent Owner filed a Patent Owner Response on June 22, 2018. Paper 31 (“Patent Owner Response” or “PO Resp.”). In the Patent Owner Response, Patent Owner continued to argue that this proceeding should be dismissed because Petitioner failed to name all of the real parties in interest. *See* PO Resp. 3–28. However, Patent did not argue that Liberty was the unnamed real party in interest. *See id.* Instead, Patent Owner argued that

Big Box Proppant Investments LLC (“Big Box”), a member of Proppant Express Solutions, LLC, and Proppant Express Investments, LLC, was an unnamed real party in interest. *Id.*

On July 12, 2018, we conducted a teleconference with the parties to discuss Patent Owner’s request to file a motion to terminate for failure to name all of the real parties in interest based on certain deposition testimony from the underlying district court litigation, *SandBox Logistics, LLC v. Proppant Express Investments, LLC*, 4:17-cv-00589 (S.D. Tex). *See* Ex. 2079 (Transcript of July 12, 2018, Teleconference). We denied Patent Owner’s request to file a motion to terminate but granted Patent Owner the opportunity to file a supplement to its Patent Owner Response to address this testimony. *See* Paper 34. On July 9, 2018, the Federal Circuit decided *Applications in Internet Time, LLC v. RPX Corp.*, 897 F.3d 1336 (Fed. Cir. 2018) (“*AIT*”). In *AIT*, the Federal Circuit held that the Board “relied on an impermissibly narrow understanding of the common-law meaning of the term” real party in interest and explained that “[d]etermining whether a non-party is a ‘real party in interest’ demands a flexible approach that takes into account both the equitable and practical considerations, with an eye toward determining whether the non-party is a clear beneficiary that has a preexisting, established relationship with the petitioner.” *Id.* at 1336. In its Supplemental Patent Owner Response, Patent Owner argued that *AIT*

mandated that both Big Box and Liberty were real parties in interest. *See* Paper 40¹ (“Supplemental Patent Owner Response”).

On September 7, 2018, the Federal Circuit decided *Worlds Inc. v. Bungie, Inc.*, 903 F.3d 1237 (Fed. Cir. 2018), weakening the Board’s presumption that a petitioner’s listing of real parties in interest is correct.

On September 13, 2018, we issued our Decision on Institution in IPR2018-00733 (Ex. 3001, “733 Institution Decision” or “733 Inst. Dec.”). In the 733 Institution Decision, we agreed with Petitioner that even under the new test articulated in *AIT* and the weakened presumption of *Worlds* that Big Box—the sole party that Patent Owner contended, at that time, was an unnamed real party in interest in IPR2018-00733—was not an unnamed real party in interest. 733 Inst. Dec. 17–19. Yet, given the standards articulated in *AIT* and *Worlds*, we noted that Patent Owner had presented evidence that suggested that Liberty may be an unnamed real party in interest. *Id.* at 19–20. However, given that we were raising the argument *sua sponte* and Petitioner had not had an opportunity to respond, we declined to decide the issue. *Id.* at 20. Instead, we authorized Patent Owner to file a motion to terminate and a motion for additional discovery. *Id.* We also offered Petitioner the opportunity to update its Mandatory Notices to name Liberty and/or Big Box as a real party in interest in IPR2018-00733. *Id.*

¹ Patent Owner’s original Supplemental Patent Owner Response was filed on July 31, 2018. However, as we noted in an order on August 10, 2018, the Supplemental Patent Owner Response contained material not authorized in our original order authorizing the Supplemental Patent Owner Response (*see* Paper 39), so Patent Owner filed a corrected Supplemental Patent Owner Response on August 13, 2018.

On September 19, 2018, we had a teleconference with the parties to discuss Petitioner's request to update its Mandatory Notices to name Liberty and Big Box in all of the proceedings between the parties then pending before the Board (IPR2017-01917, IPR2017-01918, IPR2017-02103, IPR2018-00733, and IPR2018-00914). *See* Paper 45 (Transcript of September 19, 2018, Teleconference). We granted Petitioner authorization to file updated Mandatory Notices in all these proceedings on the teleconference. *See* Paper 45, 28:12–25. We also later issued an Order further explaining the reasoning behind our decision to allow Petitioner to file updated Mandatory Notices naming additional real parties in interest. *See* Paper 44 (“Updated Notices Order”). In our Updated Notices Order, we explained that, in view of *AIT* and *Worlds*, updating Petitioner's Mandatory Notices “will serve to narrow the issues in dispute while also ensuring that the proper parties are subject to the estoppel provisions of 35 U.S.C. § 315(e).” Updated Notices Order 4. On September 19, 2018, Petitioner filed Updated Mandatory Notices stating

Petitioners hereby also identify Liberty Oilfield Services, LLC (“Liberty”) and Big Box Proppant Investments LLC (“Big Box”) as real parties-in-interest without admitting that they are in fact real parties-in-interest. Liberty and Big Box have agreed to be bound by 35 U.S.C. § 315(e)'s estoppel provisions to the same extent that Petitioners will be.

Paper 43, 2 (“Updated Mandatory Notices”).

On October 1, 2018, we held an additional teleconference with the parties where Patent Owner requested authorization to file the present Motion to Terminate. *See* Paper 46, Order Authorizing

Motion to Terminate; Ex. 2089 (October 1, 2018, Telephonic Hearing Transcript). It is this motion that we now consider.

III. ANALYSIS

A. *Legal Standard*

Under 35 U.S.C. § 312, a petition “may only be considered” if the petition “identifies all real parties in interest.” 35 U.S.C. § 312(a)(2). Our rules further specify that a petition will not be accorded a filing date until the petition satisfies various requirements, including identifying all real parties in-interest. 37 C.F.R. §§ 42.106, 42.104, and 42.8(b)(1). However, the Board has held that these requirements are not jurisdictional. *See Lumentum Holdings, Inc. v. Capella Photonics, Inc.*, Case IPR2015-00739, slip op. at 5 (PTAB Mar. 4, 2016) (Paper 38) (precedential). As the Board in *Lumentum* explained, “§ 312(a) sets forth requirements that must be satisfied for the Board to give consideration to a petition, however, a lapse in compliance with those requirements does not deprive the Board of jurisdiction over the proceeding, or preclude the Board from permitting such lapse to be rectified.” *Id.*; *see also Blue Coat Sys., Inc. v. Finjan, Inc.*, Case IPR2016-01444, slip op. at 10 (PTAB July 18, 2017) (Paper 11) (“Evidence [of failure to identify all real parties in interest] is, at best, suggestive of an issue that is not jurisdictional.”). In permitting a petitioner to amend its identification of real parties in interest while maintaining the original filing date, panels of the Board have looked to whether there have been (1) attempts to circumvent the § 315(b) bar or estoppel rules, (2) bad faith by the petitioner, (3) prejudice to the patent owner caused by the delay, or

(4) gamesmanship by the petitioner. *See Aerospace Communications Holdings Co. v. Armor All/Step Products Co.*, Case IPR2016-00441, slip op. 3 (PTAB June 28, 2016) (Paper 12).

B. Whether we can allow Petitioner to Update its Real-Parties-in-Interest Disclosure After Institution

Patent Owner argues that § 312 and its implementing rules are “clear,” and “must be strictly enforced,” such that the unamended Petition (i.e., the instituted Petition) cannot be considered because it failed to identify Liberty and Big Box as real parties in interest. Mot. 5. Patent Owner contends that “[a]t a minimum, if the newly-amended Petition were to be considered, it must be given a filing date of September 19, 2018, when Petitioners named Liberty and Big Box as RPI. This date, however, is well past the one-year bar under § 315(b).” *Id.*

We disagree with Patent Owner that we cannot allow Petitioner to update its real parties in interest to add allegedly unnamed real parties in interest after institution. The Board may, under 35 U.S.C. § 312(a), accept updated mandatory notices as long as the petition would not have been time-barred under 35 U.S.C. § 315(b) if it had included the real party in interest. As the U.S. Court of Appeals for the Federal Circuit has recognized, it “is incorrect” to “conflate[] ‘real party in interest’ as used in § 312(a)(2) and § 315(b), and claim[] that ‘§ 312(a)(2) is part and parcel of the timeliness inquiry under § 315.’” *Wi-Fi One, LLC v. Broadcom Corp.*, 878 F.3d 1364, 1374 n.9 (Fed. Cir. 2018) (en banc). “For example, if a petition fails to identify all real parties in interest under § 312(a)(2), the Director can, and does, allow the petitioner to add a real party in interest.” *Id.* “In contrast, if

a petition is not filed within a year after a real party in interest, or privy of the petitioner is served with a complaint, it is time-barred by § 315(b), and the petition cannot be rectified and in no event can IPR be instituted.” *Id.*

Here, there is no dispute that, at the time of filing of the Petition for this proceeding, none of the now named real parties in interest was subject to the § 315(b) time bar, i.e., none of them had been served with a complaint more than one year before the filing date of the Petition. Thus, because none of the now named real parties in interest would have been time-barred, we disagree with Patent Owner’s contention that we lack the authority to consider the newly updated mandatory notices without giving the Petition a new filing date. Indeed, many post-*Lumentum* Board decisions indicate that a petition may be corrected after institution of trial to add a real party in interest if warranted without assigning a new filing date to the petition. *See, e.g., ZTE (USA) Inc. v. Fundamental Innovation Sys. Int’l LLC*, Case IPR2018-00425, slip op. at 4–8 (PTAB Feb. 6, 2019) (Paper 34); *T-Mobile USA, Inc. v. Vertical Connection Techs.*, Case IPR2018-01388, slip op. 16–19 (PTAB Jan. 23, 2019) (Paper 14); *Tesco Offshore Services, Inc. v. Weatherford Tech. Holdings, LLC*, Case IPR2018-01308, slip op. at 10–11 (PTAB Dec. 10, 2018) (Paper 19); *Merck Sharp & Dohme Corp. v. Mayne Pharma Int’l Pty Ltd.*, Case IPR2016-01186, slip op. at 3–6 (PTAB Dec. 13, 2017) (Paper 70); *Intel Corp. v. Alacritech, Inc.*, Case IPR2017-01392, slip op. at 23 (PTAB Nov. 30, 2017) (Paper 11); *Axon EP, Inc. v. Derrick Corp.*, Case IPR2016–00642, slip op. at 3 (PTAB Nov. 21, 2016) (Paper 17); *Xactware Solutions, Inc. v. Eagle View Technologies, Inc.*, Case IPR2016-00586, slip op. at 4 (PTAB Nov. 2, 2016) (Paper 19); *see also AIT*, 897 F.3d

at 1364 (Reyna, J., concurring) (“Section 312(a)(2) is akin to a pleading requirement that can be corrected.”). Because we have the authority to allow Petitioner to update its naming of real parties in interest, we turn to considerations outlined above that other panels have considered.

C. Attempts to Circumvent § 315(b) Bar or Estoppel Rules

As we stated above, at the time of the original filing of the Petition, none of the now named real parties in interest was subject to the § 315(b) time bar. There is also no allegation that any of the now named real parties in interest were attempting to evade the estoppel rules in 35 U.S.C. § 315(e) or 37 C.F.R. § 42.73(d). Thus, we determine there has been no showing of attempts to circumvent the § 315(b) time bar or estoppel rules in this proceeding.

D. Prejudice to Patent Owner Caused by the Delay

Patent Owner alleges two distinct types of prejudice from Petitioner’s timing of its updated naming of real parties in interest. Mot. 7–9. First, Patent Owner argues that the delay caused it to devote significant time and resources to briefing the real-party-in-interest issue before the Board. *Id.* at 8. Second, Patent Owner contends that the delay also prejudiced Patent Owner before the district court. *Id.* We determine that Patent Owner’s arguments that it suffered prejudice from the timing of the Updated Mandatory Notices are unpersuasive. Mot. 7–9.

As for the first argument, we note that this issue has been vigorously disputed by the parties and involves a complex factual record, as we detailed in the Institution Decision in this case and in the 733 Institution Decision. *See* Inst. Dec. 15–20; 733 Inst. Dec. 8–21. Indeed, Petitioner prevailed

preliminarily in our Institution Decision, and Patent Owner did not raise the issue of Liberty being a real party in interest (it only initially raised the issue of whether Big Box was a real party in interest) until after *AIT*. See Paper 31 (Patent Owner Response), at 3–28. We also rejected Patent Owner’s argument that Big Box was a real party in interest in the 733 Institution Decision. See 733 Inst. Dec. 19. Thus, we are not persuaded that Petitioner’s arguments were made in bad faith or were meritless. See *Henderson v. Unum Life Ins. Co.*, 736 F. Supp. 100, 107 (D.S.C. 1989) (“Neither of the parties acted in bad faith in this action, as demonstrated by the fact that both were successful in part at various stages of the proceeding.”). In these circumstances, we do not believe that the cost of having to litigate a good faith dispute between the parties is the type of prejudice sufficient to warrant termination. See *Dassault Systemes, SA v. Childress*, 663 F.3d 832, 842 (6th Cir. 2011) (finding that delay and increased costs from having to actually litigate a dispute are not sufficient prejudice under Fed. R. Civ. P. 60); see also *Westlands Water Dist. v. United States*, 100 F.3d 94, 96 (9th Cir. 1996) (“[L]egal prejudice is just that—prejudice to some legal interest, some legal claim, some legal argument. . . . Expenses incurred in the litigation of an action, uncertainty arising from the unresolved dispute, or the threat of future litigation generally do not constitute prejudice as contemplated by [Fed. R. Civ. P.] 41(a)(2).”).

As for Patent Owner’s contention that it suffered prejudice before the district court, we believe there are two distinct deficiencies in that contention. First, the alleged prejudice occurred in another proceeding in another forum involving breach of contract claims that are not before us.

See Aerospace Comm'ns, Paper 12, at 5 (rejecting allegations of prejudice that occurred in other forums). Second, we are not persuaded by Patent Owner's contentions that the real-party-in-interest determination is coextensive with and dispositive of the question of whether Liberty or Petitioner has breached Liberty's contract with SandBox, such that its legal claims suffered as a result. Mot. 1 ("Petitioner refused to admit Liberty is a RPI because to do so would result in Liberty's liability for breach of contract . . ."), 12 ("Petitioners had every incentive to avoid admitting—and avoid a finding—that Liberty is an RPI, because it would obliterate Liberty's efforts to avoid liability for its breach of contract"). Patent Owner provides no persuasive support for this contention that under *AIT's* test the breach of contract and real-party-in-interest determinations are coextensive, so we decline to speculate about what effect a determination Liberty is a real party in interest would have on the question of breach of contract.

The preliminary injunction determination is also not evidence of prejudice. Patent Owner points to the district court's statement that there was no irreparable harm because, "most importantly," if the Board determined Liberty were a real party in interest, the Board would not institute an *inter partes* review. However, this was not the only basis for the district court's decision. *See Ex. 2039*, 6–7. The district court provided two other reasons for why there was no showing of irreparable harm, and further noted that SandBox had not clearly demonstrated that it would prevail on the merits, and "[a] 'likelihood of success' analysis would not weigh heavily in favor of SandBox." *Id.* at 6 n.5. Thus, again, we conclude that Patent

Owner's allegations of prejudice are merely speculation, not actual prejudice.²

Accordingly, we find no merit to Patent Owner's allegations of prejudice.

E. Bad Faith

Although Patent Owner mentions "bad faith," it provides no specific allegations of facts that demonstrate the alleged "bad faith." To the extent that it contends that its allegations of "gamesmanship" on the part of Petitioner evidence Petitioner's "bad faith," we analyze those allegations in our discussion of "gamesmanship" below.

F. Gamesmanship

1. Timing

Patent Owner contends that Petitioner's timing is evidence of gamesmanship. Mot. 9–11. In particular, Patent Owner argues that if Petitioner could have updated its notices in this way earlier, while maintaining its district court case, there is no justification for it to do so now. *Id.* at 9–10. Patent Owner further submits that the cases cited by Petitioner

² We note that Patent Owner raised the issue of Petitioner's Updated Mandatory Notices with the district court on September 24, 2018. *See* Ex. 2087. Petitioner responded to Patent Owner's letter to the district court. *See* Ex. 2088. Yet neither party provides us any information about if, or in what way, the district court addressed this request. We note that Patent Owner has since notified us that a stipulated judgment has been entered in the district court proceeding. *See* Paper 84. The judgment entered in the district court proceeding states that Patent Owner has stipulated to dismiss the breach of contract claim, which served as the basis for its Preliminary Injunction request, "with prejudice." *See* Ex. 2098 ¶ 5.

all involve pre-institution updating of the mandatory notices, not post-institution. *Id.* at 10–11. Patent Owner argues that Petitioner only updated its disclosures after the 733 Institution Decision indicated that Petitioner might lose on the issue of real parties in interest, and that this “gamesmanship” should not be rewarded. *Id.* at 11. Finally, Patent Owner argues that the *AIT* decision provides no reason to allow Petitioner to update its notices because Petitioner argued that (1) Big Box and Liberty were not real parties in interest under *AIT*, and (2) it was our decision in IPR2018-00733 that actually motivated Petitioner’s action. *Id.* at 14–15.

Petitioner argues that the timing of its filing its updated Notices is not evidence of gamesmanship, but instead an effort to respond to a Board-highlighted change in Federal Circuit law for how to assess real-party-in-interest issues. *Opp.* 13. Petitioner notes that it had previously prevailed on these issues in the Institution Decision, and that Patent Owner had abandoned the argument that Liberty was a real party in interest in its original Patent Owner Response, and that it only re-raised the issue in its Supplemental Patent Owner Response. *Id.* at 6. Petitioner notes that it acted promptly to add Liberty and Big Box once we raised the issue of Liberty potentially being a real party in interest *sua sponte* in the 733 Institution Decision. *Id.* at 12–13.

We agree with Petitioner that there is no evidence of gamesmanship in its timing of updating its Mandatory Notices. We note that Petitioner had preliminarily prevailed on the issue of whether Liberty was a real party in interest, and that it was not until we entered the 733 Institution Decision that Petitioner was aware that we were reconsidering that decision.

Moreover, *AIT* is not the only recent decision from the Federal Circuit altering the landscape of the law real parties in interest. As we noted above, the Federal Circuit also recently had issued its decision in *Worlds* at the time of Petitioner’s decision to update its Mandatory Notices. As we indicated in our Updated Notices Order, it is the combined effect of *AIT* and *Worlds* that placed these cases on different footing. Updated Notices Order 4.

Furthermore, we note that *AIT* dealt with the factual situation of avoiding the statutory bar under § 315(b). Considering that it was not until the 733 Institution Decision was entered when we *sua sponte* raised the issue of Liberty as a real party in interest, it is understandable that Petitioner might have been uncertain as to whether *AIT* would cause us to revisit our earlier real-party-in-interest decisions in this case. Given these circumstances, we determine that Petitioner’s timing was not the result of gamesmanship, but rather, it was a result of the change in the law caused by *AIT* and *Worlds* and our interpretation of those decisions.

2. *Manner*

Patent Owner also contends that the manner in which Petitioner identified Liberty and Big Box as real parties in interest—“without admitting they are in fact real parties-in-interest”—is evidence of gamesmanship. Mot. 11–14. However, Petitioner is correct that the Board has approved this type of disclosure a number of times. *See, e.g., Intel Corp. v. Hera Wireless S.A.*, Case IPR2018-01372, slip op. (PTAB Jan. 9, 2019) (Paper 23) (allowing Petitioner to update Mandatory Notices “without conceding that they would be determined to be real parties in interest under the governing legal standard”); *Halliburton Energy Serv., Inc. v.*

Schlumberger Tech. Corp., Case IPR2017-01574, slip op. 3–4 (PTAB Oct. 27, 2017). Moreover, we see nothing wrong with this approach as the identification fulfills the key purposes of identifying the real parties in interest—namely, “identifying potential conflicts, and to assure proper application of the statutory estoppel provisions.” Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,759 (Aug. 14, 2012); *see also ZTE*, IPR2018-00425, Paper 34, at 6–7 (discussing the “core functions” of the real-party-in-interest requirement).

Patent Owner’s complaint is not that the Updated Mandatory Notices fail to provide the protections of the estoppel provision of § 315(e). Instead Patent Owner complains, in essence, that Petitioner failed to provide a statement that could be readily and easily used in the district court to support its breach of contract claims. Yet the purpose of the real-party-in-interest requirement is not to provide evidence for other tangentially related claims in other forums. Moreover, Patent Owner’s complaint is founded on speculation that a statement by Petitioner that Liberty is a real party in interest would be dispositive to the breach of contract issue, and that the district court would find Petitioner’s disclaimer in its Updated Mandatory Notices to be sufficient to prevent that from happening. We decline to speculate on how the district court would interpret Petitioner’s real party in interest disclosures or what effect they might have had on a breach of contract claim, so we find Patent Owner’s arguments unpersuasive.

Accordingly, because the key purposes of the real-party-in-interest requirement have been accomplished and Patent Owner’s alleged harm is based on speculation of what the district court might have done in response

to the Updated Mandatory Notices, we do not find the manner in which Petitioner updated its Mandatory Notices to be evidence of “gamesmanship.”

IV. CONCLUSION

On the whole, we find it in the interest of justice to allow Petitioner to update its mandatory notices, while maintaining this proceeding’s original filing date. We find that doing so furthers the purpose of 35 U.S.C. § 312(a)(2) and avoids significant prejudice to Petitioner (i.e., dismissal of its Petition), without undue prejudice to Patent Owner.

V. ORDER

It is:

ORDERED that Patent Owner’s Motion to Terminate is *denied*.

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