

No. 18-\_\_\_\_

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In the  
**Supreme Court of the United States**

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WESTERNGECO LLC,

*Petitioner,*

v.

ION GEOPHYSICAL CORPORATION,

*Respondent.*

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**On Petition for Writ of Certiorari to the  
United States Court of Appeals  
for the Federal Circuit**

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**PETITION FOR A WRIT OF CERTIORARI  
(Redacted Public Version)**

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## QUESTIONS PRESENTED

35 U.S.C. §315(b) bars the Patent Office from instituting *inter partes* review proceedings to challenge a patent's validity "if the petition requesting the proceeding is filed more than 1 year after the date on which *the petitioner, real party in interest, or privy of the petitioner* is served with a complaint alleging infringement of the patent." (emphasis added).

Here, ION worked closely for years with another company, PGS, as its "launch partner," to develop a product found to willfully infringe WesternGeco's patents. ION and PGS shared an indemnity relationship, with ION making a "product assurance pledge" regarding the accused product and the asserted patents. After ION lost at trial and was concededly time-barred from pursuing IPRs, PGS filed petitions (which ION later joined), resulting in the invalidation of many of WesternGeco's patents. The Patent Office not only denied WesternGeco discovery into details of the PGS-ION relationship, it prohibited WesternGeco from even filing a motion for such discovery because WesternGeco did not already have evidence that ION "controlled" these IPRs. The Federal Circuit applied a "control" test in affirming.

The questions presented are:

1. Whether the court of appeals and agency erred by holding that "real party in interest, or privy of the petitioner" refers only to others who "control" the petitioner's litigation before the agency.
2. Whether the Patent Office may deny discovery—or even leave to file a discovery motion—designed to meaningfully test whether that statutory prohibition applies, and then invalidate a patent.

**CORPORATE DISCLOSURE**

All parties are listed in the caption. Petroleum Geo-Services, Inc. was a party in proceedings before the agency and the court of appeals, but withdrew from the appeals following a settlement.

Petitioner WesternGeco LLC is an indirectly wholly owned subsidiary of Schlumberger Limited, which is a publicly traded company.

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## INTRODUCTION

This case presents an important question of statutory interpretation under the Leahy-Smith America Invents Act (AIA), involving the specific safeguard Congress adopted to prevent the abuse of *inter partes* review proceedings to serially attack a party's patents. In this case, the administrative agency thwarted Congress' will by unreasonably construing the statutory constraints on collaterally attacking patents in IPRs, and by extinguishing WesternGeco's patent rights *without even allowing WesternGeco to file a motion* requesting discovery to show that the privity that would trigger the statutory prohibition existed—despite public evidence of a close relationship and the fact that virtually all additional evidence of the details of that critical relationship would necessarily reside with the IPR petitioners. That is no way to run an IPR process and not what Congress had in mind when it expressly prohibited untimely collateral attacks by those in privity with time-barred entities.

In the AIA, Congress made the structural choice that newly-enacted procedures to challenge patents would be “party-directed” and “adversarial,” rather than an “agency-led, inquisitorial process.” *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1355 (2018). Congress limited the agency's authority to conduct those proceedings *sua sponte*. The agency can neither initiate those proceedings on its own, nor define their contours. The agency's authority depends on the presence and scope of a properly filed petition. *Id.*

A key part of Congress' structural choice was its decision to limit *who* could petition, and *when*. Under

35 U.S.C. §315(b), the agency has no power to act on petitions filed by parties who had already been sued for infringement of the patents more than a year prior. Congress meant for the new proceedings to be a cost-effective *alternative* to litigation, not a tool for harassment, and certainly not a second bite at the apple for litigants who already had an opportunity to dispute the patent's validity in court.

Importantly, the same statute prevents that basic prohibition from being circumvented by precluding the agency from proceeding if a "*real party in interest, or privy of the petitioner*" had been sued more than a year prior. 35 U.S.C. §315(b) (emphasis added). In other words, Congress decided that the time bar applicable to defendants who had been sued more than a year prior extends not just to the named defendants but also to *real parties in interest and privies* of those named defendants.

The agency, apparently loath to have its discretion to entertain collateral attacks constrained, has read the prohibition on privies so narrowly as to nearly excise it from the statute. It then compounded that error by foreclosing any meaningful effort by the patent holder to demonstrate privity. The court of appeals' decision in this case has now blessed that one-two punch. That decision thwarts Congress' will in two ways that warrant this Court's review.

First, the court of appeals affirms the agency's emphatic, repeated rulings that the category of "real party in interest or privy of the petitioner" only applies if a time-barred party "*controls*" the petitioner's conduct before the agency. That artificially narrow construction is inconsistent with the meaning common

law and precedent assigns to those terms. It not only reads words out of the statute but disregards the basic rule that when Congress uses common law terms it intends to incorporate their well-understood meanings. And concepts of privies and privity have never been understood to require control. By unreasonably construing this critical statutory limit on its own authority, the agency has unlawfully expanded its power to invalidate patents far beyond what Congress provided.

Second, the decision below violates the Administrative Procedure Act and constitutional due process protections by affirming the agency's practice of denying patent owners leave *even to file a motion* for discovery into whether the petition is time-barred due to the petitioner's relationship with another time-barred party. In this case, WesternGeco sued ION for infringement in 2009 based on an infringing product PGS commissioned ION to make and that ION and PGS co-developed, tested, and commercialized over the course of a multi-year relationship—which included a variety of indemnity agreements and product assurances. PGS appeared in WesternGeco's district court litigation with ION, and resisted discovery based on a "common interest privilege" with ION. Nonetheless, PGS filed petitions for *inter partes* review of WesternGeco's patents in 2014. During the IPR proceedings, WesternGeco sought discovery into PGS's relationship with ION to demonstrate the proceedings were barred under §315(b). However, relying on its view that a "real party in interest or privy of the petitioner" means a third party who controls the IPR, the agency denied WesternGeco leave even to file a motion, and proceeded to rule that

the challenged patent claims were invalid. That cannot be reconciled with the discovery provisions of the AIA, 35 U.S.C. §316(a)(5), nor with the structural time-bar restrictions Congress imposed on the agency. At an absolute minimum, where there is a colorable argument that the time bar applies, a patent owner must be permitted to make a motion for time-bar discovery before its property rights can be destroyed by an administrative agency.

### OPINIONS BELOW

The court of appeals' panel opinion is reported at 889 F.3d 1308 (Pet.App.1a-39a). The court of appeals' order denying rehearing (Pet.App.243a-244a) is unreported. The agency's orders are unreported. Relevant orders are reproduced in the appendix.<sup>1</sup>

### JURISDICTION

The court of appeals entered judgment on May 7, 2018, and denied a timely-filed rehearing petition on July 16, 2018. On October 1, 2018, the Chief Justice granted an extension to December 13, 2018 to file this

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<sup>1</sup> The court of appeals' judgment resolves appeals from proceedings with six different agency docket numbers, referred to as "first round" (IPR2014-00687 -688, and -689), and "second round" proceedings (IPR2014-01475, -01476, and -01477). Within each "round," each docket number concerned a different patent, and all cases proceeded in parallel before the same adjudicators, including a common hearing. The agency's analysis of the issues relevant to this petition was identical across docket numbers within each "round." *Compare, e.g.*, Pet.App.78a-88a (final decision, IPR2014-00687, "time bar under 35 U.S.C. § 315(b)"), *with* CA-Appx.88-96 (final decision, IPR2014-00688, same). The appendix contains relevant orders and decisions from the both "rounds" relating to one of the three patents.

petition. This Court has jurisdiction under 28 U.S.C. §1254(1).

### **PERTINENT PROVISION**

35 U.S.C. §315(b) is titled “Relation to other proceedings or actions.” The full text of Section 315 is in the appendix to this petition. Subsections (b)-(c) provide as follows:

(b) **PATENT OWNER’S ACTION.**—An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

(c) **JOINDER.**—If the Director institutes an inter partes review, the Director, in his or her discretion, may join as a party to that inter partes review any person who properly files a petition under section 311 that the Director, after receiving a preliminary response under section 313 or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under section 314.

### **STATEMENT OF THE CASE**

#### **A. Legal Background**

##### **1. Inter Partes Reviews**

In 2011, Congress enacted the Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112-29, 125

Stat. 284, making the most significant revisions to the Patent Act in decades. The AIA established three new adjudicatory proceedings at the Patent Office for challenging the validity of patents, and a new adjudicatory body (the “Patent Trial and Appeal Board”) to hear the challenges.

Of the new proceedings, *inter partes* review (35 U.S.C. §§311-319) is the most popular with patent challengers. Since the new proceedings became available in 2012, 90% of the 9,000+ petitions filed with the Patent Office have challenged patents under the *inter partes* review program.<sup>2</sup> When an *inter partes* review is pursued to a final agency decision, the most common result is that all challenged claims are ruled invalid.<sup>3</sup>

## 2. The §315(b) Time Bar

In general, nearly anyone other than the patent owner can file a petition for *inter partes* review, including parties who may lack constitutional standing. *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2143-44 (2016); 35 U.S.C. §311(a).

Section 315(b), however, prohibits the agency from acting on petitions filed by parties already engaged in litigation (for more than a year) over the patent, *and* by others in league with those parties. The statute provides that “[a]n *inter partes* review *may not be instituted* if the petition requesting the proceeding is filed more than 1 year after the date on

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<sup>2</sup> USPTO, Patent Trial & Appeal Board, *Trial Statistics, IPR, PGR, CBM* at 3 (Sept. 2018), at [https://www.uspto.gov/sites/default/files/documents/trial\\_statistics\\_20180930a.pdf#page=3](https://www.uspto.gov/sites/default/files/documents/trial_statistics_20180930a.pdf#page=3)

<sup>3</sup> *Id.* at 11.

which *the petitioner, 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) (emphasis added).

Section 315(c) provides a narrow exception to the §315(b) bar—if the agency institutes proceedings in response to a proper, non-time-barred petition, it has discretion to join other parties to that proceeding, even petitioners who would otherwise be barred under §315(b). But this authorization for otherwise time-barred parties to join a properly-filed petition only underscores the importance of the prohibition of petition by time-barred entities *and* their privies. If a privy of a time-barred petitioner was free to file a petition, which then allowed the directly time-barred petitioner to intervene, there would be nothing left to the basic prohibition on belated petitions by parties like ION who are unquestionably time-barred.

Section §315(b) was meant to ensure that the new adjudicatory proceedings would be “quick and cost effective *alternatives* to litigation,” not “tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent.” H. Rep. No. 112-98, at 48 (2011) (emphasis added). Consistent with that objective, other sections of the AIA provide that one can challenge a patent *either* through a declaratory judgment action in court, *or* through *inter partes* review, but not both. 35 U.S.C. §315(a). Similarly, once a petitioner pursues an *inter partes* review to final decision, the petitioner (and its real party in interest or privy) is thereafter estopped from challenging the validity of the same patent with

arguments that were available in the *inter partes* review. *Id.* §315(e).

### 3. Discovery and Adjudication of Time-Bar Challenges

Neither the AIA nor the Patent Office's regulations provide specific procedures for determining whether the §315(b) bar applies. Patent owners who believe that the bar applies can raise the issue in a brief responding to the petition. 35 U.S.C. §§313, 316(a)(8). And they can ask the agency to compel relevant discovery. *See* 35 U.S.C. §§316(a)(5), (d)(2); 37 C.F.R. §42.51(b). But the agency's regulations require prior authorization from the agency before a motion can even be filed, 37 C.F.R. §42.20(a)-(b), thus permitting the agency to deny patent owners the right even to ask for discovery.

#### B. Prior Litigation

This case arises from *inter partes* review petitions that Petroleum Geo-Services, Inc. ("PGS") filed in April 2014 to challenge WesternGeco's patents.<sup>4</sup> The Patent Office instituted proceedings, and ION later joined under 35 U.S.C. §315(c).<sup>5</sup>

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<sup>4</sup> Later in 2014, PGS filed a "second round" of petitions, challenging other claims of the same patents. Those proceedings followed the same course as the "first round," and were affirmed on appeal in the same court of appeals decision. The only salient differences for present purposes are that the "second round" did not involve any of the claims ION was found to infringe in the district court litigation, and ION did not join those specific proceedings. The Federal Circuit nonetheless affirmed, even after PGS withdrew from all appeals.

<sup>5</sup> After the Patent Office instituted PGS's petitions, ION sought and obtained leave to join in the instituted proceedings.

By 2014, ION would undisputedly have been time-barred under §315(b) from filing its own freestanding petitions, as WesternGeco had sued ION in 2009 for infringement of the same patents. In 2012, a jury concluded that all of WesternGeco's patent claims were valid and willfully infringed by ION. CA-Appx.1971-1978.

In its appeal to the Federal Circuit, ION did not dispute the validity of WesternGeco's patents. *WesternGeco LLC v. ION Geophysical Corp.*, 791 F.3d 1340, 1342-43 (Fed. Cir. 2015). The Federal Circuit affirmed ION's liability for infringement. *Id.* at 1347-49. Subsequent proceedings have concerned the quantification of WesternGeco's damages. *See, e.g., WesternGeco LLC v. ION Geophysical Corp.*, 136 S. Ct. 2486 (2016) (GVR re: enhancing damages under 35 U.S.C. §284); *WesternGeco LLC v. ION Geophysical Corp.*, 138 S. Ct. 2129 (2018) (reversing Federal Circuit's ruling reversing trial court award of lost profits). The case is currently pending in the court of appeals, on remand from this Court.

### C. ION's Relationship with PGS

Before the agency, WesternGeco maintained that PGS's petitions were time-barred because ION was a "real party in interest or privy of" PGS under §315(b).

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Pet.App.201a-210a. Under the Patent Office's practices, an otherwise time-barred party may join a proceeding that someone else has initiated. That practice is not challenged here because PGS remained a party until *after* the patent claims were invalidated. The question here, thus, is only whether PGS should have been time-barred based on its relationship with ION (and whether WesternGeco should at least been allowed to file a motion to seek discovery into that relationship).

Although the agency did not permit WesternGeco to move for discovery, WesternGeco was nonetheless able to make a limited record documenting a close, 14-year relationship between ION and PGS directed to infringing WesternGeco's patents and collaborating to defend against WesternGeco's claims of patent infringement.

WesternGeco's litigation with ION concerned an infringing survey system that ION and PGS developed and built together from 2000 to 2007, specifically to compete with WesternGeco's patented product.

In 2000, PGS commissioned ION to design and develop the competing system. CA-Appx.3651-52. ION's proposal contemplated [REDACTED]

[REDACTED]  
with PGS, CA-Appx.3678, and ION [REDACTED]

[REDACTED] CA-Appx.3651; CA-Appx.3660 (describing [REDACTED] between ION and PGS); CA-Appx.3679-3680 (PGS expected to make [REDACTED])

In 2006, ION and PGS entered a "launch partner Agreement," which reaffirmed that [REDACTED] and committed to a plan to finalize and test the infringing system. CA-Appx.3728-32. In 2008, ION and PGS entered a Master Purchase Agreement, CA-Appx.5383-5408, which included a section titled "PATENT INFRINGEMENTS" and stated that an ION entity

“shall indemnify PGS from any claim by third parties regarding breach” of “any patent rights or other intellectual property rights belonging to third parties.” CA-Appx.5396.

The infringing system was launched in 2007, and WesternGeco sued ION in 2009. After WesternGeco sued, ION and PGS continued to work together both to continue to infringe and to defend against WesternGeco’s infringement claims. During the litigation, ION offered PGS a further “Pledge” to “secure” PGS’s “right to continue using” the infringing system. CA-Appx.4119-21. After the jury’s verdict, PGS sent ION a letter [REDACTED]

[REDACTED]  
including the agreement that an ION affiliate [REDACTED]  
[REDACTED]

[REDACTED]-Appx.4131.

During the trial, WesternGeco subpoenaed evidence from PGS. CA-Appx.3807-3810. PGS attended the trial, appeared in litigation through counsel, and remained in active communication with ION. In a privilege log from other litigation, PGS claimed a broad “common interest privilege” over two dozen communications between PGS and ION personnel, including “[d]iscussions re: WG [WesternGeco] litigation.” CA-Appx4137-4140. The privilege log withholds communications extending through 2013. CA-Appx4140.

In 2013, after the jury verdict against ION, WesternGeco filed a follow-on action against PGS

relating to PGS's domestic sales of surveys using the infringing product. See Complaint ¶23, S.D. Tex. No. 13-CV-2725 (filed Sept. 16, 2013). The complaint alleged that "WesternGeco was not compensated for some or all of [PGS's] infringement as a result of the ION litigation." *Id.* ¶24.

**D. The Agency Applies a "Control" Test to Hold that the Petitions are Not Time-Barred, and to Deny Leave to File a Motion for Time-Bar Discovery.**

In 2014, PGS filed petitions at the agency for *inter partes* review of the patents WesternGeco had asserted against ION in district court. A standalone petition from ION would undisputedly have been barred under §315(b) because ION had been sued nearly five years before.

At every juncture of the agency proceedings, WesternGeco maintained that PGS was equally time-barred because ION was a "real party in interest or privy of" PGS within the meaning of §315(b). See, e.g., Pet.App.78a-88a; Pet.App.135a-156a; Pet.App.182a-194a; Pet.App.221-234a; Pet.App.248a-253a; Pet.App.257a-261a. The agency rejected WesternGeco's arguments, each time reiterating its view that the statutory reference to "real party in interest or privy of the petitioner" required WesternGeco to demonstrate that ION *controlled PGS's conduct of the agency litigation*. See, e.g., Pet.App.138a ("Collaboration, by itself, is not evidence that ION has any involvement either *by way of control, or funding the filing of this Petition*." (emphasis added)); Pet.App.192a (same); Pet.App.232a (same); Pet.App.83a ("[W]e are not apprised of any evidence ...

indicative of *control*, or *potential to control this inter partes proceeding by ION.*" (emphasis added)); Pet.App.190a (same); Pet.App.231a (same); Pet.App.260a (WesternGeco "does not show any evidence that ION exercised or could have exercised control over Petitioner's participation in these proceedings." (emphasis added)).

Importantly, WesternGeco also tried to ask the agency to order discovery from PGS and ION under its rules, *see* 37 C.F.R. §42.51(b)(2), to substantiate its contention that PGS's petitions were time-barred. *See, e.g.,* CA-Appx2342-2343 (teleconference transcript); CA-Appx8543-8544 (teleconference transcript); CA-Appx.1108-1109 (pp. 6-12) (teleconference transcript); Pet.App.84a; Pet.App.150a-155a; Pet.App.168a; Pet.App.249a-252a; Pet.App.257a-261a. Consistent with the agency's narrow focus on whether ION could control PGS's participation in the agency proceedings, PGS had provided only voluntary discovery and limited its responses to "ION's participation in the IPRs" themselves. *See, e.g.,* CA-Appx.1114, 4077.

Because the Board's rules required WesternGeco to request authorization before a motion can be filed, 37 C.F.R. §42.20(b), WesternGeco was limited to abbreviated teleconferences with the agency adjudicators, where it could request leave to file a motion to compel time-bar discovery from ION. CA-Appx.2342-2343 (teleconference transcript); CA-Appx.8543-8544, 8550-8551 (teleconference transcript); CA-Appx.1108-1109 (pp. 6-12) (teleconference transcript). This was no fishing expedition by WesternGeco, given the public evidence

already showed a close business and legal relationship between PGS and ION. Nonetheless, the agency rebuffed WesternGeco at every turn. It did not merely refuse WesternGeco discovery; it refused even to allow WesternGeco to file a motion for discovery. Pet.App.164a-165a; Pet.App.168a-171a; Pet.App.150a-155a; Pet.App.249a-252a. As with its rulings on whether the §315(b) bar actually applied, the agency again focused narrowly on whether ION was “controlling” PGS’s participation in the agency proceedings. *See, e.g.,* Pet.App.170a (denying authorization to move for discovery for lack of “evidence or support ... that ION *is controlling the Present Proceedings and thus is a real party-in-interest*” (emphasis added)); Pet.App.164a (similar); Pet.App.156a; Pet.App.249a.

The agency proceeded to the merits and ruled that all of the challenged patent claims were invalid. *See* Pet.App.2a; Pet.App.89a-90a; Pet.App.159a-160a. WesternGeco appealed.

#### **E. The Court of Appeals Affirms the Agency’s Application of a “Control” Test.**

While the appeal was pending, WesternGeco and PGS settled, and PGS withdrew from the appeals, leaving ION to defend the agency’s decisions. Fed. Cir. No. 16-2099, ECF#86 (July 28, 2017) (order granting PGS’s motion to withdraw). The court of appeals affirmed the agency’s rulings.

At the outset, the court considered the meaning of “privity of the petitioner” under §315(b).<sup>6</sup> The court

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<sup>6</sup> WesternGeco’s brief focused on “privity” because it is broader than “real party in interest.” Pet.App.9a (citing WesternGeco’s

stated various general principles, but did not ultimately rely on any construction of the statute beyond that articulated by the agency. Pet.App.9a-15a. In so doing, the court of appeals suggested that the “due process” interests of parties who challenge patents at the Patent Office counseled in favor of a narrow construction of the statute. Pet.App.13a-15a.

Turning to the agency’s time-bar rulings—which, as explained, above, relied on a “control” test—the court of appeals affirmed. Pet.App.15a-21a. The court reasoned that “substantial evidence supports the Board’s finding that ION lacked the opportunity to control PGS’s IPR petitions.” Pet.App.17a. The court suggested that the agency considered other “factors,” but cited only the agency reasoning that relied explicitly and exclusively on “control.” *Compare, e.g.*, Pet.App.18a (citing CA-Appx.203), *with* CA-Appx.203 (WesternGeco “has not ... explained sufficiently why, or how, the evidence of ION and PGS’s relationship before, or during the *ION* lawsuit, is *indicative of control.*” (emphasis added)).

In a footnote, the court of appeals also affirmed the agency’s ruling denying WesternGeco leave to file a motion for discovery concerning ION’s relationship with PGS. Pet.App.21a n.9.

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brief); *see also, e.g.*, 77 Fed. Reg. at 48,759 (“The notion of ‘privity’ is more expansive, encompassing parties that do not necessarily need to be identified in the petition as a ‘real party-in-interest.’”); *cf. Captiva RX, LLC v. Daniels*, No. 14-CV-265, 2014 WL 5428295, at \*4 n.3 (M.D. Ga. 2014) (“If Party B is a real party in interest to the same legal rights of Party A in an action, then the two parties are in privity.”).

The court of appeals then affirmed the agency's rulings on the merits of the validity challenges. Pet.App.21a-39a. WesternGeco petitioned for rehearing, which the court denied after requesting a response from ION. Pet.App.244a.

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In reaching its decision, the court of appeals noted that "ION and PGS are distinct and unrelated corporate entities represented by different counsel." Pet.App.17a. Approximately a week after the court of appeals denied rehearing in this case, the firm previously representing PGS surfaced as ION's counsel in the co-pending patent infringement litigation on remand from this Court. Fed. Cir. No. 13-1527, ECF #143-147 (July 25, 2018) (entries of appearance). ION's new counsel in that case then contended in a supplemental brief and at oral argument that—because four of the six patent claims supporting the jury's 2012 damage award had been invalidated in these agency proceedings, the entire damage award in that case should be vacated and remanded for ION to receive a new damages trial. Fed. Cir. 13-1527, ECF #158 (Aug. 31, 2018) (supplemental brief). Proceedings in that case remain pending before the Federal Circuit.

## REASONS TO GRANT THE WRIT

### I. The Scope Of “Real Party In Interest Or Privy Of The Petitioner” in the AIA Warrants Review.

#### A. The Question is Important, Recurring, and Squarely Presented Here.

Section 315(b) is a congressional limit on the agency’s authority to act: “An inter partes review *may not be instituted*” if the petitioner, real party in interest, or privy of the petitioner had been sued for infringing the same patent a year prior.

The reason for Congress’ choice is readily apparent: to protect patent owners from serial attacks by closely-related parties seeking a second bite at the apple. Congress created administrative proceedings to be “quick and cost effective *alternatives* to litigation,” not “tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent.” H. Rep. No. 112-98, at 48 (2011). Parties like ION who have already had their day in court on the issue of validity—and lost—are precisely who Congress had in mind when it enacted §315(b).

Predecessor statutes confirm that Congress has always legislated with similar concerns in mind. Beginning in 1980, Congress provided administrative avenues for members of the public to bring potentially invalidating prior art to the attention of the Patent Office. “Any person at any time” may file a request for *ex parte* reexamination of a patent, 35 U.S.C. §302, but the requester cannot participate in any proceedings before the agency. *Id.* §305.

In 1999, Congress established *inter partes* reexaminations, which allowed patent challengers for the first time to participate in the proceedings before the agency and on appeal. See 35 U.S.C. §§314, 315 (2006). The 1999 statute provided that, once a party tried and failed to challenge a patent either in court or at the Patent Office, resulting in a “final decision,” it could not thereafter go to the other forum and make invalidity arguments that were available in the first forum. 35 U.S.C. §315(c) (2006) (estoppel in district court); *id.* §317(b) (2006) (bar to agency proceedings). Thus, parties like ION who had tried and failed to challenge a patent’s validity in district court could not thereafter pursue an *inter partes* reexamination on the same patent. *Id.* §317(b) (2006).

And to prevent easy circumvention by parties like ION and PGS, the 1999 statute included a bar against duplicative invalidity challenges brought either by a district court defendant or “its privies”:

Once a final decision has been entered against a party in a civil action ... that the party has not sustained its burden of proving the invalidity of any patent claim in suit ... then *neither that party nor its privies* may thereafter request an *inter partes* reexamination of any such patent claim on the basis of issues which that party or its privies raised or could have raised in such civil action... and an *inter partes* reexamination requested *by that party or its privies* on the basis of such issues may not thereafter be maintained by the Office....

35 U.S.C. §317(b) (2006) (emphasis added).

In 2011, when Congress created *inter partes* reviews and repealed *inter partes* reexaminations, it carried forward a similar judgment that the administrative proceedings should not be a tool for defendants like ION to file duplicative challenges to the same patents—either directly or through privies like PGS. 35 U.S.C. §315(b); *see also id.* §315(a) (declaratory judgment action and *inter partes* review cannot be maintained in tandem by same petitioner or real party in interest); §315(e) (estoppel for petitioners, real parties in interest, and privies).

In this Court's very first case under the AIA, Justice Alito's dissent highlighted the obvious unfairness that would follow if the agency and reviewing courts failed to carry out Congress' will as expressed in §315(b):

Other problems arise if the Patent Office fails to enforce the prohibitions against instituting *inter partes* review at the behest of challengers that have already sued to invalidate the patent or that were sued for infringement more than a year before seeking *inter partes* review. 35 U.S.C. §§315(a)(1), (b). Allowing such a challenge exposes the patent owner to the burden of multiplicative proceedings—including discovery in both forums, *see* §316(a)(5)—while permitting the challenger to exploit *inter partes* review's lower standard of proof and more favorable claim construction standard. Congress understandably thought that the Patent Office's power should not be wielded in this way.

*Cuozzo*, 136 S. Ct. at 2154 (Alito, J., dissenting). Those concerns were hypothetical in *Cuozzo*, but squarely presented here.

The scope of §315(b)'s time bar, while critically important, has not previously been presented to this Court. That is in part because the Federal Circuit's consistent view for years was that time-bar decisions were unreviewable. *Achates Reference Publ'g, Inc. v. Apple Inc.*, 803 F.3d 652, 658 (Fed. Cir. 2015), *cert. pet. dismissed by stipulation*, 136 S. Ct. 998 (2016), *overruled by Wi-Fi One, LLC v. Broadcom Corp.*, 878 F.3d 1364, 1366 (Fed. Cir. 2018) (en banc). Earlier this year, the Federal Circuit reversed course. *Wi-Fi One, LLC v. Broadcom Corp.*, 878 F.3d 1364, 1366 (Fed. Cir. 2018) (en banc). In nine months following *Wi-Fi One*, the Federal Circuit issued seven precedential opinions (including this case) resolving appeals where the patent owner contended that the petitioner was time-barred under §315(b)—thus confirming that the issue is important and recurring. *See* Pet.App.1a-39a (May 7, 2018); *Wi-Fi One, LLC v. Broadcom Corp.*, 887 F.3d 1329 (Fed. Cir. Apr. 20, 2018), *cert. pet. filed*, No. 18-599; *Applications in Internet Time, LLC v. RPX Corp.*, 897 F.3d 1336 (Fed. Cir. July 9, 2018); *Click-to-Call Techs., LP v Ingenio, Inc.*, 899 F.3d 1321 (Fed. Cir. Aug. 16, 2018) (en banc in part); *Luminara Worldwide, LLC v. Iancu*, 899 F.3d 1303 (Fed. Cir. Aug. 16, 2018); *Worlds Inc. v. Bungie, Inc.*, 903 F.3d 1237 (Fed. Cir. Sept. 7, 2018); *Bennett Regulator Guards, Inc. v. Atlanta Gas Light Co.*, 905 F.3d 1311 (Fed. Cir. Sept. 28, 2018); *cf. Hamilton Beach Brands, Inc. v. f'real Foods, LLC*, 908 F.3d 1328, 1336-38 (Fed. Cir. Nov. 16, 2018) (acknowledging the time-bar argument but not

reaching it because the patent owner had prevailed on the merits and not filed a cross-appeal).

This case squarely presents the issue, and is an ideal vehicle to resolve it. There is no question that Congress intended to bar parties like ION under §315(b) from directly filing petitions for *inter partes* review. And PGS—ION’s business partner, indemnitee, co-developer of infringing technology, and purported holder of a “common interest privilege”—is precisely the sort of “real party in interest or privy of the petitioner” that Congress had in mind when it chose to draft §315(b) to prevent circumvention of that clear restriction. WesternGeco preserved its challenge at every juncture of the proceedings below, and the court of appeals specifically took supplemental briefing on the question of “What is the proper standard to determine whether a party is a ‘real party in interest, or privy of the petitioner’ under 35 U.S.C. §315(b).” Fed. Cir. No. 16-2099, ECF#108 (Jan. 11, 2018) (order for supplemental briefing).

**B. Federal Circuit Precedent Construing and Applying the §315(b) Time Bar is Divided, Incoherent, and Inconsistent with Congress’ Will.**

Federal Circuit precedent construing “real in interest or privy of the petitioner” is divided and internally inconsistent in two ways.

*First*, the Federal Circuit treats “privy” and “real party in interest” as separate, unrelated terms, and has developed separate lines of precedent relating to each one. The statute, however, reflects that Congress considered “privy” to be a broader term that includes “real party in interest.” Some provisions of the AIA

refer only to “real parties in interest.” *See, e.g.*, 35 U.S.C. §§312(a)(2), 315(a). Others, like §315(b), refer both to “real parties in interest” and “privies.” 35 U.S.C. §§ 315(b), (e), 317(a). None refer to “privies” alone. Agency guidance likewise acknowledges that “[t]he notion of ‘privy’ is more expansive, encompassing parties that do not necessarily need to be identified in the petition as a ‘real party in interest.’” U.S. Patent & Trademark Office, *Office Trial Practice Guide*, 77 Fed. Reg. 48,756, 48,759 (Aug. 14, 2012); *cf. Captiva*, 2014 WL 5428295, at \*4 n.3 (“If Party B is a real party in interest to the same legal rights of Party A in an action, then the two parties are in privy.”); J. Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 Fed. Cir. B.J. 539, 611-12 (2012) (noting §315(a)’s comparatively narrower application “only” to “real parties in interest”).

Federal Circuit precedent, however, essentially severs “privy” and “real party in interest.” In *Applications in Internet Time*, the court distinguished the decision in this case as concerning only the meaning of “privy,” and construed “real party in interest” to have a broader meaning. 897 F.3d at 1347, 1351. Other decisions reflect the same approach. *See, e.g., Wi-Fi One*, 887 F.3d at 1346 (discussing only privy). *Applications in Internet Time* prompted a rehearing petition that contended that the decision was irreconcilable with this case and that the two cases together rendered the word “privy” superfluous. Pet. for En Banc Rehearing, Fed. Cir. No. 17-1698, ECF#81 at 3, 15 (filed Sept. 7, 2018). This Court’s review is needed to clarify the meaning of “real party in interest or privy of the petitioner.”

*Second*, the Federal Circuit is internally divided (and ultimately wrong) about the breadth of the “privy” term. The court’s precedential opinions that turn on the term “privy” all affirm the agency’s application of a test that requires that the petitioner actually “control” the alleged “privy,” or vice versa, *in the IPR itself*. Pet.App.16a-17a; *Wi-Fi One*, 887 F.3d at 1337-38 & n.3. Whether that is a proper approach to the term “real party in interest,” it is not for “privy.” In separate opinions—in dissent in *Wi-Fi One* and in concurrence in *Applications in Internet Time*—Judge Reyna has argued for a broader test. *Wi-Fi One*, 887 F.3d at 1346-54 (Reyna, J., dissenting); *Applications in Internet Time*, 897 F.3d at 1358-65 (Reyna, J., concurring). In *Wi-Fi One*, Judge Reyna criticized the panel majority and the agency for applying a narrow “control” test both to hold that the proceedings were not barred under §315(b) and to deny the patent owner’s request for discovery into that issue. 887 F.3d at 1346-54. Again, this Court’s review is needed to address the divide, and as explained below, to properly interpret the law.

Indeed, the Federal Circuit is the only court able to review the Patent Office’s rulings interpreting and applying §315(b). See 28 U.S.C. §1295(a)(4)(A); 35 U.S.C. §141(c). That court is unlikely to review *en banc* the statutory questions presented. In *Wi-Fi One*, the en banc court had a clear opportunity to address the meaning of §315(b)’s reference to “real party in interest or privy of the petitioner,” but instead remanded that case to a (divided) three-judge panel. 878 F.3d at 1375 (en banc court: “We remand for the panel to consider in the first instance the merits of Wi-Fi’s time-bar appeal.”); 887 F.3d at 1337-38 (panel,

affirming the agency's application of a "control" test); *id.* at 1346-54 (Reyna, J., dissenting). The court has denied subsequent rehearing petitions in that case, this case, and others. Six years and 9,000-plus petitions into the *inter partes* review program, this Court's review is sorely needed.

**C. The Decision Below Cannot Be Reconciled with the Language and Structure of the AIA.**

In the phrase "real party in interest or privy of the petitioner," "privy" is a broader term and includes "real party in interest." See 77 Fed. Reg. at 48,759; *Captiva*, 2014 WL 5428295, at \*4 n.3. In general, "privity" is a legal conclusion that a relationship between two entities is sufficiently close to warrant subjecting both to the same consequences. 18A Wright & Miller, *Federal Practice & Procedure* §4449 & n.33 (2d ed.). *Taylor v. Sturgell*, 553 U.S. 880, 894 n.8 (2008) ("The term 'privity,' however, has also come to be used more broadly, as a way to express the conclusion that nonparty preclusion is appropriate on any ground.").

This Court and others have described "privity" as a label or a term that resists efforts at precise definition. *Taylor*, 553 U.S. at 894 n.8 ("To ward off confusion, we avoid using the term 'privity' in this opinion."); *Nationwide Mut. Fire Ins. Co. v. George W. Hamilton, Inc.*, 571 F.3d 299, 310 (3d Cir. 2009) ("Privity is a term which the courts have never been able to define satisfactorily." (citation omitted)); *Meza v. Gen. Battery Corp.*, 908 F.2d 1262, 1266 (5th Cir. 1990) ("[P]rivacy has shown itself to be an elusive and manipulable concept.").

Nonetheless, whatever difficulties exist in defining the outer limits of “privity,” “control” cannot be the test. It is hornbook law that control is one way, but not the only way, to show “privity” between parties. *See, e.g.*, 18A Wright & Miller, §§4448-4449; *Shamrock Techs., Inc. v. Med. Sterilization, Inc.*, 903 F.2d 789, 793-94 (Fed. Cir. 1990); *Intel Corp. v. U.S. Int’l Trade Comm’n*, 946 F.2d 821, 838 (Fed. Cir. 1991).

In *Taylor v. Sturgell*, although this Court overruled a “virtual representation” doctrine of nonparty preclusion that some lower courts had adopted, it made clear that nonparty preclusion can apply without control. The Court explained that although there is a “general rule” that nonparties are not bound by prior judgments, there are at least six categories of recognized exceptions. 553 U.S. at 893 & n.6. Two categories suggest some measure of control. *Id.* at 895 (“Fourth, a nonparty is bound by a judgment if she ‘assumed control’ over the litigation in which that judgment was rendered. ... Fifth, a party bound by a judgment may not avoid its preclusive force by relitigating through a proxy). The other categories do not require control, and least two resemble this case. *Id.* at 894, 895 (“Second, nonparty preclusion may be justified based on a variety of pre-existing ‘substantive legal relationship[s] between the person to be bound and a party to the judgment. ... Sixth, ... a special statutory scheme may ‘expressly foreclos[e] successive litigation by nonlitigants ... if the scheme is otherwise consistent with due process.’”). *See also Wi-Fi One*, 887 F.3d at 1349-52 (Reyna, J., dissenting).

Legislative history and agency guidance indicate that Congress had a relatively broad conception of

“privity” in mind when it enacted §315(b)—certainly broader than control. Legislative history for §315(b) specifically cites and discusses *California Physicians Service v. Aoki Diabetes Research Institute*, 78 Cal. Rptr. 3d 646 (Cal. App. Ct. 2008), which describes “privity” as reaching “to the limits of due process,” and focusing on “the practical situation,” “not on a concept of identity of parties.” *Id.* at 658. See 157 Cong. Rec. S1360-02, S1376 (daily ed. Mar. 8, 2011) (Sen. Kyl); 154 Cong. Rec. S9982-02, S9987 (daily ed. Sept. 27, 2008) (Sen. Kyl); 77 Fed. Reg. at 48,759.

Section 315(c) further indicates that Congress cannot have intended that §315(b) would only bar petitions by petitioners in a “control” relationship with time-barred defendants. Subsections (b) and (c) together provide that an otherwise time-barred petitioner may join a challenge brought by a proper petitioner. If a non-time-barred, truly unrelated party files a petition challenging WesternGeco’s patents, then WesternGeco must defend against that challenge regardless of ION’s involvement, and Congress apparently did not intend to bar ION’s involvement in that circumstance. But here the allegedly proper petitioner PGS is the the business partner, indemnitee, co-developer of infringing technology, and purported holder of a “common interest privilege” with the time-barred party. If the agency is correct that joinder under §315(c) is allowed so long as the relationship between the petitioner and joining party falls somewhere short of “control,” then it is questionable why Congress would have bothered with §315(b) in the first place. Under the agency’s “control” test, time-barred parties like ION can circumvent §315(b) by soliciting or inducing others to file

petitions—so long as those measures stop somewhere short of “control.” That cannot be what Congress intended.

Neither of the court of appeals’ reasons for affirming the agency is convincing.

*First*, the court of appeals’ discussion of *Taylor* plainly misreads that case. At ION’s invitation, the court erroneously treated *Taylor*’s list of six categories of exceptions as “factors” or “considerations” that together supported the agency’s application of a control test in this case. See Fed. Cir. 16-1099, ECF#94, at 66 (Oct. 17, 2017) (ION’s brief, contending that “the test for privity in the [agency] ... involves the six factors articulated in *Taylor*...”); Pet.App.15a (“The Supreme Court in *Taylor* identified a non-exhaustive list of considerations where nonparty preclusion would be justified.”); Pet.App.17a (“Substantial evidence supports the Board’s finding that ION lacked the opportunity to control PGS’s IPR petitions. See *Taylor*, 553 U.S. at 894.”).

*Second*, the court of appeals affirmed the agency’s far narrower conception of privity as control based on a concern for a patent challenger’s purported “due process” right to challenge patents before the agency. Pet.App.13a-14a. The presumed right is questionable at best. Administrative avenues to challenge the validity of issued patents are not constitutionally required. Before 1980, none existed, and invalidity challenges were raised in court as defenses or counterclaims. See, e.g., 35 U.S.C. §282; *SAS Institute*, 138 S. Ct. at 1353; *Rubber-Tip Pencil Co. v. Howard*, 87 U.S. 498, 504-05 (1874). And even under the AIA, petitioners like PGS have no affirmative

entitlement to have the agency institute proceedings in response to a petition. As this Court noted in *SAS*, the statute “doesn’t *require* [the agency director] to institute” even if all legal criteria for institution are met. The agency may decline to institute for reasons including the general desire to avoid a backlog of petitions. Where, as here, a petitioner has no entitlement to having an *inter partes* review instituted in the first place, no “due process” rights are implicated by Congress’ choice of how narrowly or broadly to permit institution. *Bd. of Regents v. Roth*, 408 U.S. 564, 577 (1972); *Lyng v. Payne*, 476 U.S. 926, 942 (1986). Section 315(b) is Congress’s choice of how far to go in permitting litigation defendants and those in league with them from challenging patents in agency proceedings. Congress could have returned the law to the pre-1980 state of affairs with no administrative proceedings at all. It could have forbidden administrative proceedings anytime *anyone* had previously challenged a patent in court—privity or no privity. Or it could have done as it did with *ex parte* reexaminations and allowed anyone to file a petition at any time. There is no “due process” reason to construe section 315(b)’s reference to “real party in interest or privy” with any thumb on the scale toward breadth or narrowness.

Only this Court can review the Federal Circuit’s interpretation of §315(b) and, with it, the structural limits Congress placed on *who* may pursue IPRs. That review is plainly needed.

## II. The Agency's Denial of Time-Bar Discovery Warrants Review.

The decision below exacerbated matters by accepting both elements of the agency's one-two punch. Not only has the agency adopted an artificially narrow conception of privity, but it precluded any meaningful discovery into the existence of privity. The result is inconsistent with Congress' intent and basic notions of due process.

At a minimum, due process requires a meaningful opportunity to be heard before a party is deprived of property. U.S. Const. amend. V; 5 U.S.C. §554(c)(1); *Mathews v. Eldridge*, 424 U.S. 319, 333 (1976); *Lindsey v. Normet*, 405 U.S. 56, 66 (1972). The APA likewise requires agencies to follow their own procedures and observe limits on their authority. *Morton v. Ruiz*, 415 U.S. 199, 235 (1974); cf. *Dickinson v. Zurko*, 527 U.S. 150, 154 (1999) (Patent Office is subject to the APA).

Here, Section 315(b) is an explicit Congressional limit on the agency's authority to initiate proceedings to deprive a patent owner of property: "*An inter partes review may not be instituted* if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent."

Whatever the meaning of "real party in interest or privy of the petitioner" ultimately is, the Patent Office is bound by §315(b), and must give patent holders an adequate opportunity to address that provision substantively. Indeed, legislative history specifically "anticipates that *patent owners will take the initiative*

in determining whether a petitioner is the real party-in interest or privy of a party that is barred from instituting a proceeding with respect to a patent.” 112 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (Sen. Kyl). And to that end, the AIA requires the agency to allow discovery “necessary in the interest of justice.” 35 U.S.C. §316(a)(5)(B).

That necessarily includes discovery into whether the entire petition is barred under §315(b), when there is at least colorable evidence and arguments that the petitioner is time-barred. Information on whether ION’s relationship with PGS is sufficiently close to render ION a “real party in interest or privy of” PGS is, needless to say, uniquely likely to be in the possession of ION and PGS. If a party in WesternGeco’s shoes, with the evidence it already had, cannot obtain time-bar discovery in this case, then §315(b) and §316(a)(5) are essentially meaningless. Parties like ION can solicit or induce others to file petitions, and then plan to join those petitions under §315(c). So long as the petitioner and joining party each deny that either one “controls” the other, they can shield the details of their relationship from the patent owner as ION and PGS did here, and prevent the creation of any record for judicial review.

In this case, the agency not only denied discovery, it denied WesternGeco leave even *to file a motion* for discovery—despite the considerable history between PGS and ION and colorable arguments they were privies. And it did so—again—based on its view that the only relevant discovery would be evidence that ION “controlled” PGS’s participation in the agency proceedings. See Pet.App.170a (denying authorization

to move for discovery, based on purported lack of “evidence or support ... that ION *is controlling the Present Proceedings and thus is a real party-in-interest*” (emphasis added)); Pet.App.164a (similar).

As this Court reaffirmed last term in *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC*, patents are “property for purposes of the Due Process Clause,” 138 S. Ct. 1365, 1379 (2018) (citing *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 642 (1999); *James v. Campbell*, 104 U.S. 356, 358 (1882)). In view of the colorable arguments about the relationship between PGS and ION, if the agency is to begin proceedings to revoke WesternGeco’s property, at a minimum, WesternGeco must be permitted to *ask* for discovery into whether those proceedings contrary to Congress’ will.

### CONCLUSION

The petition should be granted.

Respectfully submitted,

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