

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

MICROSOFT CORPORATION
Petitioner

v.

PROXYCONN, INC.
Patent Owner

Case IPR2012-00026 (TLG)
Case IPR2013-00109 (TLG)
Patent 6,757,717 B1

Before SALLY C. MEDLEY, SCOTT R. BOALICK, and THOMAS L.
GIANNETTI, *Administrative Patent Judges.*

GIANNETTI, *Administrative Patent Judge.*

DECISION
Motion For Additional Discovery
37 C.F.R. 42.51

INTRODUCTION

Patent Owner, Proxyconn, Inc., moves for additional discovery relating to the alleged commercial success of the invention claimed in Proxyconn's U.S. Patent 6,757,717. Paper 26. Proxyconn contends in its separate supporting brief that such discovery is necessary to obtain evidence of "secondary considerations of non-obviousness." Paper 27 ("Motion") at 1. Petitioner, Microsoft Corporation, opposes. Paper 30 ("Opp."). For the reasons that follow, the motion is denied.

The applicable standard for this motion is set forth in 37 C.F.R. § 42.51(b)(2)(i) as follows:

Additional Discovery. The parties may agree to additional discovery between themselves. Where the parties fail to agree, a party may move for additional discovery. The moving party must show that such additional discovery is in the interests of justice

BACKGROUND

This trial results from the joinder of two inter partes review proceedings, IPR2012-00026 and IPR2013-00109. In each, Petitioner challenges the patentability of various '717 patent claims as obvious under 35 U.S.C. § 103(a).

On February 8, 2013, during a conference call, Patent Owner advised the Board that discussions with Petitioner Microsoft regarding voluntary production of certain Microsoft sales data and related information requested by Patent Owner had not borne fruit. Patent Owner asserted that the information was necessary because

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it would show that a Microsoft product (Windows Server) having a feature (Remote Differential Compression or “RDC”) accused of infringing the ’717 patent claims was commercially successful. As this information was not within the scope of routine discovery under 37 C.F.R. § 42.51(b)(1), and because Microsoft would not agree to produce it voluntarily, Patent Owner sought the Board’s authorization to file a motion seeking additional discovery. *See id.* § 42.51(b)(2).

Petitioner responded during the conference call that the discovery requests were improper for several reasons. Petitioner asserted that Windows Server does not use the patented feature. Petitioner further asserted that there were many other reasons to purchase Windows Server besides the RDC feature accused of infringing the patent. The Board expressed concern that a nexus between the ’717 patent and the information sought through discovery was lacking. Therefore, in its order dated February 11, 2013 (Paper 23), the Board authorized the motion, but with the following express instruction to Patent Owner: “Patent Owner’s motion will specifically identify the information sought and address the relevance of that information, *including the nexus between the information sought and the allegation of commercial success.*” (Emphasis added.)

Patent Owner filed its motion (Papers 26 & 27) on February 18, 2013, and Petitioner filed an opposition (Paper 30) on February 25, 2013.

DISCUSSION

An important Congressional objective in passing the Leahy-Smith America Invents Act was to provide a quick and cost effective alternative to federal district court patent litigation. *See* H. Rep. No. 112-98, at 45-48 (2011). With that goal in

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mind, the statute passed by Congress and the rules implementing the statute provide for limited discovery. *See* 35 U.S.C. § 316(a)(5)(A); 37 C.F.R. § 42.51(b). Additional discovery is available, but in inter partes review, only what is necessary in the interest of justice. *See* 35 U.S.C. § 316(a)(5)(B); 37 C.F.R. § 42.51(b)(2). The legislative history makes it clear that the interest of justice should be limited to minor discovery and special circumstances. 154 CONG. REC. S9988-89 (daily ed. Sept. 27, 2008) (statement of Sen. Kyl). In light of this, and given the time deadlines imposed by Congress on these proceedings, the Board will be conservative in granting leave for additional discovery. *Id.*

1. Nexus Requirement

As Patent Owner recognizes, the nexus requirement for proving commercial success is well-established by the case law and is strictly observed. Thus, as the Federal Circuit held in *Ormco Corp. v. Align Tech., Inc.*, 463 F.3d 1299, 1311-12 (Fed. Cir. 2006), “[e]vidence of commercial success, or other secondary considerations, is only significant if there is a nexus between the claimed invention and the commercial success.” *Id.* (evidence did not show that the commercial success was the result of claimed and novel features). In order to establish a proper nexus, the patent owner must offer “proof that the sales were a direct result of the unique characteristics of the claimed invention -- as opposed to other economic and commercial factors unrelated to the quality of the patented subject matter.” *In re Huang*, 100 F.3d 135, 140 (Fed. Cir. 1996) (citation omitted) (concluding that the patentee failed to establish nexus). In *In re DBC*, 545 F.3d 1373 (Fed. Cir. 2008), the Federal Circuit observed that “[Patentee] has done little more than submit evidence of sales,” concluding that “[h]owever substantial those

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sales, that evidence does not reveal in any way that the driving force behind those sales was the claimed [invention].” *Id.* at 1384 (emphasis added).

Where, as here, the patent is said to cover a feature or component of a product, the patent owner has the additional burden of showing that the commercial success derives from the feature. *Tokai Corp. v. Easton Enters.*, 632 F.3d 1358, 1369 (Fed. Cir. 2011). Further, especially where the feature is found in the product of another, there must be proof that it falls within the claims. *E.g.*, *Demaco Corp. v. F. Von Langsdorff Licensing Ltd.*, 851 F.2d 1387, 1392 (infringer’s counsel stated at trial that the patent had been copied); *Hughes Tool Co. v. Dresser Industries, Inc.*, 816 F.2d 1549, 1552 (Fed. Cir. 1987) (patented O-ring seal copied by defendant).

Despite being directed by the Board to “address the relevance” of the information sought, “including the nexus between the information sought and the allegation of commercial success,” Patent Owner failed to provide a sufficient showing that might establish the relevance of the additional discovery requested, much less demonstrating that the interest of justice standard has been met. Instead, Patent Owner argues that such a showing would be “premature” at this stage. Motion 6-7. We disagree.

The interest of justice standard for granting additional discovery and its legislative history require that a showing of relevance be made by the party seeking additional discovery *before* the request is granted. *See supra*. While we agree that a conclusive showing of nexus is not necessary at this stage, some showing of relevance is necessary. This is particularly so here, where RDC is itself not a product but one feature of a complex software product. *See Opp.* 5-6. Patent Owner will ultimately have to show that the RDC feature drives demand for the

Windows Server product. As the cases surveyed demonstrate, this puts a heavy burden on Patent Owner. The Board will not allow Patent Owner additional discovery with no indication that the information sought will be relevant.¹

2. Patent Owner's Contentions

Patent Owner contends (without directing us to supporting evidence) that the discovery requested is directed to “non-public information.” Motion 2. We disagree. Many of the requests call for information that should be available to Patent Owner. For example, pricing information (Request 5), product reviews (Request 10), marketing, advertising and promotional materials (Request 11), public comments (Request 12), and awards (Request 13) all seem to be within the scope of information publicly available on the Internet or elsewhere. The Board is not persuaded of any need for additional discovery from Petitioner of this information.

Patent Owner also contends that its requests are “narrowly tailored.” Motion 2. Again, we disagree. None of the requests are time-limited. Many are imprecise and unfocused. Thus, Request 3 calls for “any upgrades” by customers. Request 4 calls for sales figures for unspecified Microsoft programs including RDC “or equivalents.” Requests 5 and 6 call for information on “any [Microsoft] products that are offered with or without” RDC. Requests 7 and 8 call for documents concerning the “benefits” and “value” of RDC. Request 9 calls for documents that “illustrate the demand” for RDC. We agree with Petitioner that these requests are insufficiently focused, overly broad, and unduly burdensome. *See* Opp. 8-9.

¹ For further guidance on this issue, we refer the parties to the Board’s Decision on Motion for Additional Discovery in *Garmin International, Inc. et al. v. Cuozzo Speed Technologies LLC*, Case No. IPR2012-00001 (Paper 26, March 5, 2013).

As to sales figures (Requests 1 and 2), Patent Owner contends that a comparison between the version of Windows Server containing RDC and the previous version without RDC will provide evidence of commercial success. Motion 8. This is true, according to Patent Owner, because RDC “was one of the few – if not the only differences” between the two servers. *Id.* This assertion, however, is unsupported by Patent Owner and disputed by Petitioner. Petitioner points out that Microsoft’s Windows Server products have “thousands of features” (Opp. 5-6), and that many of Microsoft’s customers for Windows Server are enterprise or annuity customers, who generally upgrade to the newest Microsoft offering regardless of need or the features of the new version. Opp. 7. In the absence of any sufficient supporting evidence from Patent Owner, we are not convinced by Patent Owner’s argument for relevance of this evidence.

4. Patent Owner’s Authorities

We have reviewed Patent Owner’s citations to authority and find them unavailing. Most simply confirm the need for proving nexus. *See* cases cited at Motion. 6. Others recognize that, once commercial success and nexus are established, they must be considered. The Federal Circuit’s decision in *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Drilling USA, Inc.*, 699 F.2d 1340 (Fed. Cir. 2012), is an example. *See* Motion 5, 6, 8. In *Transocean*, the patent owner presented evidence of commercial success and nexus to the patented technology that was accepted by the jury. *Id.* at 1350. Unlike Patent Owner here, however, *Transocean* relied on the commercial success of its own product: oil drilling rigs. *Id.* The patented technology in *Transocean* was a dual-activity rig involving drilling two separate well centers. *Id.* The case did not involve one

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feature embedded in a complex software product having “thousands of features.” *See supra*. Furthermore, in *Transocean*, there was persuasive evidence of other secondary factors such as industry praise, unexpected results, industry skepticism, copying, licensing, and long-felt need. *Id.* at 1351-54. We are therefore not persuaded of the relevance of *Transocean* or Patent Owner’s other authorities to the issues presented by this motion.

CONCLUSION

Patent Owner has not carried its burden of demonstrating that the additional discovery requested is in the interest of justice. For the foregoing reasons Petitioner’s motion for additional discovery is denied.

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