No. 2020-1993

United States Court of Appeals for the Federal Circuit

FG SRC LLC,
Appellant

v.

MICROSOFT CORPORATION,
Appellee

Appeal from the United States Patent and Trademark Office, Patent Trial and Appeal Board in No. IPR2018-01604

FG SRC LLC'S COMBINED PETITION FOR REHEARING *EN BANC* AND PANEL REHEARING

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June 7, 2021

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

CERTIFICATE OF INTEREST

Case Number 2020-1993

Short Case Caption FG SRC LLC v. Microsoft Corporation

Filing Party/Entity FG SRC LLC

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I certify the following information and any attached sheets are accurate and complete to the best of my knowledge.

Date: 06/07/2021

Signature: /s/ Jay P. Kesan

Name: Jay P. Kesan

1. Represented Entities. Fed. Cir. R. 47.4(a)(1).	**2. Real Party in Interest.** Fed. Cir. R. 47.4(a)(2).	**3. Parent Corporations and Stockholders.** Fed. Cir. R. 47.4(a)(3).
Provide the full names of all entities represented by undersigned counsel in this case.	Provide the full names of all real parties in interest for the entities. Do not list the real parties if they are the same as the entities. ☑ None/Not Applicable	Provide the full names of all parent corporations for the entities and all publicly held companies that own 10% or more stock in the entities. ☑ None/Not Applicable
FG SRC LLC		

☐ Additional pages attached

4. Legal Representatives. List all law firms, partners, and associates that (a) appeared for the entities in the originating court or agency or (b) are expected to appear in this court for the entities. Do not include those who have already entered an appearance in this court. Fed. Cir. R. 47.4(a)(4).

☐ None/Not Applicable ☐ Additional pages attached

Alfonso G. Chan and Joseph F. DePumpo Shore Chan DePumpo, LLP	Rajkumar Vinnakota, Sean Hsu & Donald Puckett Janik Vinnakota LLP	

5. Related Cases. Provide the case titles and numbers of any case known to be pending in this court or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal. Do not include the originating case number(s) for this case. Fed. Cir. R. 47.4(a)(5). See also Fed. Cir. R. 47.5(b).

☐ None/Not Applicable ☐ Additional pages attached

SRC Labs LLC v. Microsoft Corp. No. 2:18-cv-00321 (WDWA)		

6. Organizational Victims and Bankruptcy Cases. Provide any information required under Fed. R. App. P. 26.1(b) (organizational victims in criminal cases) and 26.1(c) (bankruptcy case debtors and trustees). Fed. Cir. R. 47.4(a)(6).

☑ None/Not Applicable ☐ Additional pages attached

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STATEMENT OF COUNSEL PURSUANT TO FEDERAL CIRCUIT RULE 35(b)

Based on my professional judgment, I believe this appeal requires an answer to the following precedent-setting question of exceptional importance:

1. Whether the panel decision allowing Petitioner to replace its primary asserted reference with what the Board found to be "a different document" submitted in Petitioner's Reply to Patent Owner's Response after the institution decision, should be allowed to stand.

Based on my professional judgment, I believe the panel decision is contrary to the following decisions of the Supreme Court of the United States, precedents in this Court, precedential opinions before the Board, and the Board's rules:

- *Hulu, LLC v. Sound View Innovations, LLC*, Case IPR2018-01039 (PTAB Dec. 20, 2019) (Paper 29) (after institution, the petitioner may not submit new evidence or argument in reply that it could have presented earlier; AIA § 311(b), for purposes of institution, a petitioner must show a reasonable likelihood that an asserted reference qualifies as a printed publication) (Precedential Opinion Panel decision).
- Consolidated Trial Practice Guide ("CTPG") at 73 (App. A-1, Petitioner "may not submit new evidence or argument in reply that it could have presented earlier, *e.g.*, to make out a prima facie case of unpatentability.").
- CTPG at 74 (the parties cannot raise new issues in reply).

- CTPG at 3 (citing 35 U.S.C. §§ 135(a), 311(c); 37 C.F.R. § 42.3) (Petitioner is required to present admissible evidence on which it intends to rely as grounds for invalidation in its Petition).
- 37 C.F.R. § 42.123(b) (A party is not allowed to submit supplemental information more than one month after the date the trial is instituted, [without a] request authorization to file a motion to submit the information.").
- *Intelligent Bio-Systems, Inc. v. Illumina Cambridge Ltd*., 821 F.3d 1359, 1369 (Fed. Cir. 2016) ("It is of the utmost importance that petitioners in the IPR proceedings adhere to the requirement that the initial petition identify '*with particularity'* the evidence that supports the grounds for the challenge to each claim.") (emphasis added).
- *Honeywell, Int'l v. Arkema, Inc*., 939 F.3d 1345, 1350 (Fed. Cir. 2019) (the Board's failure to address why a decision deviates from established practices is grounds for reversal).
- *SAS Institute, Inc. v. Iancu*, 138 S. Ct. 1348, 1357 (2018) ("the petitioner's contentions … define the scope of the litigation all the way from institution through to conclusion").
- *Cuozzo Speed Tech., LLC v. Lee*, 136 S. Ct. 2131 (2016) (reviewing courts should set aside agency actions that are arbitrary and capricious).

Dated: June 7, 2021 */s/ Jay P. Kesan*

Jay P. Kesan
ATTORNEY OF RECORD FOR APPELLANT

I. INTRODUCTION AND POINTS OF LAW OR FACT OVERLOOKED OR MISAPPREHENDED BY THE PANEL.

This combined petition asks a very simple question: Will this Court require the PTAB to enforce its own rules governing *Inter Partes* Reviews (IPRs)? The panel's decision in this appeal literally allows, even encourages, Petitioners to alter the basis for their IPR petitions, even after institution, even after the Patent Owner's Response points out shortcomings, and *even after being explicitly denied authorization to do so from the Board*.

The conduct of the PTAB in allowing the Petitioner to substitute references was unprecedented and contrary to existing law. The panel's Rule 36 affirmance is an abdication of the Federal Circuit's role as the ***only*** enforcer of the laws, regulations, and rules governing IPRs—which in this case were blatantly ignored to deprive Patent Owner of its constitutionally protected patent rights. A written precedential opinion could not have upheld the PTAB's decision without overruling prior binding precedents of this Court, something that only this Court can or should do in an *en banc*, precedential decision. In this situation, a Rule 36 affirmance is tantamount to a denial of any right to an appeal at all.

In its Petition, Appellee relied on EX1007, a reference titled "YARDS: FPGA/MPU Hybrid Architecture for Telecommunication Data Process," by Tsutsui and Miyazaki), to support all grounds of unpatentability asserted in the Petition. Appx139 at 4. Appellant responded to EX1007 in its Preliminary Response. *See*

Appx300-357. Based on EX1007, the Board instituted the proceeding. Appx389-418.

After institution, Appellee sought to withdraw and replace EX1007 with EX1032, a different and later version of EX1007. *See* Appx489-492. Following a conference call with the Board,[1] Appellee's request *was denied* based on the Board's finding that:

> Exhibit 1007 is the main reference relied upon by Petitioner in its asserted grounds of unpatentability in this proceeding, and our decision to institute an *inter partes* review was based on that document. *Under the circumstances, replacing Exhibit 1007 with a different document would not be correcting a clerical or typographical error in the Petition.* Furthermore, we agree with Patent Owner that, at this stage in the proceeding, it is improper to substitute evidence that is relied on in the Petition. Even if the different version is substantively identical to Exhibit 1007, as Petitioner contends, we are persuaded that Patent Owner has relied on the evidence of record in cross-examining Petitioner's declarant and preparing its own arguments.

Appx490-491 (emphasis added). Appellant therefore directed its Patent Owner Response solely to EX1007 because that was the only reference of record to be considered. *See* Appx552-567. Even though its request to introduce the replacement EX1032 was denied, Appellee nevertheless introduced and cited to EX1032 and supporting declarations EX1036 and EX1038 in its Reply. Appx706-709. Petitioner used these three new exhibits to bring forth new theories to satisfy the "public

[1] Appellee was ordered to file a transcript of the call as an exhibit. Appx490 n.2. The transcript does not, however, appear in the record.

accessibility" requirement for its claim that EX1007 qualifies as a "printed publication" which Petitioner had not—and could not have—previously made in its original Petition. Petitioner's Reply ultimately proffered four distinct versions of EX1007, all different and with only the later versions adding written description and certain publication information, and each used by Petitioner in a different way. Notably, among other changes, EX1007 itself lacks any indicia that could be used to satisfy the printed publication requirements—it bears no date, no copyright symbol, and no ISBN number—and the original Petition does not refer to any. Appellant timely objected to EX1032 and its improper submission in direct violation of the Board's order. Appx753-754 at 2-3 (citing 37 C.F.R. §§ 42.22(a), 42.23(b)).

At the resulting oral hearing, the panel noted that Appellant appeared to be submitting not just new evidence, but ***new arguments*** to establish EX1007 as a printed publication. Appx1280-1291. Judge Deshpande expressly noted that the Board's rules explicitly state that "Petitioner may not submit new evidence or argument in reply that could have been presented earlier to make out a prima facie case of unpatentability." Appx1286. This was the same position Appellant had raised in objecting to alternate EX1032; and it was the basis for the Board's denial of Appellee's attempt to replace EX1007 with EX1032 in the first place.

Shockingly, in its Final Written Decision, the Board effectively ignored its own prior denial and admitted EX1032 and its supporting declarations EX1036 and

EX1038. Appellant believes that rehearing of this decision is warranted to correct the panel's misapplication of controlling precedent and rules. Appellant respectfully requests that the panel or the full Court *en banc* review the panel decision and provide a precedential written opinion that will guide the patent bar, Patent Owners, and Petitioners, so the constituents of this Court will have a clear understanding of the rules and regulations governing the conduct of IPRs that are to be followed by the Board and subject to enforcement by this Court.

II. ARGUMENT.

A. The Panel Decision Cannot Stand Because It Motivates A Petitioner to Attempt to Modify The Substance Of Its Petition Without Authorization And At Any Time, Even After Institution.

The Board explicitly acknowledged that "Exhibit 1007 is the main reference relied upon by Petitioner in [all] asserted grounds of unpatentability in this proceeding, and our decision to institute an *inter partes* review was based on that document." Appx490-491. The Board further found that "[u]nder the circumstances, replacing Exhibit 1007 *with a different document* would not be [merely] correcting a clerical or typographical error in the Petition." *Id.* (emphasis added). The Board thus explicitly agreed with Patent Owner that admitting EX1032 was "improper" and "that Patent Owner has relied on the evidence of record in cross-examining Petitioner's declarant and preparing its own arguments." *Id.* This concern was further exacerbated because, in reliance on the Board's denial of

authorization to admit EX1032 in lieu of EX1007, Appellant directed its Patent Owner Response solely to EX1007. *See* Appx552-567. Patent Owner never addressed EX1032 in depositions or its written submissions because it was ***not part of the record***.

Petitioner's intentional disregard of the Board's explicit denial of authorization simply flies in the face of proper Board practice and procedure, as well as this Court's precedent. Appellant timely objected to Petitioner's submission of and citations to EX1032 and related exhibits EX1036 and EX1038 in its Petitioner's Reply. Appx753-754 at 2-3 (citing 37 C.F.R. §§ 42.22(a), 42.23(b)).

Appellee's post-institution and post-patent-owner-response reliance on a *different document* to replace its primary asserted prior art reference, EX1007, presents an entirely new theory that was not in its petition. It is well-established that a petitioner cannot introduce new theories after its petition. Consolidated Trial Practice Guide at 72; *SAS Institute, Inc. v. Iancu*, 138 S. Ct. 1348, 1357 (2018) ("the petitioner's contentions … define the scope of the litigation all the way from institution through to conclusion"). For printed publications specifically, the type of showing needed varies depending on the theory of public accessibility. *Samsung Elec. Co., Ltd. v. Infobridge Pte. Ltd.*, 929 F.3d 1363, 1369-72 (Fed. Cir. 2019). Here, the record clearly reflects that replacement exhibit EX1032 and its supporting declarations present an entirely new printed publication theory of public accessibility

through, for example, libraries. Appx733-734. That is an entirely new theory regarding the public availability of EX1007 advanced for the first time in Appellee's Reply. *Compare* Appx157 *with* Appx163-164 *and* Appx204-205.

Appellee's request to withdraw, expunge, and replace EX1007 with EX1032, was based on exactly that realization, *i.e.*, that the version of the article shown in EX1007 is not a printed publication and was not authenticated. This was also acknowledged explicitly by the Board in denying Appellee's request because the alternate version of the *Tsutsui* article is a "different document" that was not the one relied on by Appellant in responding to the Petition, "[e]ven if the different version [were] substantively identical to Exhibit 1007," ***which it is not***. Appx490-491. It is also further undisputed that the alternate *Tsutsui* reference was not submitted as an exhibit or discussed in any substantive way until Appellee filed its reply in support of its Petition. Consideration of EX1032 and its related exhibits in the final decision at all was thus completely improper, and the panel should not have implicitly condoned it.

The Board's acquiescence to Petitioner's bait-and-switch defies the Board's own rules, which expressly state that a Petitioner "may not submit new evidence or argument in a reply that it could have been presented earlier … to make out a prima facie case of unpatentability." *Consolidated Trial Practice Guide* at 73. Petitioner

here did both. A reply may only further refine the arguments of the Petition, but it may not present entirely new arguments or related exhibits.

Appellee's unauthorized substitution of EX1007 with EX1032 also defies the Board's requirement to present all desired admissible evidence relating to grounds for invalidation in the Petition. *Consolidated Trial Practice Guide* at 3 (citing 35 U.S.C. §§ 135(a), 311(c); 37 C.F.R. § 42.3.) "*It is of the utmost importance* that petitioners in the IPR proceedings adhere to the requirement that the initial petition identify '*with particularity*' the evidence that supports the grounds for the challenge to each claim." *Intelligent Bio-Systems, Inc. v. Illumina Cambridge Ltd.*, 821 F.3d 1359, 1369 (Fed. Cir. 2016) (emphasis added). Appellee is bound by its decisions to rely on EX1007 instead of EX1032 in its Petition (Appx157) which Patent Owner relied upon. There is no reason to allow Petitioner to break the rules in this instance because Appellee and its expert admitted that *they were aware of EX1032 when the Petition was filed*. Appx489-492; Appx2077-2083 at ¶¶9-32.

Finally, the Board's failure to provide any explanation for its deviation from the Board's established practices, *i.e.*, its willful blindness of Appellee's violation of the Board's own denial to grant authorization to substitute exhibits, violates binding precedent. The Board's failure to explain a deviation from established practices is yet another ground for reversal. *Honeywell, Int'l v. Arkema, Inc.*, 939 F.3d 1345, 1350 (Fed. Cir. 2019). In *Honeywell*, the Board denied a patent owner's request in

a post-grant review to file a motion to seek a Certificate of Correction. *Id*. at 1348-1349. The Board ignored that only the Commissioner, not the Board, had the authority to decide the merits of a Certificate of Correction, and that patentees may correct a priority claim through a Certificate of Correction without prejudicing the petitioner. *Id*. at 1349-1350. The Board's unsubstantiated deviation from these prior rulings was held to be arbitrary and capricious. *Id*. The same is true here. The Board ignored its own prior decision holding EX1032 a "different document" and new evidence presenting a new theory of prior art without any explanation. Appx490-491. This is improper under both the Board's established rules and this Court's precedent. *Consolidated Trial Practice Guide* at 73; *Honeywell*, 939 F.3d at 1349-1350; *Intelligent Bio-Systems*, 821 F.3d at 1369.

In addition, it is noteworthy that, in permitting the substitution, the Board found that EX1007 was admissible because it "include[s] an ACM trade inscription, copyright symbol, and ISBN number." Appx13. That is clearly erroneous. There is no such inscription, copyright symbol, or ISBN number in EX1007. *See* Appx1950-1956. The panel decision avoids confronting this obvious error by affirming under Rule 36.

B. The Panel Decision Promotes Arbitrary and Capricious Decision Making By the Board And Sets A Poor Policy Course.

The Supreme Court in *Cuozzo* noted that reviewing courts may set aside agency action that is arbitrary and capricious. *Cuozzo*, 136 S. Ct. at 1240-1241. The

Board's acceptance of substitute EX1032 in lieu of EX1007 is such an arbitrary and capricious action.

The Board explicitly recognized EX1007 as "the main reference relied upon by Petitioner in its asserted grounds of unpatentability in this proceeding" upon which the decision to institute an *inter partes* review was based. Appx490-491. Particularly in light of the Board's denial to grant authorization to substitute EX1032 in lieu of EX1007, the Board's reliance on EX1032 in its final decision is arbitrary and capricious. Relying on the Board's Order denying authorization, Patent Owner could not have foreseen that the Board would, nonetheless, acquiesce to Petitioner's bait-and-switch introduction of EX1032 and its related declarations in the Petitioner's Reply; and was thus fully justified to direct its Patent Owner Response only to EX1007. Allowing Petitioner to effectively replace EX1007 with EX1032—a different document—under these circumstances, is not simply correcting a clerical or typographical error in the Petition. The Board even acknowledged that "it is improper to substitute evidence [even if substantively identical] that is relied on in the Petition" at this stage in the proceeding. Appx490-491.

As a policy matter, this panel decision encourages Petitioners to address weaknesses in a Petition even as late as the Petitioner's Reply to the Patent Owner's response—and even in the face of an explicit Board order to the contrary. This panel decision creates a strong might-as-well-give-it-a-shot incentive for future Petitioners

to make substantive corrections in a Petition at any time before the final decision because they may now conclude that neither the PTAB nor this Court will enforce the rules even when so obviously violated. This is literally the exact opposite of the policy underlying the Board's rules and this Court's precedent confirming that "it is of the *utmost importance* that petitioners in the IPR proceedings adhere to the requirement that the initial petition identify '*with particularity*' the evidence that supports the grounds for the challenge to each claim." *Intelligent Bio-Systems, Inc. v. Illumina Cambridge Ltd.*, 821 F.3d 1359, 1369 (Fed. Cir. 2016) (emphasis added). If allowed to stand, the panel decision creates a clear inequity between holding Patent Owners to strict scrutiny and compliance regarding the time for evidentiary objections while allowing Petitioners a "do-over" regarding a piece of evidence on which its entire petition relies. This is an issue of fundamental fairness. It raises a question about whether the Rule of Law only applies to patentees, but for alleged infringers, anything goes. Whether this Court will apply the IPR rules and regulations to Petitioners as assiduously as it does Patent Owners is the question that the outcome of this combined petition for rehearing will answer.

III. CONCLUSION.

For the foregoing reasons, panel rehearing and/or rehearing *en banc* is necessary and appropriate to answer the precedent-setting question of exceptional

importance regarding the ability of Petitioner to vary the substance set forth, and the exhibits relied upon, in its original Petition.

June 7, 2021

Respectfully submitted,

/s/ Jay P. Kesan

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ADDENDUM

NOTE: This disposition is nonprecedential.

United States Court of Appeals for the Federal Circuit

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v.

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2020-1993

Appeal from the United States Patent and Trademark Office, Patent Trial and Appeal Board in No. IPR2018-01604.

JUDGMENT

JAY P. KESAN, DiMuroGinsberg, PC-DGKey IP Group, Tysons Corner, VA, argued for appellant. Also represented by CECIL E. KEY; ALFONSO CHAN, ARI RAFILSON, Shore Chan DePumpo LLP, Dallas, TX.

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THIS CAUSE having been heard and considered, it is

ORDERED and ADJUDGED:

PER CURIAM (PROST, *Chief Judge*, LOURIE and O'MALLEY, *Circuit Judges*).

AFFIRMED. See Fed. Cir. R. 36.

ENTERED BY ORDER OF THE COURT

May 6, 2021
Date

/s/ Peter R. Marksteiner
Peter R. Marksteiner
Clerk of Court

FORM 19. Certificate of Compliance with Type-Volume Limitations **Form 19**
July 2020

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

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Date: 06/07/2021

Signature: /s/ Jay P., Kesan

Name: Jay P. Kesan