

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

PAYPAL, INC.,
UPWORK GLOBAL INC.,
SHOPIFY, INC., SHOPIFY (USA), INC.,
STRAVA, INC.,
VALASSIS COMMUNICATIONS, INC.,
RETAILMENOT, INC., and
DOLLAR SHAVE CLUB, INC.,
Petitioner,

v.

PERSONAL WEB TECHNOLOGIES, LLC
Patent Owner.

IPR2019-01093
Patent 7,945,544 B2

Before DENISE M. POTHIER, MICHAEL R. ZECHER, and
DAVID C. McKONE, *Administrative Patent Judges*.

POTHIER, *Administrative Patent Judge*.

DECISION

Denying Petitioner's Request on Rehearing of Decision on Institution
35 U.S.C. § 42.71(d)

I. INTRODUCTION

PayPal, Inc.,¹ Upwork Global Inc., Shopify, Inc., Shopify (USA), Inc., Strava, Inc., Valassis Communications, Inc., RetailMeNot, Inc., and Dollar Shave Club, Inc. (collectively, “Petitioner entities”) filed a Request for Reconsideration of Board Decision under 37 C.F.R. § 42.71(d). Paper 28 (“Request” or “Req.”). The Request seeks reconsideration of the Decision Denying Institution of *Inter Partes* Review of claims 46, 48, 52, and 55 of U.S. Patent No. 7,945,544 B2 (Ex. 1001, “the ’544 patent”). Paper 27 (“Decision” or “Dec.”). In the Decision, we concluded that the Petition is time-barred under 35 U.S.C. § 315(b) because at least one Petitioner entity is a privy of Amazon.com, Inc. and Amazon Web Services, Inc. (collectively, “Amazon”), which were served with a complaint alleging infringement of the ’544 patent in 2011. Dec. 2, 28–29.

Petitioner entities argue our decision not to institute an *inter partes* review should be reversed for two main reasons. Req. 1. First, Petitioner entities assert our decision has deprived Petitioner entities of the constitutional right to challenge the ’544 patent. *Id.* Second, Petitioner entities assert our decision overlooks instructive appellate court cases related to privity’s reach and “resulted in a misapplication of the *Taylor*[v. *Sturgell*, 553 U.S. 880 (2008)] factors to deny institution of the . . . Petition.” *Id.*

Petitioner entities concurrently requested review by the Precedential Opinion Panel (“POP”). Req. 2; Paper 29. The request for POP review was denied on February 13, 2020. Paper 30. As a result, this Request now is

¹ Petitioner entities indicate that PayPal, Inc. does not join in requesting rehearing of our Decision. Req. 2.

before us for consideration. For the reasons set forth below, the Request is *denied*.

II. STANDARD OF REVIEW

Under 37 C.F.R. § 42.71(c), “[w]hen rehearing a decision on petition, a panel will review the decision for an abuse of discretion.” The abuse of discretion standard of review is the same heightened standard that federal appeals courts use to review district court factual findings. *See PNY Techs., Inc. v. Phison Elecs. Corp.*, IPR2013-00472, Paper 16 at 2 (PTAB Apr. 23, 2014) (Final Written Decision) (citing *Star Fruits S.N.C. v. United States*, 393 F.3d 1277, 1281 (Fed. Cir. 2005) (“An abuse of discretion may be determined if a decision is based on an erroneous interpretation of law, if a factual finding is not supported by substantial evidence, or if the decision represents an unreasonable judgment in weighing relevant factors.”)).

A party requesting rehearing bears the burden of showing that the decision should be modified. 37 C.F.R. § 42.71(d) (2018). The party must identify specifically all matters that we misapprehended or overlooked, and the place where each matter was addressed previously in a motion, an opposition, or a reply. *Id.*

With these principles in mind, we turn to Petitioner entities’ arguments.

III. ANALYSIS

Petitioner entities contend that our Decision violates due process. Req. 2–7. At the crux of this argument is the contention that we did not discuss whether Petitioner entities had a “full and fair” opportunity to

challenge the '544 patent in the 2011 Amazon lawsuit,² a lawsuit to which the Petitioner entities were a nonparty. *Id.* at 4–6. According to Petitioner entities, “[t]he question is *not* whether the Petitioners and Amazon have a sufficiently close relationship in a present lawsuit. The inquiry instead focuses on whether in the *prior* lawsuit a sufficiently close relationship exists to foreclose present review.” *Id.* at 2–3.

The Supreme Court has stated that “[t]he federal common law of preclusion is, of course, subject to due process limitations,” and that “[a] person who was not a party to a suit generally has not had a ‘full and fair opportunity to litigate’ the claims and issues settled in that suit.” *Taylor*, 533 U.S. at 891–92. Thus, “[a]s informed by *Taylor* and other cases, the standards for the privity inquiry must be grounded in due process.” *WesternGeco LLC v. ION Geophysical Corp.*, 889 F.3d 1308, 1319 (Fed. Cir. 2018). According to the Federal Circuit, “[b]ecause nonparty preclusion risks binding those who have not had a full and fair opportunity to litigate, the Supreme Court has cautioned that there is a general rule against nonparty preclusion, *subject to certain exceptions*.” *Id.* (emphasis added); *accord Taylor*, 533 U.S. at 893 (“[T]he rule against nonparty preclusion is subject to exceptions.”). *Taylor* groups such exceptions into six categories, 533 U.S. at 893–95, three of which we analyzed in the Decision. Dec. 13–28 (analyzing the second exception (pre-existing substantive legal relationship between the

² Patent Owner filed a complaint against Amazon on December 8, 2011, in the Eastern District of Texas (“the 2011 Amazon lawsuit”), alleging infringement of the '544 patent based on Amazon’s Simple Storage Service (“S3”). Pet. 2; Prelim. Resp. 13–14 (citing *PersonalWeb Techs. LLC v. Amazon Web Servs. LLC*, No. 6:11-cv-00658 (E.D. Tex. dismissed on June 9, 2014)).

parties), the third exception (adequate representation by the named party), and fifth exception (the nonparty acts as a proxy for the named party to re-litigate the same issues)). *See also WesternGeco*, 889 F.3d at 1319 (summarizing *Taylor*’s “non-exhaustive list of considerations where nonparty preclusion would be justified”).

In the Decision, we addressed Petitioner entities’ due process concerns by evaluating whether one or more of *Taylor*’s exceptions apply. For example, one of the *Taylor* exceptions (the third exception) addressing due process concerns considers whether a nonparty to a lawsuit was represented adequately by someone with the same interests who was a party to the lawsuit. *See Taylor*, 553 U.S. at 894; *WesternGeco*, 889 F.3d at 1319. As explained below, we considered and analyzed this exception in the Decision.

Specifically, the District Court expressly found that “the defendants in the customer cases[, which include at least some Petitioner entities,³] are in privity with Amazon because they *share the same interest* in the unfettered use of Amazon’s web services, and *Amazon adequately represented this interest in the [2011] Texas Action.*” Ex. 2012, 14 (emphases added), *quoted in* Dec. 23. Petitioner entities are the clear beneficiaries of this ruling by the District Court, and we do not understand Petitioner entities to be arguing that this determination by the District Court was incorrect. In our

³ As stated in the Decision (Dec. 13), the U.S. Court of Appeals for the Federal Circuit in *Click-to-Call* read § 315(b) “to apply petition-by-petition, not petitioner-by-petitioner, with the collection of petitioners on a single petition treated as a unit indistinguishable from each member of that collection” “for the one-year time bar.” *Click-to-Call Techs., LP v. Ingenio, Inc.*, 899 F.3d 1321, 1338 (Fed. Cir. 2018) (en banc in part).

Decision, we noted that the District Court’s articulation “is very similar, if not identical, to [exception] three (adequate representation by the named party) in *Taylor*, where nonparty preclusion based on a privity relationship may be found.” Dec. 16. In the Decision, we further agreed with the District Court’s determination related to privity and reached the same conclusion upon considering the parties’ arguments and evidence. *Id.* at 23–27. Thus, we considered whether denying the Petition was consistent with and grounded in due process, and concluded that it was, because, as analyzed in the Decision and discussed above, the record’s evidence met the third *Taylor* exception.

Additionally, we also analyzed and concluded in our Decision that two other *Taylor* exceptions were met by the facts of this proceeding. *Id.* at 16–23 (the second exception), 27–28 (the fifth exception).

As to the second *Taylor* exception (preexisting legal relationship), the District Court found that “the indemnification agreement [between Amazon and at least some Petitioner entities] provides an additional basis to find that there is privity between Amazon and its customers.” Ex. 2012, 15, *quoted in* Dec. 10. We similarly found that, after reviewing the facts in this record, the indemnification agreement between Amazon and at least some of Petitioner entities as well as Amazon’s performance pursuant to the indemnity agreement demonstrated the second *Taylor* exception had been satisfied. Dec. 16–23. Once again, Petitioner entities are beneficiaries of these findings by the District Court, and we do not understand Petitioner entities to be arguing that the determination made by the District Court or by us was incorrect.

Instead, Petitioner entities argue that “Amazon’s present indemnity of the Petitioners extends *only* to Amazon products . . . and . . . therefore, would not cover [Patent Owner’s] remaining, *non*-Amazon allegations against Petitioners in the pending lawsuits.” Req. 4; *see also id.* at 10 (“A critical finding underpinned each of the Board’s conclusions: the fact that PersonalWeb alleged that both Amazon and at least one Petitioner infringed using S3 [(Simple Storage Service)]. As explained in detail above, privity does not flow to the current Petition because of this past, and now irrelevant, circumstance.”). Petitioner entities cite *Chase Manhattan Bank, N.A. v. Celotex Corp.*, 56 F.3d 343, 346 (2d Cir. 1995), and *Manning v. S.C. Department of Highway & Public Transportation*, 914 F.2d 44, 48 (4th Cir. 1990), for this same issue, namely, to show that a privity relationship (1) was limited to Amazon’s S3 (*id.* at 7) and (2) can change over time (*see id.* at 7–9). In a related argument, Petitioner entities argue that our Decision runs counter to *Power Integrations, Inc. v. Semiconductor Components Industries, LLC*, 926 F.3d 1360 (Fed. Cir. 2019), because we only evaluated whether privity existed in the past (at the time of the District Court’s Summary Judgment ruling) and did not address the issue of privity in the context of changing circumstances (the District Court’s dismissal of Patent Owner’s claims related to Amazon’s S3 product). Req. 5–6. According to Petitioner entities, the District Court’s dismissal was a final judgment that extinguished the shared interest (and privity) between Amazon and Petitioner entities. *Id.* at 6.

We addressed these arguments in our Decision. Dec. 18–23. In particular, we explained that the District Court’s ruling is on appeal, and Amazon has intervened in the appeal to continue its defense of Petitioner

entities' interests in Amazon's products. *Id.* at 19, 21–22; Exs. 2017–2018. Thus, we concluded that the circumstances present here, which include the above-noted preexisting legal relationship between Amazon and at least some of the Petitioner entities, have not changed and that Amazon and Petitioner entities remain in privity. Dec. 19, 22–23.

Regarding Petitioner entities' non-Amazon interests, we explained in the Decision that “Congress ‘chose language that bars petitions where proxies or privies would benefit from an instituted IPR [(*inter partes* review)], even where the petitioning party might separately have its own interest in initiating an IPR.” *Id.* at 22 (quoting *Power Integrations*, 926 F.3d at 1316 (further quoting *Applications in Internet Time LLC v. RPX Corp.*, 897 F.3d 1336, 1347 (Fed. Cir. 2018))). We also expressly considered *Chase Manhattan Bank* and *Manning* (and Petitioner entities' arguments regarding those cases) and concluded that they were inapposite because the circumstances giving rise to privity have not changed. *Id.* at 20–22. Thus, we did not ignore or fail to address prevailing case law, contrary to Petitioner entities' assertions. *See, e.g.*, Req. 6–8.

In the Request, Petitioner entities acknowledge that we found “that privity is alive and well because the MDL court's dismissal of Amazon's S3 product is on appeal, and ‘depending on the result of that appeal, Amazon may be called to defend its customers further concerning S3 products.’” Req. 6 (quoting Dec. 21–22). Petitioner entities now contend, without support, that “[t]his is little more than a strawman argument.” *Id.* Petitioner entities also argue that (1) the District Court's dismissal of Patent Owner's S3 claims was a final judgment and (2) if Petitioner entities have to wait to see how the appeal is resolved, then they will be time-barred. *Id.* (citing

Ex. 2012). Here, Petitioner entities simply disagree with the way in which we resolved the disputed privity issue in the Decision, which is not a proper basis for requesting rehearing. They do not show that we misapprehended or overlooked an argument that they made in the Petition or Reply. Moreover, Petitioner entities have not identified persuasively in the Request an erroneous interpretation of the law or factual findings not supported by substantial evidence such that the Decision should be modified.

Lastly, Petitioner entities do not address the fifth *Taylor* exception (the nonparty acts as a proxy for the named party) and our determination related to this exception (Dec. 27–28) in the Request. *See generally* Req.

For the reasons given above, and in our Decision, Petitioner entities are (and remain) in privity with Amazon, who is time-barred under § 315(b) because Amazon was served with a complaint alleging infringement of the '544 patent in 2011. Thus, Petitioner entities are time-barred as well. *See* § 315(b).

IV. CONCLUSION

For the foregoing reasons, Petitioner entities have not demonstrated that we misapprehended or overlooked Petitioner entities' arguments or abused our discretion in denying the Petition as time-barred under 35 U.S.C. § 315(b).

V. ORDER

Accordingly, Petitioner entities' Request for Rehearing is *denied*.

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