

2018-2024, -2025

**UNITED STATES COURT OF APPEALS FOR
THE FEDERAL CIRCUIT**

FOX FACTORY. INC.,

Appellant,

v.

SRAM, LLC,

Appellee.

**Appeals from the United States Patent and Trademark Office,
Patent Trial and Appeal Board in Nos.
IPR2017-00118 and IPR 2017-00472.**

**FOX'S RESPONSE TO SRAM'S PETITION FOR
REHEARING EN BANC**

Joshua L. Goldberg
Daniel F. Klodowski
FINNEGAN, HENDERSON, FARABOW,
GARRETT & DUNNER, LLP
901 New York Ave., NW
Washington, DC 20001-4413
(202) 408-4000

Erik R. Puknys
Robert F. McCauley
Arpita Bhattacharyya
FINNEGAN, HENDERSON, FARABOW,
GARRETT & DUNNER, LLP
3300 Hillview Avenue
Palo Alto, CA 94304-1203
(650) 849-6600

Attorneys for Appellant FOX Factory, Inc.

CERTIFICATE OF INTEREST

1. The full name of every party or amicus represented by me is:

FOX Factory, Inc.

2. The name of the real party in interest represented by me is:

RFE Holding (US) Corp.
RFE Holding (Canada) Corp.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party represented by me are:

FOX Factory Holding Corp. is the parent corporation of FOX Factory, Inc.

BlackRock Fund Advisors owns 10% or more of stock in FOX Factory Holding Corp. and is a subsidiary of publicly held BlackRock, Inc.

Virtus Investment Advisors, Inc. owns 10% or more of stock in FOX Factory Holding Corp. and is a subsidiary of publicly held Virtus Investment Partners, Inc.

(BlackRock Fund Advisors and Virtus Investment Advisors, Inc., are privately held companies, but their respective parent corporations are publicly traded.).

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court (and who have not or will not enter an appearance in this case) are:

None.

5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal. *See* Fed. Cir. R. 47.4(a)(5) and 14.5(b). (The parties should attach continuation pages as necessary.)

FOX Factory, Inc. v. SRAM, LLC, Appeal No. 19-1544 (Fed. Cir.) (appeal of *Inter Partes* Review of U.S. Patent No. 9,291,250, a continuation of the patent-at-issue, U.S. Patent No. 9,182,027, *FOX Factory, Inc. v. SRAM, LLC*, Case No. IPR2017-01440)

SRAM, LLC v. RFE Holding (Canada) Corp., Case No. 1:15-cv-11362-JHL (N.D. Ill.) (involving the '027 patent)

SRAM, LLC v. RFE Holding (Canada) Corp., Case No. 1:16-cv-05262-JHL (N.D. Ill.) (involving the '250 patent)

Inter Partes Review of the '250 patent, *FOX Factory, Inc. v. SRAM, LLC*, Case No. IPR2017-01440

Ex parte reexamination of the '027 patent, Reexamination Control No. 90/013,715

Ex parte reexamination of the '250 patent, Reexamination Control No. 90/013,831

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I. PRELIMINARY STATEMENT

The facts of this case, although unusual, are directly on point with this Court's decision in *Therasense, Inc. v. Becton, Dickenson & Co.*, 593 F.3d 1289, 1299 (Fed. Cir. 2010), which refused to presume a nexus where, as here, different patents covered different features of the same product. *Therasense* thus compelled the result the panel reached. Despite the obvious importance of *Therasense* to the panel's decision, however, neither SRAM nor Retired Circuit Judge Paul R. Michel, who filed an amicus brief in support of SRAM's petition, even mentions it.

In the IPRs underlying this appeal, FOX challenged SRAM's '027 patent. SRAM was unable to distinguish FOX's prior-art combinations, so it argued non-obviousness based on commercial success and other secondary considerations relating to SRAM's product, the X-Sync chainring. But SRAM never tied its secondary-considerations evidence to the '027 patent by showing that the features claimed in that patent drove the X-Sync's success. Instead, SRAM asked the PTAB to *presume* a nexus between the '027 patent and the X-Sync's success even though the X-Sync incorporated at least three additional chain-retention features that are not claimed in the '027 patent, but are claimed in other SRAM patents.

More unusual still, in a different IPR, SRAM asked the PTAB to presume that one of those other patents, the '250 patent, was responsible for the same sales, praise, and other success that SRAM credited to the '027 patent in this case. According to SRAM, the '250 patent claimed the “enabling technology” for the X-Sync, and it was *that* technology which was “critical” to the X-Sync’s success.

And SRAM succeeded both times. That is, in two *different* IPRs, SRAM convinced the *same* fact-finder to presume that two *different* patents, claiming two *different* inventions directed to solving the *same* problem, were each independently responsible for the *same* success—the *same* sales, the *same* praise—of the *same* product. This result cannot be defended logically.

Nor can this result be defended on the law. This Court in *Therasense* explained that a presumption of nexus is unwarranted where the commercial product incorporates different patents covering different features: “This is not a situation where the success of a product can be attributed to a single patent.” *Id.* at 1299. The same is true here.

Without even mentioning *Therasense*, SRAM and Judge Michel erroneously accuse the panel of making up new rules and tests that, in

actuality, flow directly from the holding of that case and the particular facts of this one. For example, SRAM falsely accuses the panel of creating a “new” rule that “no nexus can be presumed where multiple patent claims or multiple related patents cover the product unless those patent claims or patents are ‘essentially the same invention.’” SRAMPet.3-4. That is not a new rule; it is an accurate description of this Court’s precedents, including *Therasense*, which explains a presumption is inappropriate where different patents cover different product features, and more recent decisions like *WBIP, LLC v. Kohler Co.*, 829 F.3d 1317, 1329 n.3 (Fed. Cir. 2016), and *PPC Broadband, Inc. v. Corning Optical Communications RF, LLC*, 815 F.3d 734, 747 (Fed. Cir. 2016), which presumed a nexus for multiple patents, but also explained those patents claimed essentially the same invention.

The other allegedly “new” rule SRAM accuses the panel of creating is that “no nexus can be presumed until the patent owner first demonstrates that the commercial product is ‘essentially the same invention’ and that the product only contains ‘insignificant’ unclaimed features that do not ‘materially impact’ the functioning of the product.” SRAMPet.3. But numerous cases from this Court applied the same two-

part test the panel applied, requiring the patentee to prove both that (1) the commercial product practices the claims at issue *and* (2) the product “is the invention disclosed and claimed,” or to put it another way, is “coextensive with the patented invention.” Thus, the panel’s allegedly “new” and “nebulous” test was taken directly from this Court’s precedents.

As explained in more detail below, the panel did not fashion any new rigid “rule” or “test.” It applied this Court’s relevant precedents to this case’s particular facts, where not only did the commercial product at issue incorporate multiple different, separately patented, inventions, but those inventions all addressed the same problem.

II. THE COURT SHOULD DENY SRAM’S PETITION

The use of secondary-considerations evidence to rebut a validity challenge is not among the bundle of rights that comes with a patent. Instead, the patentee must, in every case, prove a nexus between that evidence and the merits of the claimed invention. *See Demaco Corp. v. F. von Langsdorff Licensing Ltd.*, 851 F.2d 1387, 1392 (Fed. Cir. 1988) (“The burden of proof as to this connection or nexus resides with the patentee.”). Sometimes, however, the law offers the patentee a shortcut, a

presumption of nexus, but only if the marketed product both practices the claimed invention and is coextensive with it. *See Brown & Williamson Tobacco Corp. v. Philip Morris, Inc.*, 229 F.3d 1120, 1130 (Fed. Cir. 2000) (“if the marketed product embodies the claimed features, and is coextensive with them, then a nexus is presumed”).

A. *Therasense*, which denied the presumption because another patent covered a different product feature, was cited multiple times as controlling precedent by the panel and compels the outcome of this case.

SRAM asserted that the X-Sync practices the '027 patent claims, which recite alternating narrow and wide teeth that are offset towards or away from the bicycle frame. Appx20; Appx89. But in addition to the offset narrow-wide teeth, there are, as a SRAM director testified, “literally hundreds of features” on the X-Sync. Appx4970[44:2-3]. Among these are at least three separately patented features that, like the offset narrow-wide teeth, improve chain retention:

(1) Asymmetric, hooked teeth with protruding tips, claimed in U.S. Patent No. 9,493,211. Slip op. at 14; Appx5238-5239[¶38].

(2) A “>80% gap-filling” feature requiring more than 80% of the gap between the outer-link spaces to be filled by the tooth at a specific

location (the midpoint), claimed in U.S. Patent No. 9,921,250. Slip op. at 11-12.

(3) “Mud-clearing recesses,” which “get rid of mud so the chain remains in place no matter what conditions you’re up against” (Appx5316), claimed in yet another patent. Appx4970-4971[44:9-45:15].

The panel focused on the ’250 patent’s >80% gap-filling feature. Slip op. at 5. The PTAB, in another IPR, presumed a nexus between the ’250 patent and the same secondary considerations that the PTAB presumed should be credited to the ’027 patent in this case. *Id.* at 19. SRAM called the ’250 patent’s gap-filling feature “enabling technology” that was “critical” to the X-Sync’s success. *Id.* at 13; Appx5282. Based on these undisputed facts, the panel determined that under *Therasense*, SRAM was not entitled to a presumption that the ’027 patent was responsible for the X-Sync’s success. *Id.* (stating that in *Therasense* “the patentee was not entitled to a presumption of nexus because the product embodied at least two patented inventions”).¹

¹ *Therasense* was vacated when the Court took its inequitable-conduct issue en banc, but the portions addressing obviousness were subsequently reinstated. Slip op. at 10 n.10.

Neither SRAM nor Judge Michel has challenged the panel's application of *Therasense* in this case. Indeed, neither mentions *Therasense* at all. Because the panel decision was based in large part on *Therasense*, and the petition has not challenged it as wrong or inapplicable, the petition should be denied.

B. The panel applied the correct test for determining whether a nexus may be presumed.

In addition to correctly applying *Therasense*, the panel also correctly applied several cases explaining that a presumption of “nexus is appropriate ‘when the patentee shows that the asserted objective evidence is tied to a specific product and that the product ‘embodies the claimed features and is coextensive with them.’” Slip op. at 10, quoting *Polaris Indus., Inc v. Arctic Cat, Inc.*, 882 F.3d 1056, 1072 (Fed. Cir. 2018) and *Brown & Williamson*, 229 F.3d at 1130.

The panel recognized that this test is as old as *Demaco*:

As first recognized in *Demaco Corp. v. F. Von Langsdorff Licensing Ltd.*, a patentee is entitled to a rebuttable presumption of nexus between the asserted evidence of secondary considerations and a patent claim if the patentee shows that the asserted evidence is tied to a specific product and that the product “is the invention disclosed and claimed.” 851 F.2d at 1392 (emphasis added). . . . Conversely, “[w]hen the thing that is commercially

successful is not coextensive with the patented invention—for example, if the patented invention is only a component of a commercially successful machine or process,” the patentee is not entitled to a presumption of nexus. *Demaco*, 851 F.2d at 1392.

Slip op. at 9-10.

Given the undisputed facts described *supra*, the panel also discussed the importance of the “coextensive” requirement to this case, citing *Therasense* and *SightSound Technologies, LLC v. Apple Inc.*, 809 F.3d 1307, 1319 (Fed. Cir. 2015) (“If a product both embodies the claimed features and is coextensive with the claims at issue, a nexus is presumed. In other words, a nexus exists if the commercial success of a product is limited to the features of the claimed invention.”) (internal quotations and citation omitted). Slip op. at 10.

Applying these precedents, the panel determined that the X-Sync is not coextensive with the '027 patent. The '027 patent not only lacks the admittedly “critical” >80% gap fill feature claimed in the '250 patent, but it also lacks other separately patented features that also improve the X-Sync’s ability to retain a chain. *Id.* at 14-15. In the words of *Therasense*, therefore, “[t]his is not a situation where the success of a product can be attributed to a single patent.” *Id.* at 1299. Or, in the words of *SightSound*,

“the commercial success of” the X-Sync is not “limited to the features of the claimed invention.” 809 F.3d at 1319.

C. The panel’s discussion of what it means for a product and patent to be “coextensive” accurately reflects the reason for granting the presumption in the first place.

In *Graham v. John Deere*, the Supreme Court explained that every analysis of secondary considerations must “focus attention on economic and motivational rather than technical issues.” 383 U.S. 1, 35-36 (1966); *see also In re Huang*, 100 F.3d 135, 140 (Fed. Cir. 1996) (stating that the relevant question is whether “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”). That is, when secondary considerations are brought into an obviousness analysis, the overarching questions must be grounded in the practical realities of industry or consumer behavior: *Why did the industry praise the patented product? Why did customers buy it?*

Where a commercial product is covered by only one patent, presuming a nexus is often appropriate because the patented aspect of the product is probably what distinguishes it. *See, e.g.*, James J. Kozuch, “*Commercial Success*” in *Pharmaceutical Patent Litigation, and Cross-*

Examination of the Patent Owner's Economist, Intellectual Property Today, April 2009 (“a commercially successful product is generally differentiated in the marketplace as a result of its patented features”). But as *Therasense* explains, there is no reason to presume a nexus where more than one patent covers the product. That is, where numerous features differentiate a successful product in the marketplace, there is no reason to presume that one differentiating feature deserves the credit more than any other.

This reasoning applies beyond the situation where an unclaimed distinguishing feature is covered by another patent. If, for example, consumers value the hooked, asymmetric teeth of the X-Sync more than its other features,² why should it make any difference that those teeth are patented? Presumptions must be grounded in experience and common sense. *See Demaco*, 851 F.2d at 1392 (“The judge, using ordinary reasoning, may determine that fact A might reasonably be inferred from fact B, and therefore that the party has satisfied his burden [of producing evidence] . . .”). No one can seriously say that consumers typically

² The evidence actually showed this. Appx1741; Appx1760; Appx1768; Appx1783; Appx1826; Appx1881.

search the PTO's website to determine whether the feature they desire is patented.

In other contexts, this Court requires direct proof of a nexus where other valuable features, patented or not, may also be responsible for consumer demand. *See, e.g., Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, 904 F.3d 965, 979 (Fed. Cir. 2018) (stating, in the damages context, that “[w]hen the product contains other valuable features, the patentee must prove that those other features do not cause consumers to purchase the product”); *Apple, Inc. v. Samsung Elecs., Co., Ltd.*, 678 F.3d 1314, 1324 (Fed. Cir. 2012) (stating, in the injunction context, that there can be no nexus “if consumers buy that product for reasons other than the patented feature”). Neither SRAM nor Judge Michel provides any reason for why this general rule should differ in the secondary-considerations context.

In this case, the question driving the secondary-considerations analysis was straightforward: *Why do cyclists apparently think the X-Sync is better?* Because so many features of the X-Sync are patented, simply showing, as SRAM did, that the '027 patent is one of those patents is not enough. Why should the Court assume the X-Sync was successful

because of the patent that happened to have been challenged in this particular PTAB proceeding? Maybe the X-Sync's asymmetric, hooked teeth were responsible. Or perhaps the patented mud-clearing recesses were. Or maybe the '250 patent's >80% gap fill was.

It bears emphasizing, in fact, that the PTAB, in a separate IPR, presumed the >80% gap fill *was* responsible for the very same sales and praise it presumed the '027 patent was responsible for in this case. Slip op. at 19. As *Therasense* explained, however, the presumption is rational only “where the success of a product can be attributed to a single patent.” 593 F.3d at 1299. What SRAM demands here is a rule that would require a fact-finder to presume a nexus for one patent while simultaneously requiring the same fact-finder to presume another patent is responsible for the same success. Such an outcome would turn a judicial convenience for allocating the burdens of production³ into an unfair advantage for the patentee, allowing it to benefit, *as a matter of law*, from conflicting factual findings that logically cannot both be true. That cannot be correct.

³ See *Texas Dept. of Community Affairs v. Burdine*, 450 U.S. 248, 255 n.8 (1980) (“The word ‘presumption’ properly used refers only to a device for allocating the production burden.”).

D. The panel interpreted *Demaco* the same way other cases from this Court have interpreted it.

According to Judge Michel, the panel misinterpreted *Demaco* by reading it as indicating a presumption is inappropriate where “the patented invention is only a component of a commercially successful machine or process’ or is otherwise ‘not co-extensive with the patented invention.” MichelBr.5. As Judge Michel reads *Demaco*, a patentee should *automatically* get the presumption *every time* a successful product practices a patent. *Id.* at 5-8. Judge Michel would thus eliminate the “coextensive” requirement entirely.

With all respect, Judge Michel has misread *Demaco*. *Demaco* and this Court’s decisions applying it establish that a presumption is appropriate only when a product covered by the patent “is the invention disclosed and claimed in the patent” (i.e., the product is “coextensive” with the claimed invention), and that a presumption is inappropriate when the product is not coextensive with the claimed invention. In *Polaris*, for example, the Court interpreted *Demaco* the same way the panel did here: a nexus may be presumed only when the “product ‘embodies the claimed features, and is coextensive with them.’” 882 F.3d at 1072. “Conversely,” continued the Court, “[w]hen the thing that is

commercially successful is not coextensive with the patented invention—for example, if the patented invention is only a component of a commercially successful machine or process—the patentee must show prima facie a legally sufficient relationship between that which is patented and that which is sold.” *Id.*, quoting *Demaco*, 851 F.2d at 1392. Many other panels have interpreted and applied *Demaco* the same way. *See, e.g., In re Mettke*, 570 F.3d 1356, 1361 (Fed. Cir. 2009) (“when the commercially successful device is the claimed invention itself, there is a presumption of nexus”); *Brown & Williamson*, 229 F.3d at 1130 (“if the marketed product embodies the claimed features, and is coextensive with them, then a nexus is presumed”); *J.T. Eaton & Co. v. Atl. Paste & Glue Co.*, 106 F.3d 1563, 1571 (Fed. Cir. 1997) (where “the successful product is the invention disclosed and claimed in the patent, it is presumed that the commercial success is due to the patented invention”).⁴

⁴ The only case that arguably treated practicing the patent as synonymous with being “coextensive” with it was *Ecolochem, Inc. v. So. Cal. Edison Co.*, 227 F.3d 1361 (Fed. Cir. 2000). In that case, the panel, in a decision written by Judge Michel, seemed to have granted the presumption even though the patented product included a valuable, but unclaimed, feature. *Id.* at 1378. But whatever *Ecolochem* said regarding the presumption was *dicta*, because the secondary considerations had no effect on the outcome. *Id.* at 1381 (“the secondary considerations, taken as a whole, do not overcome the other evidence of obviousness”).

This Court's decisions also refute Judge Michel's assertion that *Demaco* allows a presumption even where "*the patented invention is only a component of a commercially successful machine or process*" (MichelBr.5). See *WBIP*, 829 F.3d at 1329 n.3 ("A limited exception to the presumption of nexus exists where the patented invention is only a component of the product to which the asserted objective considerations are tied."), citing *Demaco*, 851 F.2d at 1392; see also *Henny Penny Corp. v. Frymaster LLC*, 938 F.3d 1324, 1332-33 (Fed. Cir. 2019) (where "the patented invention is only a small component of the product tied to the objective evidence, there is no presumption of nexus"), citing *Polaris*, 882 F.3d at 1072.

Perhaps Judge Michel has misinterpreted *Demaco*'s references to a "prima facie case of nexus" as meaning a "presumption of nexus." But *Demaco* uses the phrase "prima facie case" when explaining that a nexus can be established either through the presumption (when the product *is* the invention claimed) or by proffering direct evidence (when the product is not coextensive with it). 851 F.2d at 1392. Then, because it is just a prima facie showing, the defendant can counter with its own evidence. *Id.* at 1393 ("Once a prima facie case of nexus is made the court must

consider the evidence adduced on both sides of the question, with such weight as is warranted.”). In fact, *Demaco*’s quotations of the two cases it cites to illustrate how a “prima facie case of nexus” can be established show the patentees did not rely on any presumption, but instead directly proved a nexus with additional evidence. *See id.* at 1392-93, citing *Hughes Tool Co. v. Dresser Indus.*, 816 F.2d 1549, 1556 (Fed. Cir. 1987) (patentee proffered evidence that defendant and others copied only the patented feature of the commercial product, “while other features were not copied”); *R.R. Dynamics v. A. Stucki Co.*, 579 F. Supp. 353, 366-67 (E.D. Pa. 1983) (plaintiff proffered “testimony as to the advantage of the spaced structure with the biasing spring [which] easily supports the inference that the claimed invention itself was responsible for this success”).

E. Neither SRAM nor Judge Michel cites any case conflicting with the panel’s decision, because, as the panel noted, those cases involved patents claiming essentially the same invention.

None of the cases that SRAM and Judge Michel cite as being contrary to the panel decision actually is. For instance, as explained previously, *Demaco* itself established the two-pronged test—requiring a distinct “coextensive” prong—the panel applied. *See supra* pages 13-14.

The product involved in *Demaco*, moreover, *was* the patented invention. 851 F.2d at 1394 (“It was further undisputed that it was the patented paving stone that was the thing sold in commerce.”). There is no indication in *Demaco* of any unclaimed but valuable feature of the commercial product that would call into question the panel’s analysis. Nor did the panel do or say anything inconsistent with *PPC*, *WBIP*, or *Polaris*. There was no indication in any of those cases that the commercial products included any significant unclaimed features.

Moreover, although the commercial products involved in *WBIP* and *PPC* were covered by multiple patents, those cases are not in conflict with either *Therasense* or the panel decision, because the patents in *WBIP* and *PPC* were directed to essentially the same invention. Slip. op. at 17. For example, in *WBIP*, the Court identified a single claim as representative of *both* patents. *Id.* at 1325; slip op. at 17. The only material difference was that one patent claimed a marine engine having an improved exhaust system and the other claimed a method of using the improved exhaust system in a marine engine. *Id.* at 1329 n.3.

Similarly, the asserted claims of all three patents in *PPC* shared the same essential feature, a “continuity member.” *Id.* at 739 (“[t]he

terms ‘continuity member’ or ‘electrical continuity member’ are present in every claim at issue”). But even so, the Court did not extend the presumption to every claim. Instead, the Court determined that only the claims reciting “temporal continuity” were sufficiently distinct from the prior art. *Id.* at 743-44. Accordingly, the Court remanded only those claims with instructions to presume a nexus. *Id.* at 747. The Court affirmed the PTAB’s conclusion that the other claims were obvious. *Id.*

SRAM also cites *Gator Tail, LLC v. Mud Buddy LLC*, 618 F. App’x 992 (Fed. Cir. 2015) (SRAMPet.16-17), but there, too, the Court stated that “[f]or the purposes of this appeal, the patents essentially claim the same invention.” 618 F. App’x at 995. The same is true of *Media Technologies Licensing, LLC v. Upper Deck Co.*, 596 F.3d 1334 (Fed. Cir. 2010). Slip op. at 18.

Although SRAM now argues that these cases all involve situations where the “scope of the claimed inventions varies significantly” (SRAMPet.14), SRAM, in a co-pending appeal, agreed with the panel that the patents in these cases were “drawn to essentially the same invention.” See Brief of Appellee SRAM, LLC, at 61-62, *FOX Factory, Inc. v. SRAM, LLC*, No. 2019-1544, ECF No. 24 (in *WBIP* and *PPC* “the

patents-at-issue were directed to the same general invention” and in *Gator Tail* the patents-in-issue were directed to “the same general invention of an engine system”).

The apparent reason for SRAM’s change in position is that SRAM now purports to look at the claims from the perspective of “basic patent law.” SRAMPet.14 (“each patent claim necessarily includes different features than the other claims in that patent or any related patent”). But that is not the correct perspective for a secondary-considerations analysis, which, as *John Deere* instructs, must focus on “economic and motivational” considerations, and not get bogged down in the technicalities of patent law. 383 U.S. at 35-36. And, as explained *supra*, in none of those cases was there any indication that the commercial products included any unclaimed feature having significant economic value or that would motivate a consumer’s purchasing decision.

III. CONCLUSION

SRAM’s petition should be denied.

Respectfully submitted,

/s/ Erik R. Puknys

February 26, 2020

Joshua L. Goldberg
Daniel F. Klodowski
FINNEGAN, HENDERSON, FARABOW,
GARRETT & DUNNER, LLP
901 New York Ave., NW
Washington, DC 20001-4413
(202) 408-4000

Erik R. Puknys
Robert F. McCauley
Arpita Bhattacharyya
FINNEGAN, HENDERSON, FARABOW,
GARRETT & DUNNER, LLP
3300 Hillview Avenue
Palo Alto, CA 94304-1203
(650) 849-6600

Attorneys for Appellant FOX Factory, Inc.

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AND TYPE STYLE REQUIREMENTS**

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This brief contains 3,871 words, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(f).

2. This brief complies with the or typeface requirements of Federal Rule of Appellate Procedure 23(a)(5) or Federal Rule of Federal Circuit Rule 28.1 and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6).

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/s/ Erik R. Puknys

Erik R. Puknys
Counsel for Appellant FOX Factory, Inc.