

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

PARAMOUNT HOME ENTERTAINMENT INC.,
TWENTIETH CENTURY FOX HOME ENTERTAINMENT LLC, and
UNIVERSAL STUDIOS HOME ENTERTAINMENT LLC,
Petitioners,

v.

NISSIM CORPORATION,
Patent Owner.

Case IPR2014-00961
Patent 6,304,715 B1

Before PATRICK R. SCANLON, MICHAEL J. FITZPATRICK, and
BRIAN P. MURPHY, *Administrative Patent Judges*.

SCANLON, *Administrative Patent Judge*.

DECISION
Denying Institution of *Inter Partes* Review
35 U.S.C. § 312(a)(2)

I. INTRODUCTION

Petitioners Paramount Home Entertainment Inc., Twentieth Century Fox Home Entertainment LLC, and Universal Studios Home Entertainment LLC filed a Petition (Paper 1, “Pet.”) to institute an *inter partes* review of claims 1–5 of U.S. Patent No. 6,304,715 B1 (Ex. 1001, “the ’715 patent”) pursuant to 35 U.S.C. §§ 311–319.¹ Patent Owner Nissim Corporation filed a Preliminary Response (Paper 6, “Prelim. Resp.”) in which it argues that the Petition does not identify all real parties-in-interest. *See* 35 U.S.C. § 312(a)(2) (A petition filed may be considered only if, among other things, it identifies all real parties-in-interest.).

The Board authorized the parties, via email, to submit additional briefing addressing the issue of whether the Petition identifies all real parties-in-interest. Petitioners filed a Reply to Patent Owner’s Preliminary Response Regarding Identification of Real Parties in Interest (Paper 9, “Reply”). Patent Owner subsequently filed a Patent Owner Sur-Reply in Further Support of Preliminary Response (Paper 10, “Sur-Reply”). We have jurisdiction under 35 U.S.C. § 314; 37 C.F.R. § 42.4(a).

Upon consideration of the arguments and evidence presented by Petitioners and Patent Owner, we are persuaded that the Petition does not identify “all real parties in interest,” as required by 35 U.S.C. § 312(a)(2). Accordingly, the Petition is *denied*.

II. BACKGROUND

A. *Related Matters*

Petitioners state that, at the time of filing the Petition, they were “not aware of any co-pending litigation on the ’715 patent,” but they were “each planning to

¹ The Petition was accorded a filing date of June 16, 2014. Paper 3.

file complaints for declaratory relief with respect to the '715 patent in the U.S. District Court for the Central District of California" concurrently with the Petition. Pet. 1. Patent Owner indicates the '715 patent is involved in the following declaratory-judgment actions: (1) *Paramount Pictures Corp. v. Nissim Corp.*, No. 2:14-cv-04624 (C.D. Cal.), (2) *Twentieth Century Fox Home Entertainment LLC v. Nissim Corp.*, No. 2:14-cv-04626 (C.D. Cal.), and (3) *Universal City Studios LLC v. Nissim Corp.*, No. 2:14-cv-04628 (C.D. Cal.). Paper 5, 2; Prelim. Resp. 5–6; *see also* Reply 3 (identifying the same three actions). These three declaratory-judgment actions subsequently have been transferred to the Southern District of Florida. Ex. 1038.

B. The '715 Patent

The '715 patent, titled "Disc Having a Code for Preventing an Interference with a Playing of a Video Segment," issued on October 16, 2001. The '715 patent involves "playing a video provided by an optical disk." Ex. 1001, Abstract. The "invention relates to an automated control system and method that furnishes viewers with individualized automated editing and retrieval capabilities over the contents and length of a variable content video program in order to produce a transparently continuous and complete show." *Id.* at 1:10–14.

C. Illustrative Claim

Claim 1 of the '715 patent is illustrative of the claims at issue:

1. A laser readable disc for use in conjunction with a playback apparatus having a random access capability and a plurality of control functions for selectively playing separately addressed video segments, said laser readable disc comprising:

at least one spiral track storing a video program comprising a plurality of separately addressable video segments;

video segment address information directly defining said plurality of separately addressable video segments; and

at least one segment code, in addition to said address information, for preventing at least one of said control functions of said apparatus from interfering with a playing of at least one of said plurality of separately addressable video segments.

III. ANALYSIS

A. Real Parties-in-Interest

Petitioners identify Paramount Home Entertainment Inc., Twentieth Century Fox Home Entertainment LLC, and Universal Studios Home Entertainment LLC as the real parties-in-interest pursuant to 37 C.F.R. § 42.8(b)(1). Pet. 1. No other entity is identified by Petitioners as a real party-in-interest.

1. Patent Owner's Arguments

Patent Owner argues that “it is undeniable that the Petition fails to identify all of the real parties in interest.” Prelim. Resp. 4. In particular, Patent Owner asserts that Paramount Pictures, Paramount Home Entertainment Distribution Inc., NBCUniversal, Universal City Studios, Twenty-First Century Fox, MGM Studios and MGM Home Entertainment are all real parties-in-interest not identified in the Petition. *Id.* at 7, 24. Patent Owner’s Preliminary Response sets forth a number of arguments in support of its assertion that these entities (referred to hereafter as the “non-identified entities”) are real parties-in-interest in this proceeding.

First, Patent Owner notes that several of the non-identified entities are involved in one of the three declaratory-judgment actions identified above. *Id.* at 5–6. For example, Patent Owner indicates that Paramount Pictures Corporation and Paramount Home Entertainment Distribution Inc. are co-plaintiffs with Petitioner Paramount Home Entertainment Inc. in case No. 2:14-cv-04624. *Id.* at 5. Patent Owner asserts that the declaratory-judgment actions “encompass the

same subject matter as the present Petition,” and each action “was virtually a carbon copy of the others.” *Id.* Patent Owner also argues that “counsel for Petitioners in this *inter partes* review is the same counsel representing all of the parties in all of the declaratory-judgment actions.” *Id.* at 7.

In addition, Patent Owner points to the corporate relationships between each Petitioner and respective non-identified entities. *Id.* at 6–7. With respect to Paramount Home Entertainment Inc., Patent Owner argues that this Petitioner is a wholly-owned subsidiary of Paramount Pictures Corporation and that both corporations were listed in plaintiffs’ Notice of Interested Parties filed in the declaratory judgment action pursuant to Federal Rule of Civil Procedure 7.1. *Id.* at 6 (citing Exs. 2004, 2005); *id.* at 8 (citing Ex. 2004). Patent Owner asserts that, as “100% owner” of Petitioner Paramount Home Entertainment Inc., Paramount Pictures Corporation has “total financial control over Paramount Home Entertainment.” *Id.* at 13.

Furthermore, Patent Owner argues that some of the non-identified entities exercise control over respective Petitioners in connection with the dispute involving the ’715 patent. *Id.* at 12–20. This includes the contention that Paramount Pictures Corporation “has at all times possessed and exercised control of the dispute with Patent Owner since it arose.” *Id.* at 13. In support of this contention, Patent Owner states:

On November 6, 2013, Nissim sent a license offer letter to Scott M. Martin at Paramount Pictures. (Ex. 2016.) On December 10, 2013, Moses Mares (“Mr. Mares”) of Paramount Pictures responded. (Ex. 2017.) In a declaration submitted in Case No. 2:14-CV-04624, Mr. Mares stated that he is “Vice President of Information Technology Legal at Paramount Pictures” (Ex. 2018 ¶ 1), referred to various communications between Patent Owner and “Paramount” without ever mentioning Paramount Home Entertainment (*id.* ¶¶ 4-6), and referred to the

counsel that is providing representation in both the inter partes review and declaratory judgment proceedings as “my counsel” (*id.* ¶ 6). At no time did Paramount Pictures refer Nissim to Paramount Home Entertainment as the entity in control of the dispute.

Id. at 13–14 (footnote omitted). Patent Owner asserts that “as the party in actual control of the dispute with Patent Owner, as 100% owner of petitioner Paramount Home Entertainment, as co-plaintiff in case No. 2:14-cv-04624, and through representation there by the same counsel who represents Petitioners in this proceeding, Paramount Pictures ‘possesse[s] effective control from a practical standpoint.’” *Id.* at 14 (quoting *Zoll Lifecor Corp. v. Philips Elecs. N. Am. Corp.*, Case IPR2013-00609, slip op. at 10 (PTAB Mar. 20, 2014) (Paper 15)).²

2. Petitioners’ Arguments

Petitioners deny that any of the non-identified entities are real parties-in-interest, asserting “[t]he only [real parties-in-interest] to this Petition are Petitioners themselves.” Reply 1. Petitioners argue that they are the only real parties-in-interest because Petitioners “are the *only* parties who could even hypothetically be infringers.” Reply 2; *see also id.* at 4 (asserting that only entities that conceivably could infringe the ’715 patent—i.e., “entities that actually distribute video discs”—are real parties-in-interest); *id.* at 5 (“Each Petitioner here distributes DVDs and is the only corporate entity in its respective studio group that could *theoretically* infringe the ’715 [patent].”).

Petitioners further argue that each declaratory-judgment action was filed by multiple plaintiffs because Patent Owner failed to investigate who might be an actual infringer and “other entities received licensing correspondence from Patent

² Patent Owner refers to this case as “*Zoll II*.”

Owner, even though they are not reasonably accused of infringement.” *Id.* at 4. According to Petitioners, Patent Owner’s erroneous infringement accusations against other entities cannot transform those entities into real parties-in-interest under 35 U.S.C. § 312(a)(2), and the fact that “wrongly accused corporate entities are co-plaintiffs in the concurrently-filed [declaratory-judgment] actions is immaterial to the ‘real party in interest’ issue.” *Id.* at 5. Petitioners assert that “[i]t is also immaterial whether an entity is identified in a Corporate Disclosure Statement in a co-pending litigation, as different standards apply.” *Id.* (citing *Intellectual Ventures Management, LLC v. Xilinx, Inc.*, Case IPR2012-00018 (PTAB Jan. 24, 2013) (Paper 12)).

In addition, Petitioners dispute the contention that the failure to name the non-identified entities as real parties-in-interest was a deliberate effort to avoid the estoppel rules, noting that their co-plaintiffs in the declaratory-judgment actions “are *already barred* from filing further IPRs on the challenged patent under 35 U.S.C. § 315(a)(1) by virtue of having ‘filed a civil action challenging the validity of a claim of the [’715] patent.’” *Id.* at 6.

Lastly, Petitioners argue that a petitioner’s parent corporation is not a *de facto* real party-in-interest under 35 U.S.C. § 312(a)(2). *Id.* at 8 (citing *Compass Bank v. Intellectual Ventures II LLC*, Case IPR2014-00724, slip op. at 10–11 (PTAB Nov. 6, 2014) (Paper 12)). According to Petitioners, they are “separate business entities” from their co-plaintiffs in the declaratory-judgment actions, as well as any other related entities identified in Corporate Disclosure Statements filed in those actions. *Id.* at 8–9.

3. Analysis of Paramount Entities

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

Patent Trial Practice Guide provides guidance regarding factors to consider in determining whether a party is a real party in interest. 77 Fed. Reg. 48,756, 48,759–60 (Aug. 14, 2012). “A common consideration is whether the non-party exercised or could have exercised control over a party’s participation in a proceeding.” *Id.* at 48,759. And while an entity that “funds and directs and controls” a proceeding constitutes a real party-in-interest, “whether something less than complete funding and control suffices to justify similarly treating the [entity] requires consideration of the pertinent facts.” *Id.* at 48,760. 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. *Id.* Generally, a party does not become a “real party-in-interest” merely through association with another party in an unrelated endeavor. *Id.* A party also is not considered a real party-in-interest in an *inter partes* review solely because it is a joint defendant with a Petitioner in a patent infringement suit or is part of a joint defense group with a Petitioner in the suit. *Id.* Whether a party who is not a named participant in a given proceeding is a “real party-in-interest” to that proceeding “is a highly fact-dependent question.” *Id.* at 48,759.

After considering the arguments and evidence presented by Petitioners and Patent Owner, we are persuaded that Paramount Pictures Corporation is a real party-in-interest in this proceeding.³ As co-plaintiff in one of the declaratory-judgment actions, Paramount Pictures Corporation has a documented interest in invalidating the ’715 patent. *See* Ex. 2001 ¶ 77 (complaint asserting invalidity of

³ Because this determination leads us to deny the Petition, we do not reach whether any of the other non-identified entities is a real party-in-interest.

the “disputed claims of the ’715 patent”). Moreover, we are persuaded that the evidence presented by Patent Owner shows sufficiently that Paramount Pictures Corporation is an involved parent corporation that has exercised control, on behalf of itself and Petitioner Paramount Home Entertainment Inc., over the dispute involving the ’715 patent.

Patent Owner’s evidence shows that a vice president of Paramount Pictures Corporation (1) responded to Patent Owner’s license offer letter without referring Patent Owner to Petitioner Paramount Home Entertainment Inc. (Ex. 2017); (2) indicated that “Paramount and its attorneys” engaged in numerous communications with Patent Owner (Ex. 2018 ¶ 5); (3) referred to the counsel providing representation in this proceeding and the declaratory judgment actions as “my counsel” (*id.* ¶ 6);⁴ and (4) travelled to the office of Patent Owner’s attorney to view Patent Owner’s settlement agreement with Warner Bros. (*id.* ¶ 7). These actions “suggest an involved and controlling parent corporation representing the unified interests of itself and [Petitioner Paramount Home Entertainment Inc.]” *See Zoll Lifecor Corp. v. Philips Elecs. N. Am. Corp.*, Case IPR2013-00607, slip op. at 10 (PTAB Mar. 20, 2014) (Paper 13).⁵ We are not directed to any evidence showing that Petitioner Paramount Home Entertainment Inc., or its attorneys, took any action independent from its parent, Paramount Pictures Corporation, regarding the subject matter of this dispute prior to filing the Petition.

⁴ In fact, Paramount Pictures Corporation and Petitioner Paramount Home Entertainment Inc. are represented by the same law firm in case No. 2:14-cv-04624, and that firm also represents Petitioner Paramount Home Entertainment Inc. in this proceeding. *See* Ex. 2001 (joint complaint); Pet. 1–2.

⁵ Patent Owner refers to this case as “*Zoll I.*”

Petitioners' arguments, outlined above, are not persuasive. First, the argument that Petitioners "are the *only* parties who could even hypothetically be infringers" (Reply 2) is not persuasive because it is not supported with evidence showing that Paramount Pictures Corporation does not distribute video discs and, thus, cannot infringe the '715 patent. Even if Paramount Pictures Corporation could not be a "hypothetical infringer," this would not establish definitively that Paramount Pictures Corporation is not a real party-in-interest. As Patent Owner correctly argues, the touchstone for determining whether a non-party is a real party-in-interest is whether the non-party exercises control over a party's participation in the proceeding. Sur-Reply 1. Petitioners provide no authority for the notion that only "hypothetical infringers" can be real parties-in-interest. *Id.* at 2.

Second, Petitioners' attempt to blame Patent Owner's "failure to investigate who might be an actual infringer" (Reply 4) is misplaced. Petitioners provide a detailed explanation why Paramount Pictures Corporation (as well as other entities) participated in one of the declaratory-judgment actions (*see id.* at 4–5), but this is of no import to the question of whether Paramount Pictures Corporation is a real party-in-interest. Rather, the evidence discussed above shows that Paramount Pictures Corporation exercised control over the dispute involving the '715 patent and had the opportunity to control Petitioner Paramount Home Entertainment Inc.'s participation in this proceeding, and Petitioner has not rebutted the evidence effectively. Reply 5–7; Sur-Reply 1–2.

Third, Petitioners' argument that Paramount Pictures Corporation is already estopped from filing further petitions for *inter partes* review under 35 U.S.C. § 315(a)(1) (*id.* at 6) is also unpersuasive. Section 315(a)(1) cannot relieve a petitioner of its obligation under 35 U.S.C. § 312(a)(2) to identify all real parties-

in-interest. Section 312(a)(2) requires identification of *all* real parties-in-interest—not merely real parties-in-interest that are not estopped from filing further petitions. We note that assuring proper application of the statutory estoppel provision is not the only goal of the “real party-in-interest” requirement; another core function is to assist members of the Board in identifying potential conflicts. 77 Fed. Reg. at 48,759.

Finally, Patent Owner’s assertion that Paramount Pictures Corporation is a real party-in-interest does not rest solely on the status of Paramount Pictures Corporation as the corporate parent of Petitioner Paramount Home Entertainment Inc. As discussed above, Patent Owner presents substantial evidence showing that Paramount Pictures Corporation exercised control over the dispute involving the ’715 patent. This evidence distinguishes the present case from the facts of the *Compass Bank* case relied on by Petitioners. In *Compass Bank*, the Board determined that evidence demonstrating a parent-subsidary relationship, but not demonstrating sufficiently that the unnamed parent exercised or could have exercised control over the petitioner subsidiary, did not provide a sufficient factual basis to conclude that the parent should have been identified as a real party-in-interest. *Compass Bank*, slip op. at 11.

Based on the record before us, we determine that Paramount Pictures Corporation is a real party-in-interest. Petitioners’ failure to identify Paramount Pictures Corporation as a real party-in-interest renders the Petition non-compliant with 35 U.S.C. § 312(a)(2). As such, we may not consider the Petition to institute

an *inter partes* review. 35 U.S.C. § 312(a)(2). Accordingly, the Petition is *denied*.⁶

B. Motion to Seal

Patent Owner filed a Motion to Seal concurrently with its Preliminary Response, requesting to seal Exhibit 2015, which was also filed concurrently with the Preliminary Response. Paper 7. Patent Owner indicates that “[t]he content of Exhibit 2015 states that it contains confidential information,” and Patent Owner’s counsel certifies that, to the best of his knowledge, the information sought to be sealed has not been published or otherwise made public. *Id.* at 2. Patent Owner also certifies, pursuant to 37 C.F.R. § 42.54(a), that it has “conferred with Petitioner” in good faith, and the parties agree that Exhibit 2015 contains confidential information. *Id.*

In rendering this Decision, we find it unnecessary to rely on the information Patent Owner seeks to have sealed. For this reason, we expunge Exhibit 2015 from the record. Patent Owner’s Motion to Seal is *dismissed* as moot.

IV. ORDER

In consideration of the foregoing, it is hereby:

ORDERED that the Petition is *denied*;

FURTHER ORDERED that Patent Owner’s Motion to Seal is *dismissed*;

and

FURTHER ORDERED that Exhibit 2015 be expunged from the record.

⁶ Any attempt to cure the omission of Paramount Pictures Corporation as a real party-in-interest would be futile at this point because, as noted by Petitioners (*see* Reply 6), Paramount Pictures Corporation is now estopped under 35 U.S.C. § 315(a)(1) as a result of its participation in one of the declaratory-judgment actions.

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