

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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NETAPP INC.,  
Petitioner,

v.

REALTIME DATA LLC,  
Patent Owner.

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Case IPR2017-01660  
Patent 7,161,506 C2

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Before JASON J. CHUNG, SCOTT C. MOORE, and  
SHEILA F. McSHANE, *Administrative Patent Judges*.

CHUNG, *Administrative Patent Judge*.

DECISION  
Denying Institution of *Inter Partes* Review  
35 U.S.C. § 314(a); 37 C.F.R. § 42.108(a)

## I. INTRODUCTION

Petitioner NetApp Inc. (“NetApp”) filed a Petition (Paper 3; “Pet.”) to institute an *inter partes* review of claim 105 (the “Challenged Claim”) of U.S. Patent No. 7,161,506 C2 (Ex. 1001, “the ’506 patent”). Patent Owner Realtime Data LLC (“Realtime”) filed a Preliminary Response (Paper 13; “Prelim. Resp.”).

Our authority to institute an *inter partes* review is derived ultimately from 35 U.S.C. § 314, which provides that an *inter partes* review may not be instituted unless the information presented in the Petition shows “there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” As discussed below, institution of an *inter partes* review is discretionary.

Upon consideration of the Petition and Preliminary Response, we exercise our discretion under 35 U.S.C. § 314(a) and 37 C.F.R. § 42.108(a) and deny institution of an *inter partes* review.

## II. BACKGROUND

### A. *Related Proceedings in the USPTO*

The ’506 patent was challenged in four *inter partes* review petitions, of which the instant Petition is the third:

- (a) *Dell, Inc., et al., v. Realtime Data LLC*, case IPR2017-00176 (the “’176 IPR”) (filed Nov. 14, 2016, challenging claims 104 and 105; instituted grounds on claims 104 and 105 on May 30, 2017; consolidated with IPR2017-00806 on Sept. 8, 2017)<sup>1</sup>;

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<sup>1</sup> See IPR2017-00176 Papers 1, 20, 28.

- (b) *Teradata Operations, Inc., et al., v. Realtime Data LLC*, case IPR2017-00806 (the “’806 IPR”) (filed Jan. 30, 2017, challenging claims 104 and 105; instituted grounds on claims 104 and 105 on Aug. 14, 2017; consolidated with IPR2017-00176 on Sept. 8, 2017)<sup>2</sup>;
- (c) *NetApp, Inc. v. Realtime Data LLC*, case IPR2017-01660 (filed June 22, 2017, challenging claim 105).<sup>3</sup>
- (d) *Veritas Techs. LLC v. Realtime Data LLC*, case IPR2017-01688 (the “’1688 IPR”) (filed June 28, 2017, challenging claims 104 and 105; instituted grounds on claims 104 and 105 and joined with IPR2017-00176 on Nov. 21, 2017).<sup>4</sup>

*B. Related Proceedings in District Court*

The parties indicate that ’506 patent has been asserted in numerous district court litigations. Pet. 3; Paper 5, 5–8.

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<sup>2</sup> See IPR2017-00806 Papers 1, 17, 19.

<sup>3</sup> See Pet. 13–14.

<sup>4</sup> See IPR2017-01688 Papers 1, 11.

C. *Asserted Grounds of Unpatentability*

NetApp asserts the following grounds of unpatentability:

References <sup>5</sup>	Basis	Challenged Claim
Hsu <sup>6</sup> in view of Franaszek <sup>7</sup>	§ 103(a) <sup>8</sup>	105
Hsu in view of Sebastian <sup>9</sup>	§ 103(a)	105
Franaszek in view of Hsu	§ 103(a)	105
Franaszek in view of Chu <sup>10</sup>	§ 103(a)	105

Pet. 13–14.

III. ANALYSIS

A. *Procedural History*

Patent Owner asserted the '506 patent against NetApp on June 29, 2016, in the U.S. District Court for the Eastern District of Texas. *Realtime Data LLC v. Rackspace US, Inc.*, 6-16-cv-00961 (EDTX, filed June 29, 2016) Docket (the “EDTX Docket”), D.I. 1. On November 11, 2016, NetApp moved for a stay of the proceedings against it in district court, citing IPR petitions in related matters. EDTX Docket, D.I. 51.

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<sup>5</sup> Petitioner also relies upon the Declaration of Dr. Daniel Hirschberg, Ph.D. Ex. 1005.

<sup>6</sup> Hsu and Zwarico, “Automatic Synthesis of Compression Techniques for Heterogeneous Files,” *Software-Practice and Experience*, Vol. 25(10), 1097–1116 (October 1995) (Ex. 1002, “Hsu”).

<sup>7</sup> U.S. Patent No. 5,870,036, issued Feb. 9, 1999 (Ex. 1003, “Franaszek”).

<sup>8</sup> The Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112-29, 125 Stat. 284, 287–88 (2011), revised 35 U.S.C. § 103, effective March 16, 2013. The '506 patent was issued prior to the effective date of the AIA. Thus, we apply the pre-AIA version of § 103.

<sup>9</sup> U.S. Patent No. 6,253,264 B1, issued June 26, 2001 (Ex. 1012, “Sebastian”).

<sup>10</sup> U.S. Patent No. 5,467,087, issued Nov. 14, 1995 (Ex. 1013, “Chu”).

On November 14, 2016 (i.e., three days later and approximately seven months prior to NetApp filing the instant Petition), Dell, Inc., et al. (“Dell”), filed the petition in the ’176 IPR. ’176 IPR, Paper 1. Like NetApp, Dell was a defendant to an assertion of the ’506 patent in the U.S. District Court for the Eastern District of Texas. *Realtime Data LLC d/b/a IXO v. Dell, Inc.*, 6-16-cv-00089 (EDTX, filed February 26, 2016). In the instant Petition, NetApp challenges claim 105, which Dell challenged in the ’176 IPR along with claim 104. *Compare* ’176 IPR, Paper 1, 7 *with* Pet. 13–14. NetApp relies on one of the same combinations of references that Dell relied upon, specifically, Franaszek in view of Hsu. *Compare* ’176 IPR, Paper 1, 7 *with* Pet. 13–14. Furthermore, the allegedly invalidating prior art references in the ’176 IPR included Franaszek, Hsu, and Sebastian—three of the four references cited by NetApp in this proceeding. *Compare* ’176 IPR, Paper 1, 7 *with* Pet. 13–14.

On November 18, 2016, four days after the ’176 IPR was filed and one week after NetApp moved to stay the infringement suit against it, Patent Owner served NetApp with infringement contentions asserting the Challenged Claim in addition to claim 104 of the ’506 patent. Paper 14, 3 n.3; EDTX Docket, D.I. 117-3, 1. At this time, the Challenged Claim was the subject of the ’176 IPR.

NetApp served its invalidity contentions on January 24, 2017. Ex. 2006. All four of the prior art references NetApp asserts in the Petition are included in its district court invalidity contentions. Ex. 2006, 11–12, 14, 27, 30. Six days later (i.e., January 30, 2017) and approximately five months prior to NetApp filing the instant Petition, Teradata Operations, Inc. (“Teradata”) filed its petition in the ’806 IPR. ’806 IPR, Paper 1. In that

second challenge to the '506 patent, Teradata challenged the claim at issue in this proceeding, along with claim 104. *Compare id.* at 7–8 with Pet. 13–14.

In the instant Petition, NetApp challenges claim 105 by relying on Franaszek and Hsu, one of the same combinations of references asserted against the claim in the '806 IPR. Pet. 11; '806 IPR, Paper 1, 7. Furthermore, the allegedly invalidating prior art references in the '806 IPR included Franaszek, Hsu, and Sebastian—three of the four references cited by NetApp in this proceeding. *Compare* '806 IPR, Paper 1, 7–8 with Pet. 13–14.

The district court denied NetApp's motion to stay on February 28, 2016. EDTX Docket, D.I. 105, 12. The next day, on March 1, 2017, the patent owner filed its preliminary response in the '176 IPR (i.e., approximately four months prior to NetApp filing the instant Petition). '176 IPR, Paper 15. Approximately one month later, on March 30, 2017, NetApp filed a petition against a related patent, and on April 5, 2017, NetApp renewed its motion to stay the district court litigation. EDTX Docket, D.I. 130.

The district court denied NetApp's renewed stay motion on April 24, 2017. EDTX Docket, D.I. 151. On May 22, 2017 (i.e., one month prior to NetApp filing the instant Petition), the patent owner filed its preliminary response in the '806 IPR. '806 IPR, Paper 11. The Board instituted the '176 IPR on May 30, 2017 (i.e., approximately one month prior to NetApp filing the instant Petition). '176 IPR, Paper 19.

On June 22, 2017, NetApp filed the instant Petition. Pet. 50–51. NetApp then submitted a second renewed motion to stay the

district court litigation on June 27, 2017, citing the instant Petition.  
ETDX Docket, D.I. 196.

On June 28, 2017, Veritas Technologies LLC (“Veritas”), also a co-defendant in the Eastern District of Texas, filed its petition in IPR2017-01688. ’1688 IPR Paper 1. That petition asserted the same grounds of unpatentability based on the same references as the ’176 IPR and ’806 IPR, and was accompanied by a motion for joinder to join the ’176 IPR. ’1688 IPR Paper 1, 7–8; Paper 3.

The district court denied NetApp’s second renewed motion to stay on July 25, 2017. ETDX Docket, D.I. 212. On August 14, 2017, the Board instituted the ’806 IPR and on September 8, 2017 consolidated the ’806 IPR with the ’176 IPR. ’806 IPR, Papers 17, 19. The Board instituted the ’1688 IPR and joined that proceeding with the ’176 IPR on November 21, 2017. ’1688 IPR Paper 11.

The district court litigation is scheduled for trial on January 22, 2018. *Id.*, D.I. 211. Oral hearing of the ’176 and ’806 IPRs, if requested by the parties, is scheduled for February 26, 2018. ’176 IPR, Paper 20; ’806 IPR, Paper 20.

### *B. Discretionary Denial of Institution*

The Petition is before us pursuant to 35 U.S.C. § 314(a), which provides that the “Director<sup>[11]</sup> may not authorize an inter partes review to be instituted unless . . . the information presented in the petition . . . shows that

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<sup>11</sup> “The Board institutes the trial on behalf of the Director.” 37 C.F.R. § 42.4(a).

there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” “Congress did not mandate that an *inter partes* review must be instituted under certain conditions. Rather, by stating that the Director—and by extension, the Board—*may not* institute review *unless* certain conditions are met, Congress made institution discretionary.” *Intelligent Bio-Syst., Inc. v. Illumina Cambridge Ltd.*, Case IPR2013-00324, slip op. 4 (PTAB Nov. 21, 2013) (Paper 19); *see also* *Cuozzo Speed Techs., LLC v. Lee*, 136 S.Ct. 2131, 2140 (2016) (“[T]he agency’s decision to deny a petition is a matter committed to the Patent Office’s discretion. *See* [5 U.S.C.] § 701(a)(2); 35 U.S.C. § 314(a) (no mandate to institute review).”) (remainder of citation omitted); 37 C.F.R. § 42.108(a) (“When instituting *inter partes* review, the Board *may* authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim.”) (emphasis added).

In *General Plastic Indus. Co., Ltd. v. Canon Kabushiki Kaisha*, Case IPR2016-01357 (PTAB Sept. 6, 2017), Paper 19 (precedential), an expanded panel of the Board set forth a non-exclusive list of seven factors that bear on the issue of whether we should invoke our discretion to deny institution under 35 U.S.C. § 314(a) and 37 C.F.R. § 42.108(a)<sup>12</sup>:

1. whether the same petitioner previously filed a petition directed to the same claims of the same patent;

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<sup>12</sup> *See also* *NVIDIA Corp. v. Samsung Elec. Co.*, Case IPR2016-00134, slip op. 7 (PTAB May 4, 2016) (Paper 9) (cited by *General Plastic*).

2. whether at the time of filing of the first petition the petitioner knew of the prior art asserted in the second petition or should have known of it;
3. whether at the time of filing of the second petition the petitioner already received the patent owner's preliminary response to the first petition or received the Board's decision on whether to institute review in the first petition;
4. the length of time that elapsed between the time the petitioner learned of the prior art asserted in the second petition and the filing of the second petition;
5. whether the petitioner provides adequate explanation for the time elapsed between the filings of multiple petitions directed to the same claims of the same patent;
6. the finite resources of the Board; and
7. the requirement under 35 U.S.C. § 316(a)(11) to issue a final determination not later than 1 year after the date on which the Director notices institution of review.

IPR2016-01357 Paper 19, 9–10 (citations omitted). We recognize that in *General Plastic* the factors were used to analyze a situation in which the same party files multiple petitions challenging the same patent. However, our discretion under 35 U.S.C. § 314(a) and 37 C.F.R. § 42.108(a) is not limited to situations where the same party files multiple petitions, and we find that the *General Plastic* factors provide a useful framework for analyzing the facts and circumstances present in this case, in which a different petitioner filed a petition challenging a patent that had been challenged already by previous petitions. Applying the *General Plastic* factors to the present Petition, we conclude that the circumstances present here warrant discretionary denial of institution.

Factor 1 weighs in favor of considering NetApp's petition on the merits because NetApp has not filed previously a petition challenging the '506 patent. NetApp contends that "[w]hile some of the prior art is overlapping, the actual grounds rely on different portions of the prior art references, different combinations of prior art references, different motivations to combine the prior art references, and different expert testimony," which "should be dispositive, and that the rest of the *General Plastics* factors should not outweigh this factor to deny institution of a first petition filed by a party." Paper 14, 1–2. NetApp cites no authority in support of its position that the first factor is dispositive. *See id.* Moreover, in *General Plastic* each of the seven non-exclusive factors was to be considered and weighed according the facts of the particular case. *See* IPR2016-01357 Paper 18. On this record, we are not persuaded by NetApp's argument and proceed with our analysis under the remaining six *General Plastics* factors.

As for factor 2, NetApp alleges "[a]t the time []the first petition for the '506 patent was filed on November 14, 2016, NetApp did not know what claims Realtime would assert against NetApp or what prior art would be relevant. NetApp had no opportunity to participate in drafting the first petition." Paper 14, 3. In this instance, with different parties filing the respective petitions, factor 2 is neutral.

Regarding factor 3, Realtime filed its preliminary response in the '176 IPR on March 1, 2017 and filed its preliminary response in the '806 IPR on May 22, 2017; we instituted the '176 IPR on May 30, 2017, but NetApp delayed filing the instant Petition for approximately one month thereafter, despite having served its invalidity contentions on January 24, 2017 setting

forth all the grounds NetApp ultimately asserted in the Petition.<sup>13</sup> '176 IPR Papers 15, 20; '806 IPR, Paper 11. The preliminary responses in the '176 and '806 IPRs each address the Challenged Claim and apply three of the four combinations of references asserted in the Petition. NetApp argues,

[w]hile NetApp knew of the prior art relied on in the Petition earlier in 2017, this is not a situation where a party filed a follow-on petition to address arguments or issues highlighted in a patent owner preliminary response or the Board's institution decision. Rather, NetApp determined that the existing IPR did not address all of the grounds of unpatentability that it had identified and relied on an expert that did not address all of the grounds.

Paper 14, 3–4.

NetApp's argument is refuted by its second and third attempts to stay the district court litigation, both of which suggest that NetApp was monitoring the arguments in the '176 and '806 IPRs and was awaiting the Decision to Institute in the '176 IPR. EDTX Docket D.I. 130, 7; *id.*, D.I. 196, 2. Factor 3, therefore, weighs in favor of applying our discretion to deny institution.

Factor 4 also weighs in favor of denying institution. NetApp's argument that the gap of several months between when it learned of the prior art to the filing of the instant Petition was a "reasonable amount of time under the circumstances" is not persuasive for at least the following reasons.

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<sup>13</sup> Factor 3 is directed to situations in which a petitioner delays filing a subsequent petition so that it can tailor its arguments to address issues identified by the patent owner and/or the Board during a prior proceeding. Although the formulation of factor 3 in *General Plastic* only refers to the patent owner's preliminary response and the Board's institution decision in the earlier proceeding, we find that the filing date of the patent owner's response in the earlier proceeding is equally relevant to this factor.

Paper 14, 4. When, on November 18, 2017, Patent Owner served NetApp with infringement contentions for the Challenged Claim, the Challenged Claim was already the subject of the petitions pending in the '176 IPR. NetApp's original motion to stay acknowledges "although one patent asserted against the NetApp Defendants—the '506 patent—is not part of an instituted IPR or pending IPR petition, *it is related to the patents for which IPR proceedings are already instituted and will be impacted [by] those proceedings*" (emphasis added). EDTX Docket, D.I. 51. Moreover, NetApp's original motion to stay cites IPR2016-00373, which relies on three of the four prior art references NetApp cites in the instant Petition and the record contains no evidence that NetApp could not have located the fourth reference, Chu (a U.S. patent), at that time. *Id.*, D.I. 51, 4; IPR2016-00373 Paper 7, 6. Similarly, the previously filed petitions in the '176 and '806 IPRs rely on three of the four prior art references NetApp cites in the instant Petition and the record contains no evidence that NetApp could not have located the fourth reference, Chu (a U.S. patent), at the time of the filing of those petitions. Accordingly, NetApp should have known of the prior art references it cites on or around when it received Patent Owner's November 18, 2016 infringement contentions. At the latest, NetApp must have known of all four prior art references cited in the Petition in advance of preparing its January 24, 2017 invalidity contentions that rely on all four references.

Regarding factor 5, NetApp argues Realtime fails to provide any evidence or examples that "NetApp sat back and tracked key events in the filed IPRs." Paper 14, 4. NetApp alleges that it instead delayed filing additional petitions to avoid wasting resources on patents that were being challenged already. *Id.* at 5. NetApp argues when the district court required

NetApp have its own IPRs for a stay, it filed four IPR petitions in less than two months. Ex. 1019. NetApp's arguments fail to provide adequate reasons why it waited for the district court's order pertaining to the motion to stay instead of filing the instant Petition. In fact, NetApp waited until June 22, 2017 (i.e., one week before the statutory deadline) to file the instant Petition. As stated *supra*, NetApp knew, or should have known of the references it cites by November 18, 2016, and NetApp had known of all four prior art references cited in the Petition in advance of preparing its January 24, 2017 invalidity contentions. Factor 5, therefore, weighs in favor of invoking our discretion to deny institution.

Factors 6 and 7 also weigh against institution. NetApp argues its Petition challenges only claim 105 and if the earlier filed proceedings result in invalidity to claim 105, then NetApp would move to terminate any proceeding based on the instant Petition. Paper 14, 5. NetApp also argues that there is no reason why a final determination would take more than one year. *Id.* NetApp, however, had ample opportunity to file a petition for *inter partes* review during the fall and winter of 2016 and spring of 2017. Indeed, Teradata filed its substantially similar petition in the '806 IPR on January 30, 2017. '806 IPR, Paper 1. But instead, NetApp waited until June 22, 2017, after its attempts to stay the litigation in the Eastern District of Texas were twice denied.

Instituting now the *inter partes* review NetApp seeks would require the Board to conduct an entirely separate proceeding involving the same claim of the same patent and three of the four same prior art references at

issue in the consolidated and joined '176, '806, and '1688 IPRs.<sup>14</sup> This result would be a significant waste of the Board's resources. All of the grounds NetApp asserts in the Petition are included in the district court litigation set for trial this month from now. There clearly can be no offsetting conservation of the Eastern District of Texas' judicial resources because the January 2018 trial will occur almost a year ahead of an expected date for a final written decision in this proceeding. Instituting a separate *inter partes* review now also would result in significant prejudice to Patent Owner, who already has spent approximately one year defending the patentability of the '506 patent in earlier-filed proceedings.

#### IV. CONCLUSION

Because the analysis is fact-driven, no single factor is determinative of whether we exercise our discretion and deny institution under 35 U.S.C. § 314(a) and 37 C.F.R. § 42.108(a). Nonetheless, five of the factors considered in this case weigh against institution, one is neutral, and one favors institution. On this record, we elect to invoke our discretion under 35 U.S.C. § 314(a) and 37 C.F.R. § 42.108(a) to deny institution of an *inter partes* review.

#### V. ORDER

Accordingly, it is ORDERED that the Petition is denied as to the challenged claim of the '506 patent.

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<sup>14</sup> NetApp did not seek joinder to the still pending '176, '806, and '1688 IPRs and does not request consolidation or coordination. Paper 14.

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