

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

FIRST DATA CORPORATION,
Petitioner,

v.

CARDSOFT (ASSIGNMENT FOR THE
BENEFIT OF CREDITORS), LLC,
Patent Owner.

Case IPR2014-00720
Patent 7,302,683 B2

Before SALLY C. MEDLEY, MEREDITH C. PETRAVICK, and
JAMES P. CALVE, *Administrative Patent Judges*.

PER CURIAM.

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

I. INTRODUCTION

First Data Corporation (“Petitioner”) filed a Petition (“Pet.”) for *inter partes* review (“IPR”) of claims 1–5 of U.S. Patent No. 7,302,683 B2 (“the ’683 patent”) pursuant to 35 U.S.C. §§ 311–319 on May 1, 2014. Paper 1. Cardsoft (Assignment for the Benefit of Creditors), LLC (“Patent Owner”) filed a Preliminary Response (“Prelim. Resp.”) on August 8, 2014. Paper 8. We have jurisdiction under 35 U.S.C. § 314.

Upon consideration of the Petition, we determine that a third party, VeriFone, Inc. (“VeriFone”), is a real party-in-interest that was served with a complaint alleging infringement of the ’683 patent more than one year before the filing of this Petition. The Petition is, therefore, untimely under 35 U.S.C. § 315(b). Moreover, because the Petition does not identify VeriFone as a real party-in-interest, the Petition fails to identify “all the real parties in interest,” as required by 35 U.S.C. § 312(a). Accordingly, the Petition is denied.

A. *Related Proceedings*

Petitioner identifies the following related district court proceedings that involve the ’945 patent: *Cardsoft (Assignment for the Benefit of Creditors) LLC v. First Data Corp.*, Civil Action No. 2:13-cv-290 (E.D. Tex.) (“the 2013 Litigation”) and *Cardsoft, Inc. v. VeriFone Systems, Inc.*, Civil Action No. 2:08-cv-00098 (E.D. Tex.) (“the 2008 Litigation”). Pet. 5.

B. *Real Party-in-Interest*

Patent Owner argues that VeriFone is a real party-in-interest to this proceeding, and because the Petition was filed more than one year after the date on which VeriFone was served with a complaint alleging infringement

of the patent, an *inter partes* review may not be instituted due to the time limitation set forth in 35 U.S.C. § 315(b). Prelim. Resp. 7.

Facts

Patent Owner initiated the 2008 Litigation by filing and serving a complaint in 2008 accusing VeriFone, VeriFone Systems, Inc., and others of infringing the '945 patent. Pet. 5; Prelim. Resp. 6–7. On June 8, 2012, a jury rendered a verdict that the '683 patent was valid and infringed by VeriFone and others. Ex. 1007 ¶ 12 (page 4). VeriFone has appealed that decision to the U.S. Court of Appeals for the Federal Circuit. *See* Ex. 2004.

Patent Owner initiated the 2013 Litigation by filing a complaint in the Eastern District of Texas and serving the complaint on Petitioner on May 2, 2013. Exs. 1006, 1007. Patent Owner alleged that Petitioner and First Data Merchant Services Corporation infringed the '683 patent by selling Petitioner's products. Ex. 1007 ¶ 11. Patent Owner also alleged that Petitioner willfully infringed the '945 patent by continuing to sell VeriFone products that were found to infringe the '945 patent in the 2008 litigation. *Id.* ¶ 9 (page 3). Patent Owner sought enhanced damages and associated attorneys' fees and costs. *Id.* ¶ 13.

VeriFone is indemnifying Petitioner regarding certain claims in the 2013 Litigation. Ex. 1011, 1. As part of the indemnification, VeriFone can choose counsel to defend Petitioner. *Id.*, 3. Petitioner is represented in the 2013 Litigation by the same counsel that represented VeriFone in the 2008 Litigation, first the law firm of Jones Day and later the law firm of Orrick, Herrington & Sutcliffe. Ex. 2002, 2005, 2006. Counsel representing Petitioner in this proceeding are registered practitioners from the law firm of Kilpatrick Townsend & Stockton. Pet. 2, 50.

VeriFone sought unsuccessfully to invalidate the '945 patent in the 2008 Litigation. Ex. 1007 ¶ 12 (page 4); *see* Pet. 2. VeriFone provided copies of prior art from the 2008 Litigation to Petitioner for this IPR and consulted with Petitioner's counsel about prior art that may invalidate the '683 patent. Pet. 2.

VeriFone agreed to fund this IPR. *Id.* at 1; Ex. 1011, p. 1. VeriFone's funding covers attorney's fees and costs associated with this IPR. Ex. 1011, 1.

The Petition is fifty pages in length and includes thirteen exhibits. Pet. The exhibits to the Petition include lengthy prior art references and declarations of Stephen Gray and Lawrence Forsely. Exs. 1002–1004, 1009, 1010, 1012, 1013.

On April 28, 2014, Petitioner and VeriFone signed a letter agreement. Ex. 1011 (“the Letter Addendum”). The Letter Addendum states that VeriFone currently is indemnifying Petitioner in relation to certain claims asserted in the 2013 Litigation per a “Master Engagement Agreement.”¹ The Letter Addendum describes that VeriFone has agreed to indemnify Petitioner for the attorney's fees and costs associated with this IPR, citing a provision of the Master Engagement Agreement, that VeriFone “shall have the right at its expense to employ counsel . . . to defend against Claims that VeriFone is responsible for . . . and to compromise, settle and otherwise dispose of such claims.” Ex. 1011, 1. The Letter Addendum also states that:

¹ Sections of the Master Engagement Agreement are attached to, and are part of, the Exhibit 1011 Letter Addendum. *Id.* at 2–4.

While VeriFone has agreed to this associated indemnification as to the IPR, the purpose of this Letter Addendum is to clarify that notwithstanding any language contained in the Agreement or elsewhere concerning VeriFone and First Data's rights and obligations pursuant to any provision providing for indemnification, First Data shall have the exclusive and sole right to control any and all actions taken in connection with or related to the IPR, including but not in any way limited to the choice of counsel for preparing any IPR, and that VeriFone shall have no such right of control.

Id. The Letter Addendum bears the signature of VeriFone's Executive Vice President of Corporate Development and General Counsel, and a Senior Counsel of Petitioner. *Id.*

On May 1, 2014, three days after the Letter Addendum was executed, Petitioner filed the Petition for this IPR and identified itself as the sole real party-in-interest. Pet. 1; Paper 4.

Principles of Law

Section 315(b) of Title 35 of the United States Code provides:

(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).

“Whether a party who is not a named participant in a given proceeding nonetheless constitutes a ‘real party-in-interest’ . . . to that proceeding is a highly fact-dependent question.” Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,759 (2012) (citations omitted).

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