

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

BAXALTA INCORPORATED, BAXALTA US)
INC. and NEKTAR THERAPEUTICS,)

Plaintiffs and)
Counterclaim Defendants,)

v.)

BAYER HEALTHCARE LLC,)

Defendant.)
_____)

Civil Action No. 17-1316-RGA-SRF

REDACTED

MEMORANDUM ORDER

At Wilmington this **9th** day of **October, 2019**, the court having considered the October 3, 2019 joint letter submission in which plaintiffs request a modification of the protective order to permit the production of a redacted version of the [REDACTED] and three letter submissions from the current litigation in the PTAB proceedings, IT IS HEREBY ORDERED that plaintiffs' request to use the proposed redacted copy of the [REDACTED] in the IPR proceedings before the PTAB is GRANTED-IN-PART. (D.I. 324, Ex. A) IT IS FURTHER ORDERED that plaintiffs' request for permission to use unredacted copies of plaintiffs' September 16, 2019 letter to the court filed at D.I. 297, and the communications attached as Exhibits N and O to D.I. 298, is DENIED for the reasons set forth below.

1. Background. On September 19, 2019, the court held a telephonic discovery hearing in this matter regarding, *inter alia*, plaintiffs' motion to modify the protective order to permit the production of the [REDACTED] in *inter partes* review proceedings ("IPRs") before the Patent Trial and Appeal Board ("PTAB").¹ (D.I. 302 at 47:23-58:7) During the September 19,

¹ NOF Corporation ("NOF"), a third party to the pending litigation, has filed *inter partes* review

2019 teleconference, the court ordered plaintiffs to provide defendant Bayer Healthcare LLC (“Bayer”) with a proposed redacted version of the [REDACTED] to facilitate a practical resolution to the dispute. (D.I. 302 at 57:4-58:7) The parties were unable to reach agreement on a proposed redacted version of the [REDACTED] for submission to the PTAB. (D.I. 324, Ex. I)

2. Legal standard. Pursuant to Rule 26(c) of the Federal Rules of Civil Procedure, “the court may, for good cause,” issue a protective order to prevent the disclosure of “a trade secret or other confidential research, development, or commercial information.” Fed. R. Civ. P. 26(c)(1)(G). The court has discretion to modify a protective order upon a showing of good cause. *See PhishMe, Inc. v. Wombat Sec. Techs., Inc.*, C.A. No. 16-403-LPS-CJB, 2017 WL 4138961, at *2 (D. Del. Sept. 8, 2017).

3. Analysis. Plaintiffs’ request to modify the protective order to permit the production of the proposed redacted version of the [REDACTED] in the IPR proceedings is GRANTED because plaintiffs have satisfied their burden of showing good cause. [REDACTED] is highly relevant to the IPR proceedings. If the PTAB determines that Bayer is a real party in interest pursuant to the terms of the [REDACTED] NOF may be statutorily barred from pursuing the IPR proceedings.² Under similar circumstances, the court in *Columbia Sportswear North America, Inc. v. Seirus Innovative Accessories, Inc.* modified the protective order to permit the discovery of documents demonstrating privity between the

(“IPR” petitions challenging five of the patents-in-suit asserted by Nektar in the pending litigation.

² If NOF is in privity with Bayer then NOF would be ineligible to petition for an IPR pursuant to the one-year bar of 35 U.S.C. § 315(b), which provides that “[a]n 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.”

defendant and a third party, including an indemnity agreement, in IPR proceedings. *See Columbia Sportswear N. Am., Inc. v. Seirus Innovative Accessories, Inc.*, 2017 WL 1217157, at *2 (D. Or. Apr. 3, 2017). The Federal Circuit has held that “[d]etermining whether a non-party is a ‘real party in interest’ demands a flexible approach that takes into account both equitable and practical considerations, with an eye toward determining whether the non-party is a clear beneficiary that has a preexisting, established relationship with the petitioner.” *Applications in Internet Time, LLC v. RPX Corp.*, 897 F.3d 1336, 1351 (Fed. Cir. 2018). Consequently, the [REDACTED] is discoverable in the IPR proceedings.

4. Bayer’s confidentiality concerns do not alter this result. The proposed redactions in the [REDACTED] shield information regarding [REDACTED] [REDACTED] (D.I. 324, Ex. A) Plaintiffs represent that the redacted [REDACTED] will be filed under seal, subject to the PTAB’s Default Protective Order, and it will be expunged from the docket in accordance with the PTAB’s procedures. (D.I. 324, Ex. I) Taken together, the multiple layers of protection proposed by plaintiffs are sufficient to address Bayer’s confidentiality concerns.

5. Bayer proposed a stipulation describing certain provisions of the [REDACTED] [REDACTED] producing a redacted copy of the [REDACTED] itself.³ (D.I. 324 at 5) However, a stipulation between Bayer and plaintiffs would not be binding on NOF and would open the door to evidentiary challenges under the best evidence and hearsay rules. *See* 37 C.F.R. § 42.62 (Federal Rules of Evidence apply to PTAB proceedings); Fed. R. Evid. 1002 (“An

³ Bayer’s proposed compromise steps back from its original position that the very existence of the [REDACTED] cannot be disclosed. At a minimum, the court finds that Nektar should not be completely without a mechanism in the IPR to argue privity or at the very least make a reasonable showing that discovery is warranted on the issue.

original writing . . . is required in order to prove its content unless these rules or a federal statute provides otherwise.”); Fed. R. Evid. 801(c) (defining hearsay).

6. Plaintiffs’ request for permission to use unredacted copies of plaintiffs’ September 16, 2019 letter to the court filed at D.I. 297 and the communications attached as Exhibits N and O to D.I. 298 in the IPR proceedings is DENIED. Plaintiffs have failed to establish good cause for disclosing discovery dispute letters and related filings in the IPR proceedings. According to plaintiffs, these communications are relevant to the PTAB’s real-party-in-interest analysis under 35 U.S.C. § 315(b) in accordance with the PTAB’s decision in *Proppant Express Invs., LLC v. Oren Techs., LLC*, Case IPR2017-01917 (PTAB Feb. 13, 2019). Specifically, plaintiffs contend that the communications are relevant to Bayer’s refusal to submit the [REDACTED] to the PTAB. (D.I. 324 at 4) Plaintiffs fail to explain how the PTAB’s decision in *Proppant Express* supports this argument,⁴ or how Bayer’s refusal to produce the [REDACTED] is relevant to a specific factor or factors under § 315(b). The [REDACTED] is sufficient in and of itself to inform the PTAB of the relationship between NOF and Bayer for purposes of the real-party-in-interest inquiry.

7. **Conclusion.** For the foregoing reasons, plaintiffs’ request to use the proposed redacted copy of the [REDACTED] in the IPR proceedings before the PTAB is GRANTED-IN-PART. Specifically, plaintiffs shall modify the proposed redacted version of the [REDACTED] to also redact the following: [REDACTED]

⁴ In *Proppant Express*, the PTAB concluded that the petitioner could update its real-party-in-interest disclosures after institution of the IPR proceeding without running afoul of the limitations period in § 315(b). *Proppant Express*, Case IPR2017-01917, at 7.

⁵ The court agrees that the [REDACTED] is not needed for the limited purpose for which the [REDACTED] is sought to be used by Nektar in the IPR proceedings.

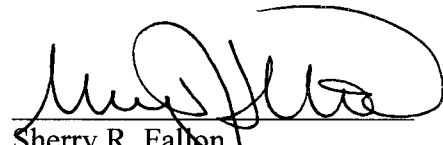
[REDACTED]

[REDACTED] (D.I. 324, Ex. A) Plaintiffs' request for permission to use unredacted copies of plaintiffs' September 16, 2019 letter to the court filed at D.I. 297, and the communications attached as Exhibits N and O to D.I. 298, is DENIED. The modification of the protective order to allow the introduction of the redacted [REDACTED] in the IPR proceedings is stayed pending the expiration of the objections period and/or the ruling of the District Judge on any such objections.

8. Given that the court has relied upon material that technically remains under seal, the court is releasing this Memorandum Order under seal, pending review by the parties. In the unlikely event that the parties believe that certain material in this Memorandum Order should be redacted, the parties shall jointly submit a proposed redacted version by no later than **October 16, 2019**, for review by the court, along with a motion supported by a declaration that includes a clear, factually detailed explanation as to why disclosure of any proposed redacted material would "work a clearly defined and serious injury to the party seeking closure." *See In re Avandia Mktg., Sales Practices & Prods. Liab. Litig.*, 924 F.3d 662, 672 (3d Cir. 2019) (quoting *Miller v. Ind. Hosp.*, 16 F.3d 549, 511 (3d Cir. 1994) (internal quotation marks omitted)). If the parties do not file a proposed redacted version and corresponding motion, or if the court determines the motion lacks a meritorious basis, the documents will be unsealed within thirty (30) days of the date the Memorandum Order issued.

9. This Memorandum Order is filed pursuant to 28 U.S.C. § 636(b)(1)(A), Fed. R. Civ. P. 72(a), and D. Del. LR 72.1(a)(2). The parties may serve and file specific written objections within seven (7) days after being served with a copy of this Memorandum Order. Fed. R. Civ. P. 72(a). The objections and responses to the objections are limited to five (5) pages each.

10. The parties are directed to the court's Standing Order For Objections Filed Under Fed. R. Civ. P. 72, dated October 9, 2013, a copy of which is available on the court's website, www.ded.uscourts.gov.



Sherry R. Fallon
United States Magistrate Judge