

UNITED STATES PATENT AND TRADEMARK OFFICE

---

BEFORE THE PATENT TRIAL AND APPEAL BOARD

---

ZOLL LIFECOR CORPORATION  
Petitioner

v.

KONINKLIJKE PHILLIPS ELECTRONICS N.V.  
Patent Owner

---

Case IPR2013-00606 (Patent 5,593,427)  
Case IPR2013-00607 (Patent 5,749,904)  
Case IPR2013-00609 (Patent 5,836,978)  
Case IPR2013-00612 (Patent 5,803,927)  
Case IPR2013-00613 (Patent 5,735,879)  
Case IPR2013-00615 (Patent 6,047,212)  
Case IPR2013-00616 (Patent 5,749,905)  
Case IPR2013-00618 (Patent 5,607,454)

---

**PETITIONER ZOLL LIFECOR'S BRIEF ON WHETHER ZOLL  
MEDICAL CORPORATION IS A REAL-PARTY-IN-INTEREST OR IN  
PRIVITY WITH PETITIONER**

## TABLE OF CONTENTS

I.	INTRODUCTION.....	1
II.	BACKGROUND.....	2
III.	PETITIONER IS THE REAL PARTY IN INTEREST .....	3
IV.	THERE IS NO PRIVITY BETWEEN PETITIONER AND ZOLL MEDICAL FOR THEIR TWO LAWSUITS OR THESE IPRs .....	6
V.	CONCLUSION .....	10

## I. INTRODUCTION

Pursuant to the Board's January 13 Order, Petitioner hereby replies to Patent Owner's Preliminary Responses to the Petitions for *Inter Partes* Review of eight Philips patents, regarding allegations that the petitions are time-barred under 35 U.S.C. § 315(b).

Patent Owner's arguments about "real party in interest" and "privity" are simply an assertion that a parent is necessarily a real party in interest for, and in privity with, its wholly-owned subsidiary by virtue of its actual or potential control of the subsidiary. But the Board's standard is not "control," and instead follows from common law treatment of collateral estoppel. Office Pat. Trial Practice Guide, 77 Fed. Reg. 48,756 (Aug. 14, 2012).

Dismissal is improper under that standard. First, Petitioner is the sole real party in interest—it has been sued over a product with hundreds of millions of dollars in associated revenue, and it is managing and paying for the litigation and these IPRs without compensation from, or control by, another entity. Second, no privity estops Petitioner, as the two lawsuits differ in parties, accused products, and asserted claims. Indeed, Patent Owner admits no privity by keeping its suits separate, because it would be equally estopped if Petitioner and ZOLL Medical were as closely related as Patent Owner suggests. In short, Patent Owner makes no prima facie case because it fails to address the relevant standard, and the facts show in any event that 35 U.S.C. §315(b) does not bar the IPR petitions.

## II. BACKGROUND<sup>1</sup>

Patent Owner in 2010 sued ZOLL Medical on six of the IPR patents over external defibrillators used by rescuers (e.g., below, left). It sued Petitioner in 2012 on all eight IPR patents over a wholly different product known as the LifeVest—a defibrillator worn as a vest that triggers itself when the patient has a cardiac event:



**ZOLL Medical's AED Plus**



**Petitioner's Lifevest**

The patents relate to how a device delivers shocks, which differ between the devices here because they were developed when the companies were completely separate.

Petitioner's interest is real. It has generated hundreds of millions in revenue and high growth rates relating to the LifeVest over the past six years [LIFECOR-1017], and

---

<sup>1</sup> Petitioner initially incorrectly omitted the Massachusetts litigation in identifying related matters under 37 CFR 42.8(b)(2). That omission resulted from an innocent oversight and has since been fixed by corrected Mandatory Notices in each of the eight IPRs.

Patent Owner has sought past and future damages, an injunction, enhanced damages, and fees and costs. [LIFECOR-1016] By contrast, ZOLL Medical has no interest in the expired '904 and '427 patents on which it was never sued, or in the expired '927 and '879 patents that Patent Owner dismissed in litigation before these IPRs were filed. And ZOLL Medical has comparatively little interest in the remaining patents because it stands accused of infringing only 5 claims compared to 92 claims asserted against Petitioner, and its liability on those is scant because the jury found no indirect infringement, and four of the five claims are methods that involve shocking a patient, which its employees do not do. [LIFECOR-1018] The companies are also very different, with Petitioner controlling its own business in general, and of the disputes with Patent Owner in particular, as discussed below.

### III. PETITIONER IS THE REAL PARTY IN INTEREST

The Preliminary Response suggests that “control” is ***the test*** for “privity” and “real party in interest.” See, e.g., Prelim. Resp., at 4 (“According to specific guidance provide by the [PTO], such actual or potential control indicates that Zoll Medical is both a ‘privity’ of [Ppetitioner] and a ‘real party in interest’ in this proceeding.”). Rather, the Office makes clear that “the ‘real party-in-interest’ is the party that desires review of the patent,” the “party actually entitled to recover,” Office Pat. Trial Practice Guide, 77 Fed. Reg. 48,759 (Aug. 14, 2012)—judged, not by a single factor, but by flexible Article III estoppel standards (*Id.*):

Whether a party who is not a named participant in a given proceeding nonetheless constitutes a “real party in interest” or “privity” to that proceeding is a highly fact-dependent question. Such questions will be handled by the

Board on a case-by-case basis ***taking into consideration how courts have viewed the terms “real party in interest” and “privy.”***

Petitioner is truly the real party in interest. It is defendant in an 8-patent suit—a real interest by itself. The LifeVest product is related to hundreds of millions in revenue and fast growth by Petitioner over the last six years. [LIFECOR-1017] Patent Owner seeks an injunction, damages for past and future infringement, enhanced damages from alleged willfulness, and fees, costs, and expenses—all against Petitioner. [LIFECOR-1016] Patent Owner’s actions in settlement discussions suggest that it will seek substantial damages. Moreover, Petitioner is paying for and supervising the proceedings of the IPRs and the district court litigation (\$193,800 in IPR filing fees alone) without compensation from ZOLL Medical, and its management is held directly responsible for the performance of Petitioner.

Although the Board did not permit testimonial evidence to accompany this reply, if requested, Petitioner will establish the facts above and that (a) Petitioner’s management develops the strategic plan, business plan, and budget for Petitioner’s business (although they are presented to ZOLL Medical for approval, as is typical in a parent-subsidiary relationship, but the direction is provided from ground up, not top down); (b) ZOLL Medical does not hold the LifeVest PMA regulatory approval, nor control LifeVest research & development and manufacture, or LifeVest marketing, sales, leasing, and revenue collection; (c) Petitioner is paying the costs of the litigation and the IPRs, and is not being compensated by ZOLL Medical for such costs; and (d) Petitioner’s management is

supervising the conduct of the IPRs and the litigation against Petitioner. The companies are separate, and no allegation has been made that the corporate separation is lacking.

Any ZOLL Medical benefit from patent invalidity is the same as any multi-defendant situation, and is actually much less because ZOLL Medical's exposure is minor in relation: (1) it was not sued on the expired '427 and '904 patents and has absolutely **no** liability or interest [LIFECOR-1015]; (2) the '879 and '927 patents were dropped against it before the IPRs were filed, so again, **no** interest [LIFECOR-1018]; and (3) on the remaining four patents, it was accused on only 5 claims (Petitioner is accused on 92 claims), the jury found no indirect infringement, and there can be no direct infringement on the method claims because ZOLL Medical does not shock patients.

Patent Owner's entire focus is on supposed control, but that fails for multiple reasons. First, it is not the legal standard. Second, even Patent Owner does not show control of the litigation and the IPRs, or any lack of participation and control by Petitioner's management. Third, the evidence does not support Patent Owner's assertions: (a) Petitioner has full control over its hiring even though the companies share a web site for soliciting employment interest; (b) Petitioner was represented at the settlement conference by its Secretary, Mr. Grossman, who provides legal guidance for both companies; (c) it is common and efficient, not evidence of control, for defendants who face the same plaintiff to use a common law firm and expert; (d) that ZOLL Medical says "we" to describe a parent and a subsidiary is also common in documents subject to oversight from the SEC, which

encourages plain language over immaterial detail; and (e) LifeVest owns its own facility under an interest-bearing loan to ZOLL Medical, which is obligation but not control.

Patent Owner itself recognizes that ZOLL Medical is not the real party in interest. In its Complaint against Petitioner, it did not name ZOLL Medical or mention that it was Petitioner's real party in interest. [LIFECOR-1016] In all of the many forms of relief it sought, none were against ZOLL Medical. [Id.] And it served process on Corporation Services Co., Petitioner's agent, which is separate from who it served in the other suit (CT Corporation). [LIFECOR-1019, LIFECOR-1020] The reason is plain—Patent Owner understands its second suit is wholly against Petitioner, knows that it must obtain relief (if any) from Petitioner, and knows ZOLL Medical is **not** the real party in interest.

Finally, and importantly, Patent Owner has cited no case that found real party in interest status on the same or similar facts, though it bears the burden to establish its relief.

#### **IV. THERE IS NO PRIVACY BETWEEN PETITIONER AND ZOLL MEDICAL FOR THEIR TWO LAWSUITS OR THESE IPRs**

Again, Patent Owner's Preliminary Response suggests that "control" is the *sine qua non* for privity, and again the actual standard looks instead to Article III tests for estoppel:

The Office intends to evaluate what parties constitute 'privies' in a manner consistent with the flexible and equitable considerations established under federal case law. Ultimately, that analysis seeks to determine whether the relationship between the purported 'privy' and the relevant other party is sufficiently close that both should be bound by the trial outcome and related estoppels....

Office Patent Trial Practice Guide, at 48759 (citations omitted). While control is one of



multiple factors (along with whether the Petitioner is paying for the proceeding, which it is here), it is a slippery factor, because, as the Trial Practice Guide explicitly recognizes, “there is no ‘bright-line test’ for determining the necessary quantity or degree of participation to qualify as a ‘real party in interest’ or ‘privy’ based on the control concept.” *Id.*

On the ultimate standard, a defendant is not estopped by an outcome in a first case in the current situation—with wholly different products, different infringement assertions, and wholly different defendants. This is true for several reasons, each sufficient alone.

First, a defendant like Petitioner is estopped from challenging validity only when the causes of action are the same, which is not true when different products are accused. See *Young Eng’rs, Inc. v. U.S. Int’l Trade Comm’n*, 721 F.2d 1305, 1316 (Fed. Cir. 1983).

Patent Owner here does not argue that ZOLL Medical’s portable defibrillators for rescuers are similar to Petitioner’s wearable defibrillators in any way relevant to infringement, and its assertion of 92 claims against Petitioner and only 5 against ZOLL Medical directly indicates how different the products are. Their respective waveforms, at the center of the litigations, were in fact independently developed independently.

Second, the claims asserted in the two suits have little overlap, and a party cannot be estopped from claiming invalidity of a claim that was not asserted in an earlier action. See *Howard Hess Dental Labs. Inc. v. Dentsply Intl., Inc.*, 602 F.3d 237, 247-48 (3d Cir. 2010) (issue must have been actually litigated in a previous action to estop). The claims in Petitioner’s suit are very different, with 92 asserted instead of the prior 5, with the ‘427 and

'904 patents never asserted, and the '879 and '927 patents dropped before the IPRs were filed. It is hard to understand how Petitioner could possibly be estopped from challenging the validity of any of those claims, and Patent Owner certainly does not explain how.

Third, the parties are different. Patent Owner noted in its first Complaint that ZOLL Medical "is a corporation organized under the laws of the Commonwealth of Massachusetts, with a principal place of business at 269 Mill Road, Chelmsford, Massachusetts."

[LIFECOR-1015] And in its Complaint against Petitioner, "[Petitioner] is a corporation organized under the laws of Delaware, with a principal place of business at 121 Gamma Drive, Pittsburgh, Pennsylvania 15238." [LIFECOR-1016] When filing two different suits against two different companies so that it could have two different trials, Patent Owner most certainly recognized the distinction between the companies. And as explained above, Patent Owner has not shown other factors to support privity, and has ignored most of *Taylor v. Sturgell*, 553 U.S. 880 (2008) factors, to which the Trial Practice Guide cites repeatedly.

While Patent Owner flogs the "parent-subsidary" horse within inches of its life, that is because it is the only horse Patent Owner has. Unfortunately, that is only a single factor in the privity determination, and Patent Owner's repetition of selective facts cannot turn it into the standard. Rather, as the cases above illustrate, the parent-subsidary relationship does not trump the other considerations just discussed. Moreover, the actual facts (discussed above) show that Petitioner has a real interest of its own in the litigation, is paying for the litigation and the IPRs, is responsible for their outcome, and controls them.

It also makes perfect practical sense that estoppel not apply in these situations, because a patentee would otherwise be encouraged to abuse the system. For example, if estoppels applied across truly different parties or products, a patentee could insulate itself by first suing a party that had low risk (e.g., few sales), and then follow up with a real suit (e.g., a party like Petitioner with high revenue) and claim estoppel. The result is even more severe if estoppel were allowed to apply across claims that were not asserted in the prior action, like almost every claim asserted against Petitioner. Again, Patent Owner ducks all of these concerns that underlie the application of collateral estoppel and privity.

Again, though Patent Owner has the burden, it has not cited a single case that has applied estoppel or privity under facts like those in this case. The Supreme Court recognizes non-party-preclusion as an exception. *Taylor*, 553 U.S. at 895. And ““doubts about [collateral estoppel’s] application should usually be resolved against its use.” *Witkowski v. Welch*, 173 F.3d 192, 206 (3d Cir. 1999). Indeed, under common law, “privity exists in just three, narrowly-defined circumstances: (1) where the non-party is the successor in interest to a party’s interest in property; (2) where the non-party controlled the prior litigation; and (3) where the non-party’s interests were adequately represented by a party to the original suit.” *Meza v. General Battery Corp.*, 908 F.2d 1262, 1266 (5th Cir.1990). None of these situations is present (e.g., even Patent Owner does not argue that Petitioner controlled ZOLL Medical’s litigation), and there can be no doubt that Patent Owner has not established any compelling facts under a proper legal standard.

Finally, Patent Owner's arguments are inconsistent with its filing of separate lawsuits. As Patent Owner itself recognizes, "[R]es judicata may be invoked **against a plaintiff** who has previously asserted essentially the same claim against different defendants where there is a close or significant relationship between successive defendants," Patent Owner's Response, at 18-19 (*quoting Gambocz v. Yelencsics*, 468 F.2d 837, 841 (3d Cir. 1972) (emphasis added)). In other words, if Patent Owner is right that estoppel must apply, then it too would be estopped, and its suit against Petitioner would be void. What Patent Owner is actually doing is trying to have it both ways—estopping Petitioner while trying to ignore the estoppel that would apply against it. This is the ultimate indication that Patent Owner's view of the law and facts here has a gaping hole.

## V. CONCLUSION

Patent Owner's Preliminary Response fails to address the proper legal standard for real party in interest and privity. Moreover, under the appropriate standard, Petitioner has shown that it is the real party in interest—the party that truly seeks review—and that it is not estopped from challenging the patents' validity due to any privity relationship. Petitioner thus asks that the Board institute IPR proceedings as originally requested by Petitioner.

Dated: January 22, 2014

/John C. Phillips/  
John C. Phillips, Reg. No. 35,322  
Dorothy Whelan, Reg. No. 33,814  
Fish & Richardson P.C.  
*Attorneys for Petitioner*

## CERTIFICATE OF SERVICE

Pursuant to 37 CFR §§ 42.6(e)(4) and 42.205(b), the undersigned certifies that on January 22, 2014, a complete and entire copy of this Petitioner ZOLL Lifecor's Brief On Whether ZOLL Medical Corporation Is A Real-Party-In-Interest Or In Privity With Petitioner was provided via email to the Patent Owner by serving the correspondence email address of record as follows:

J. Michael Jakes  
Finnegan, Henderson, Farabow, Garrett & Dunner, L.L.P.  
901 New York Avenue, NW  
Washington, DC 20001-4413

Denise W. DeFranco  
Finnegan, Henderson, Farabow, Garrett & Dunner, L.L.P.  
Two Seaport Lane, 6th Floor  
Boston, MA 02210-2001

Email: [mike.jakes@finnegan.com](mailto:mike.jakes@finnegan.com)  
[denise.defranco@finnegan.com](mailto:denise.defranco@finnegan.com)  
[PTABdocket@finnegan.com](mailto:PTABdocket@finnegan.com)  
[Philips-Zoll@finnegan.com](mailto:Philips-Zoll@finnegan.com)

\_\_\_\_\_/Diana Bradley/  
Diana Bradley  
Fish & Richardson P.C.  
60 South Sixth Street, Suite 3200  
Minneapolis, MN 55402  
(858) 678-5667