

2018-2024, 2018-2025

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**United States Court of Appeals  
For the Federal Circuit**

FOX FACTORY, INC.,  
Appellant,

– v. –

SRAM, LLC,  
Appellee.

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

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**BRIEF OF AMICUS CURIAE PAUL R. MICHEL, U.S. CIRCUIT JUDGE  
(RET.) IN SUPPORT OF REHEARING EN BANC**

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February 10, 2020

FORM 9. Certificate of Interest

Form 9  
Rev. 10/17

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

Fox Factory, Inc. v. SRAM, LLC

Case No. 18-2024-2025

**CERTIFICATE OF INTEREST**

Counsel for the:

(petitioner)  (appellant)  (respondent)  (appellee)  (amicus)  (name of party)

John T. Battaglia, Esq.

certifies the following (use "None" if applicable; use extra sheets if necessary):

1. Full Name of Party Represented by me	2. Name of Real Party in interest (Please only include any real party in interest NOT identified in Question 3) represented by me is:	3. Parent corporations and publicly held companies that own 10% or more of stock in the party
Paul R. Michel, U.S. Circuit Judge (Ret.)		

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

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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 47.5(b). (The parties should attach continuation pages as necessary).

NONE

February 10, 2020

\_\_\_\_\_  
Date

/s/ John T. Battaglia

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Signature of counsel

Please Note: All questions must be answered

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Printed name of counsel

cc: Paul R. Michel, U.S. Circuit Judge (Ret.)

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## **RULE 29 STATEMENT<sup>1</sup>**

Amicus Curiae is a former U.S. Circuit Judge of the U.S. Court of Appeals for the Federal Circuit, appointed in 1988 and serving until his retirement as Chief Judge in 2010. During that time, Judge Paul R. Michel helped decide more than 1000 appeals involving patent law. He has since been frequently called on to speak, testify and provide guidance on those laws. This case concerns Amicus because the §103 rulings-at-issue threaten to undercut patent law and its innovation-promoting goals.

## **ARGUMENT**

The panel’s decision deviates sharply from and indeed changes this Court’s precedent on the once-simple “presumption-of-nexus” used to assess a patent claim’s objective indicia of non-obviousness. The Patent Trial and Appeal Board found as a factual matter that this presumption-of-nexus applied, given that the patentee SRAM’s ’027 claims covered the X-sync chainrings—i.e., the bicycle product for which SRAM offered evidence of commercial success and other objective indicia of non-obviousness. And it concluded that this “extremely strong” objective evidence favored the non-obviousness of SRAM’s ’027 claims, leading the Board to uphold those claims’ validity. (Op. at 6-7.) For whatever reason,

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<sup>1</sup> This brief was not authored in whole or in part by any party's counsel; no person or entity other than amicus financially contributed to its preparation or submission; and amicus has no stake in the parties or case outcome. Appellant FOX Factory, Inc. has taken no position on this filing. An unopposed motion for leave is being filed.

however, the Federal Circuit panel on appeal substantially tightened the requirements for this nexus-presumption, establishing a new standard that a patentee can meet only if it proves that the commercial product and the claimed invention are “*essentially*” identical. (Op. at 12.) Indeed, and admittedly for the first time, the panel holds that this means the patentee must prove not only that the product has the features recited in the relevant claim; but also that the product doesn’t have any *additional un-claimed* features either, or that, on the “spectrum” it describes, any such un-claimed features are “insignificant.” (*Id.*) For three reasons, the panel’s opinion is starkly incorrect under this Court’s precedent and SRAM’s en-banc petition should be granted.

**I. As *PPC Broadband* and Other Precedents Hold, the Presumption-of-Nexus is Not Precluded for a Patent Claim’s Commercial Product “*Even When the Product Has Additional, Unclaimed Features.*”**

*First*, the panel all but solidifies as the new “presumption” rule that the commercial product must be “essentially” identical to the invention recited in the claim-at-issue in all respects—with no additional un-claimed features between them. (Op. at 12.) Indeed, in applying this new “co-extensive” standard, the panel focuses on pointing out the unclaimed features in SRAM’s chainrings product. (*See, e.g., id.* at 13-14.) But this Court’s precedents have long held that this nexus-presumption may still apply “*even when the product has additional, unclaimed features.*” *E.g., PPC Broadband, Inc. v. Corning Optical Comm’ns RF, LLC*, 815 F.3d 734, 747

(Fed. Cir. 2016) (reversing Board finding that the nexus-presumption was inapplicable; “[b]ecause the evidence shows that the *SignalTight connectors are ‘the invention disclosed and claimed in the patent,’ we presume that any commercial success of these products is due to the patented invention. This is true even when the product has additional, unclaimed features.*”) (citation omitted); *Ecolochem, Inc. v. S. Cal. Edison Co.*, 227 F.3d 1361, 1378 (Fed. Cir. 2000) (applying nexus-presumption even though commercial embodiment had unclaimed mobility feature); *J.T. Eaton & Co. v. Atl. Paste & Glue Co.*, 106 F.3d 1563, 1571 (Fed. Cir. 1997) (presumption applicable even when product has additional, unclaimed features).

**A. The Panel’s Admittedly New “Essentially”-Identical Standard Rests on a Misreading of This Court’s Precedents.**

Further, and in addition to disregarding these precedents’ holdings, the panel justifies its ratcheting-up of the presumption standard based on its misreading of the case law. Specifically, it repeatedly emphasizes part of *Demaco*’s statement that, for the presumption to apply, the patentee must show that the relevant “product *is* the invention disclosed and claimed.” (Op. at 10, 12, 17) (quoting *Demaco Corp. v. F. Von Langsdorff Licensing Ltd.*, 851 F.2d 1387, 1392 (Fed. Cir. 1988)) (panel’s emphasis). But that statement does *not* mandate that, for the presumption to apply, the product and patented invention cannot have any differences, let alone any additional, un-claimed features, as the panel effectively holds. Indeed, as just noted,



this Court's precedents hold to the contrary. *E.g.*, *PPC Broadband*, 815 F.3d at 747 (nexus-presumption applicable “even when the product has additional, unclaimed features”); *J.T. Eaton*, 106 F.3d at 1571 (same); *Ecolochem*, 227 F.3d at 1378 (same).

Properly read, moreover, *Demaco* and its follow-on precedents merely say that, to obtain this rebuttable nexus-presumption, the patentee must show that the commercially successful product incorporates the invention “*disclosed and claimed in the patent*”—i.e., that the product has all the elements or “features” recited by the claim-at-issue. *E.g.*, *PPC Broadband*, 815 F.3d at 747 (“Because the evidence shows that the *SignalTight connectors are ‘the invention disclosed and claimed in the patent,’ we presume that any commercial success of these products is due to the patented invention*”; reversing Board’s rejection of nexus-presumption when “[t]he Board ... did not explain why the SignalTight connectors fail to embody the *claimed features, or what claimed features in particular are missing from the SignalTight connectors.*”); *WBIP, LLC v. Kohler Co.*, 829 F.3d 1317, 1329, 1331 (Fed. Cir. 2016) (nexus-presumption established when “WBIP presented evidence that *specific products ... are embodiments of the invention as claimed in the asserted claims*”); *J.T. Eaton*, 106 F.3d at 1571 (explaining that when a patentee can demonstrate that a commercially successful product is the invention disclosed and claimed in the patent, it is presumed that the commercial success is due to the patented invention).

As with nearly everything in patent law, the focus is on what the patent “discloses and claims” about the “invention” and what claim elements or “features” are or are not missing in the product-at-issue—*not* on some freestanding notion about what the “the invention *is*.” See, e.g., *id.*; accord *Apple Inc. v. Motorola, Inc.*, 757 F.3d 1286, 1298 (Fed. Cir. 2014) (“[T]he name of the game is the claim”) (citation omitted).

Here, per the Board’s findings, SRAM’s commercial product (namely, its X-sync chainrings) has the elements or “features” recited by the applicable ’027 patent claims. Accordingly, under this Court’s well-established precedents, the law “presume[s] that any commercial success of these products is due to the patented invention,” even when those products may have additional, unclaimed features. See, e.g., *WBIP*, 829 F.3d at 1329-31; *PPC Broadband*, 815 F.3d at 747; *J.T. Eaton*, 106 F.3d at 1571; *Ecolochem*, 227 F.3d at 1378.

**B. The Panel’s Analysis Also Relies on a Misreading of *Demaco*’s Alleged Bar on the Nexus-Presumption for “Components.”**

As another justification for its new standard, the panel repeatedly takes it as a given that, under *Demaco, supra*, this nexus-presumption cannot apply to patented “components” in a product. (Op. at 10, 16.) Yet, a closer read of this Court’s foundational *Demaco* precedents shows that, even “*if the patented invention is only a component* of a commercially successful machine or process,” or is otherwise “*not co-extensive with the patented invention*,” the patentee can *still* obtain the nexus-presumption; under *Demaco*, the patentee just must show “*prima facie* a legally

sufficient relationship between that which is patented and that which is sold.” *Demaco*, 851 F.3d at 1392; accord *Brown & Williamson Tobacco Corp. v. Philip Morris*, 229 F.3d 1120, 1130 (Fed. Cir. 2000). That makes sense. After all, in the similar context of determining the damages base for a patent’s infringement, patent law (per the entire-market-value rule) permits damages based on the value of a *whole product* when the patented *component* therein was the basis for customer demand. E.g., *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1549 (Fed. Cir. 1995) (en banc). Accordingly, as the panel’s opinion relies as well on this misreading of an alleged *Demaco* bar on the nexus-presumption to “components,” that is all the more reason for this Court to take this case en banc and restore its proper nexus-presumption test.

**II. A Patentee Meets its *Prima Facie* Burden and Establishes a Presumption-of-Nexus by Showing That the Product has All the Elements of the Claim-at-Issue.**

*Second*, while establishing its new “essentially” identical standard, the panel appears to misapprehend (or ignore) this Court’s already-existing process and proof requirements for this same presumption. As this Court has repeatedly held, a patentee meets its burden to obtain this nexus-presumption by showing that (1) its “proffered objective evidence relates to” a specific product; and (2) this product (or products) “are embodiments of the invention as claimed in the asserted claims.” E.g., *WBIP*, 829 F.3d at 1329; *J.T. Eaton*, 106 F.3d at 1571. “*This [two-part] showing ... is sufficient to establish the presumption of nexus* for the objective considerations

at issue ....” *WBIP*, 829 F.3d at 1330. Indeed, a court errs if it requires that the patentee *also* prove that other unclaimed features or factors *didn’t* contribute to that product’s commercial success or other supporting objective factors:

A patentee is *not* required to prove as part of its *prima facie* case that the commercial success of the patented invention [for example] is *not* due to factors other than the patented invention. \*\*\* A requirement for proof of the negative of all imaginable contributing factors would be unfairly burdensome, and contrary to the ordinary rules of evidence. \*\*\* By placing the burden on [the patentee] to prove that commercial success was *not* due primarily to advertising or other factors such as technical service to licensees and the licensing of other products, the district court put the shoe on the wrong foot. [The accused infringer] Demaco did not meet its burden of rebutting the *prima facie* case of nexus between the [patentee’s] patented invention and its commercial success, and the district court clearly erred in its contrary finding.

*Demaco*, 851 F.2d at 1393-94 (citing 9 *Wigmore* § 2486 at 291).

As noted earlier, SRAM’s ’027 claims-at-issue cover its commercially successful X-sync chainrings product. Under this Court’s precedents, that is all that SRAM needed to show in order to obtain this rebuttable presumption-of-nexus. *See, e.g., WBIP*, 829 F.3d at 1329-30; *J.T. Eaton*, 106 F.3d at 1571; *Demaco*, 851 F.2d at 1393-94. The panel, however, doesn’t even mention, much less consider, any of these controlling burdens on the nexus-presumption. (*See, e.g., Op.* at 12-14.) To the contrary, its opinion reflects that the patentee now must *also* prove that the commercial product (such as SRAM’s X-sync product) is either “essentially” identical to the claimed invention—with no additional unclaimed features—or that these unclaimed features are “insignificant.” (*Id.*) Either way, in imposing such new-

and-additional burdens on the patentee, the panel has breached this Court’s nexus-presumption precedent. *See, e.g., Demaco*, 851 F.2d at 1393-94. The Court should grant the en-banc petition accordingly.

**III. The Nexus-Presumption is “Highly Fact-Dependent,” Not Subject to “Appellate-Created Rules,” and Requires Substantial Deference to the Board’s Fact-finding—and Especially on the Relevant Legal Standard Requiring a “Nexus” to the Objective Indicia.**

*Third*, while dutifully stating the rule, the panel here nonetheless failed to treat this nexus-presumption as a “highly fact-dependent” issue and to properly defer to the Board’s fact-findings about it. To be sure, once a patentee presents evidence showing a *prima facie* case for the nexus-presumption, as SRAM has done here, then “*a patent challenger*” may still rebut it by presenting evidence “to show that the [product’s] commercial success [for example] was due to extraneous factors other than the patented invention,” *Demaco*, 851 F.2d at 1393, such as “additional unclaimed features and ... improvements in marketing,” *WBIP*, 829 F.3d at 1329. But “a patent challenger cannot successfully rebut the presumption with argument alone—it must present evidence.” *Id.* (citing *inter alia Brown & Williamson*, 229 F.3d at 1130); accord *Polaris Indus., Inc. v. Artic CAT, Inc.*, 882 F.3d 1056, 1064 (Fed. Cir. 2018).

Moreover, the question whether the presumption-of-nexus applies and has been rebutted presents a “highly fact-dependent” inquiry subject to this Court’s

highly deferential “substantial evidence” standard of review. *E.g., Polaris*, 882 F.3d at 1064. As this Court has emphasized:

*Questions of nexus are highly fact-dependent and, as such are not resolvable by appellate-created categorical rules and hierarchies as to the relative weight or significance of proffered evidence.* Rather, “[i]t is within the province of the fact-finder to resolve these factual disputes regarding whether a nexus exists between commercial success of the product and its patented features, and to determine the probative value of evidence of secondary considerations.” *Pro-Mold & Tool Co. v. Great Lakes Plastics, Inc.*, 75 F.3d 1568, 1574 (Fed. Cir. 1996). The jury reviewed Kohler's and WBIP's competing objective evidence of non-obviousness .... Its resolution of the dispute in favor of WBIP is supported by substantial evidence.

*WBIP*, 829 F.3d at 1331.

Here, as explained above, the panel erred in imposing new “essentially”-identical requirements on the patentee SRAM in order to carry its burden and obtain a presumption of a nexus between its ’027 claims and its X-sync chainrings product. *See, e.g., Demaco*, 851 F.2d at 1393-94. On this basis alone, the Court should take this case, *en banc*, and defer to the Board’s “highly fact-dependent” and relevant findings and weighing about the nexus-presumption and “extremely strong” showing of objective indicia for SRAM’s ’027 claims. *See WBIP*, 829 F.3d at 1331; (Op. at 7.)

Even more, this case warrants *en-banc* treatment because the panel’s new “essentially” test further requires proof that, if not identical, an additional, unclaimed feature is “*insignificant*.” (Op. at 12-13.) On that new (and vague) standard, the

panel relies on the unclaimed “gap-filling” feature recited in SRAM’s related ’250 patent. And it finds in the first instance that this gap-filling feature meets the panel’s new “significant” test because, for purposes of urging the patentability of that related patent, the patentee had touted the feature’s importance to the X-sync chainrings’ “*functionality*.” (Op. at 13, 16.) But this Court’s precedents have required indeed a “*nexus*” or causal relationship between the claimed invention and its commercial success, for example. *E.g., Demaco*, 851 F.2d at 1393-94. Assessing instead whether an unclaimed feature is “insignificant,” per the panel’s new “essentially”-identical standard, is a highly imprecise proxy (or worse) for that requisite nexus and the presumption issues relating thereto. *See, e.g., id.* Indeed, the new test’s “insignificant” or “immaterial” test can address questions much different (e.g., the chainrings’ “functionality”) than those answered by this Court’s controlling precedents on nexus and the objective indicia at issue (e.g., commercial success).

Beyond that, in imposing these new “essential[]” and “insignificant” requirements and deciding this “presumption” issue as a question of law, the panel impermissibly converted this “highly fact-dependent” nexus issue into a rigid and “appellate-created categorical rule.” *See, e.g., WBIP*, 829 F.3d at 1331.

In short, given the panel’s errors in imposing a new nexus-presumption standard, not to mention the considerable deference owed to the fact-finder on nexus

and objective-factors questions, this Court should stand by its established precedent on the nexus-presumption and defer to the Board's proper fact-findings.

### CONCLUSION

For the reasons stated above, and in the briefs filed by Petitioner, this Amicus Curiae, retired Circuit Judge Michel, respectfully requests that this court grant rehearing *en banc* and restore its precedents.

Respectfully submitted,

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**CERTIFICATE OF COMPLIANCE**

I hereby certify that, using the Word program's word-count feature, the above Motion contains 2535 words, in compliance with Federal Rule of Appellate Procedure 27(d)(2).).

/s/ John T. Battaglia

**ALL EMPHASIS ADDED UNLESS OTHERWISE NOTED**

Unless otherwise noted, all emphases have been added in the foregoing Amicus brief.

**CERTIFICATE OF SERVICE**

I hereby certify that, on February 10, 2020, an electronic copy of the foregoing document was filed with the Clerk of Court for the U.S. Court of Appeals for the Federal Circuit, using the CM/ECF system, which thereby served a copy upon all counsel of record.

February 10, 2020

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