

Nos. 20-1350, -1419

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

ZAXCOM, INC.,
Appellant

v.

LECTROSONICS, INC.,
Cross-Appellant

KATHERINE K. VIDAL, Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office,
Intervenor

Appeals from the United States Patent and Trademark Office,
Patent Trial and Appeal Board in Nos. IPR2018-00972.

**LECTROSONICS, INC.'S REPOSE TO PETITION FOR
REHEARING EN BANC**

CORY C. BELL
FINNEGAN, HENDERSON, FARABOW,
GARRETT & DUNNER, LLP
2 SEAPORT LANE, 6TH FLOOR
BOSTON, MA 02210-2001
(617) 646-1600

J. DEREK MCCORQUINDALE
FINNEGAN, HENDERSON, FARABOW,
GARRETT & DUNNER, LLP
1875 Explorer Street, 8th Floor
Reston, VA 20190-6023

May 4, 2022

Attorneys for Cross-Appellant

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

CERTIFICATE OF INTEREST

Case Number: 2020-1350, -1419

Short Case Caption: Zaxcom, Inc. v. Lectrosonics, Inc.

Filing Party/Entity Lectrosonics, Inc.

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C. Brandon Rash	Finnegan, Henderson, Farabow, Garrett & Dunner, LLP	No longer with firm
Deborah Peacock	Peacock Law P.C.	
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Lectrosonics, Inc. v. Zaxcom, Inc.	IPR2018-00972 (PTAB)	Including cross-appeal filed by Lectrosonics, Inc. No. 20-1405
Zaxcom, Inc. v. Lectrosonics, Inc.	No. 1-19-cv-00109 (D.N.M.)	

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INTRODUCTION

Zaxcom’s en banc rehearing petitions state that “[b]y deviating from established law, the *Fox Factory* panel precedent has triggered a need for en banc review.” Dkt. 94 at 7 (20-1921); Dkt. 74 at 7 (20-1350).¹ Zaxcom focuses its challenge on the decision in *Fox Factory, Inc. v. SRAM, LLC*, 944 F.3d 1366 (Fed. Cir. 2019), *cert. denied*, 141 S. Ct. 373 (2020). But Zaxcom fails to present the sort of exceptional issue suitable for en banc rehearing here, especially in view of clear waiver; the lack of actual conflict in the law; the nonprecedential nature of these decisions; and the fact that *Fox Factory* has already been thoroughly assessed.

The Board held that notwithstanding secondary considerations raised by Zaxcom, all original claims in these IPRs would have been unpatentable. Appx72-73, Appx149-150 (20-1921); Appx64-65 (20-1350). Zaxcom now argues that it should have benefitted from a “presumption of nexus,” despite never mentioning this during the Board’s trial proceedings. Nowhere in its Patent Owner Responses, its Motions to Amend, or its Surreplies did Zaxcom suggest entitlement to a presumption of nexus for any claim, much less demonstrate the requisite coextensiveness. In denying rehearing, the Board dismissed as untimely Zaxcom’s novel assertion to this effect. Appx82-83 (20-1921) (“we find no arguments or

¹ Both Zaxcom petitions in footnote 1 confirm that its two en banc rehearing requests are “nearly identical.” Lectrosonics also submits the same paper in both proceedings under separate case headings, albeit with parallel citations where needed.

evidence . . . directed to a presumption of nexus or demonstrating that its products are coextensive”). Lacking arguments by Zaxcom below that it qualified for presumptive nexus, the issue is forfeited. *See infra* § I.

Zaxcom’s failure of proof on this point before the Board renders it an unsuitable vehicle for en banc consideration. *Aqua Prods., Inc. v. Matal*, 872 F.3d 1290, 1327 (Fed. Cir. 2017) (en banc) (“Indeed, it is elemental that an appellate court must avoid ruling on matters neither presented nor passed upon below.”) (citing *Singleton v. Wulff*, 428 U.S. 106, 120 (1976)). Because “appellate courts do not consider a party’s new theories, lodged first on appeal,” the Federal Circuit panel was correct not to disturb the Board’s holdings on the original claims. *Sage Prods., Inc. v. Devon Indus.*, 126 F.3d 1420, 1426 (Fed. Cir. 1997).

Zaxcom and *amici*, moreover, do no more than rehash failed challenges to *Fox Factory*, claiming that it strays from precedent. But these attacks have already been rejected, without dissent, by both the Federal Circuit in denying rehearing en banc and by the Supreme Court in denying certiorari. *See infra* § II.

Fox Factory is consistent with this Court’s teachings on securing a presumption of nexus for secondary considerations, i.e., by demonstrating that the claim is coextensive in scope. *See infra* § III. The fact that so “[m]any later cases” cite to and follow *Fox Factory* is not a reason to upend it, but a testament to its wide acceptance and clarity in encapsulating decades of precedent. *See contra* Dkts. 74 &

94 at 9, 15 (noting that the Board has citing the case 157 times). In particular, the *Fox Factory* restatement of a “coextensiveness” predicate for presumptions of nexus is faithful to the caselaw before it. *E.g.*, *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”) (emphasis added). *Fox Factory* teaches this decades-old requirement verbatim. *See infra* § III.

Zaxcom nevertheless complains that *Fox Factory* “abolishes patent owners’ ability to use industry praise—or any objective evidence—in cases where the final product combines both claimed and unclaimed features,” but this is hyperbole. Dkt. 94 at 9-10; Dkt. 74 at 9. Even if a patent owner does not qualify for a presumptive inference of nexus, it can still demonstrate *prima facie* nexus in the ordinary course. *Fox Factory*, 944 F.3d at 1373-74 (“A finding that a presumption of nexus is inappropriate does not end the inquiry.”); *Demaco Corp. v. F. Von Langsdorff Licensing Ltd.*, 851 F.2d 1387, 1392 (Fed. Cir. 1988) (“When . . . not coextensive with the patented invention . . . the patentee must show *prima facie* a legally sufficient relationship between that which is patented and that which is sold.”). Thus, even without the benefit of a presumption, patentees can carry their burden to show *prima facie* nexus in the ordinary manner. *Demaco*, 851 F.2d at 1392. The Board simply found that Zaxcom had failed to do so for its original claims.

Zaxcom is understandably impressed with its technical EMMY and OSCAR. But the industry praise presented—even if “the equivalent of not just one Nobel Prize in its field, but two” (Dkts. 74 & 94 at 8)—provided nothing to the nonobviousness analysis. As the Board held, these entertainment awards had not been shown reasonably commensurate in scope with these particular claims so as to be probative under the patent law. Appx33, Appx115 (20-1921) (finding “a presumption of nexus is inappropriate” because “Patent Owner does not provide an analysis demonstrating that its products are coextensive (or nearly coextensive) with the challenged claims.”); Appx25 (20-1350). The panel’s nonprecedential decisions affirmed the Board in every respect.

At bottom, Zaxcom did not supply the Board with an adequate nexus analysis, a burden it bears. *Demaco*, 851 F.2d at 1392.² Zaxcom does not challenge the merits of this determination. Instead, faced with its own lack of pleading and failure of proof, Zaxcom out-of-time argues that it should have been gifted a presumption of nexus it never mentioned, because another case, *Fox Factory*, is allegedly wrong.

Zaxcom’s petitions should, respectfully, be denied.

² To be sure, this is different from the overall burden of persuasion under 35 U.S.C. § 103, which is petitioner’s at all times. *ZUP, LLC v. Nash Mfg., Inc.*, 896 F.3d 1365, 1373 (Fed. Cir. 2018) (“While this burden of persuasion remains with the challenger, a patentee bears the burden of production with respect to evidence of secondary considerations of nonobviousness.”).

BACKGROUND

In separate IPRs, the Board correctly deemed unpatentable the challenged original claims of the '902 and '814 patents (appealed by Zaxcom in 20-1921), and the '307 patent (appealed by Zaxcom in 20-1350). The Board held that there was no nexus such that Zaxcom's alleged secondary considerations of industry praise and long-felt need did not alter the obviousness outcomes. Appx31-32 (20-1921); Appx114 (20-1921); Appx23 (20-1350). The Federal Circuit affirmed the unpatentability of the original claims. Dkt. 71 (20-1350) at 4-5 (nonprecedential); Dkt. 92 (20-1921) at 4-5 (nonprecedential).

ARGUMENT

I. Zaxcom Failed to Timely Raise its Presumption of Nexus Arguments.

The petitions take aim at *Fox Factory*, but a presumption of nexus is not properly at issue here on account of Zaxcom's clear forfeiture and then waiver.

First, Zaxcom never timely asserted during years-long trial proceedings that it should be entitled to a "presumption of nexus," nor that it met the requirements.

As the Board noted when Zaxcom sought rehearing:

We are not persuaded by Patent Owner that we misapprehended or overlooked these arguments because they were not before us [W]e find no arguments or evidence cited in Patent Owner's Response or Sur-reply directed to a presumption of nexus or demonstrating that its products are coextensive (or nearly coextensive) with the challenged claims.

Appx82-83 (20-1921). Zaxcom indeed provided no claim to or evidence for a “presumption of nexus” in its submissions before the Final Written Decisions.³ In its Patent Owner’s Responses, for example, Zaxcom only once mentions the word “nexus” when quoting an expert. Appx396-397 (20-1350); Appx540-541 (20-1921). But this says nothing about *presumptive* nexus or coextensiveness. *See id.* That is a forfeiture, as the Board recognized.

Tellingly, Zaxcom’s en banc petitions never attempt to show a record of timely raising these issues in the trial proceedings below. But Zaxcom now contends that this appeal requires an answer to the question: “Does the presumption of nexus apply . . . ?” Dkts. 74 & 94 at 1-2. Because this issue was “neither presented nor passed upon below,” even the Court sitting *en banc* should avoid ruling on such forfeited matters. *See Aqua Prods.*, 872 F.3d at 1327 (citing *Singleton*, 428 U.S. at 120 (“a federal appellate court does not consider an issue not passed upon below”)); *cf. United States v. Olano*, 507 U.S. 725, 733 (1993) (“forfeiture is the failure to make the timely assertion of a right, waiver is the intentional relinquishment or abandonment of a known right”).

³ In the other IPR, Zaxcom did not seek rehearing of the Final Written Decision, so no similar statement was made—but pleadings throughout those trial proceedings are likewise devoid of any such assertions. Appx329-344 (Patent Owner Response), Appx558-561, Appx571-572 (Surreply) (20-1350).

Second, once on appeal before this Court, Zaxcom further waived any presumption of nexus arguments. Try as it might, Zaxcom cannot point to where its first briefing in these matters mentions “coextensiveness” or even provides a single reference to *Fox Factory*. See *Zaxcom, Inc. v. Lectrosonics, Inc.*, Nos. 2020-1350, -1405, Dkt. 26 (Zaxcom’s Opening Br.) (Fed. Cir. May. 26, 2020) (no citation to *Fox Factory* nor use of “coextensive” in the brief). Despite the current challenge to *Fox Factory* as the centerpiece of Zaxcom’s petitions, it is an argument entirely absent from the opening appeal brief in the series. That is a waiver. *SmithKline Beecham Corp. v. Apotex Corp.*, 439 F.3d 1312, 1319 (Fed. Cir. 2006) (“arguments not raised in the opening brief are waived”).

For these reasons, Zaxcom cannot show that its arguments were properly preserved, including for *en banc* consideration now.

II. Zaxcom Challenges *Fox Factory*, but that Case Has Been Reviewed in Previous En Banc and Certiorari Petitions.

Zaxcom alleges that “[b]y deviating from established law, the *Fox Factory* panel precedent has triggered a need for en banc review.” Dkt. 74 & 94 at 7. That is not the case-at-bar, however. *Fox Factory* was already scrutinized when it was before the Court in 2019 and 2020—the debate is over and en banc rehearing was

denied without dissent.⁴ *See* Order on Petition for Rehearing En Banc, *Fox Factory*, 944 F.3d 1366 (No. 18-2024), ECF No. 80 (*per curiam* denial). So was the certiorari petition. *Fox Factory, Inc. v. SRAM, LLC*, 141 S. Ct. 373 (2020) (*certiorari* denial).

Zaxcom also contradicts itself in suggesting that en banc review is necessary because, “the panel decision conflicts with numerous prior cases, instead following the rubric used in *Fox Factory*.” Dkt. 74 at 8; Dkt. 94 at 9. If the panel followed *Fox Factory*—which is good law and controlling precedent—then there is no conflict in this case worthy of en banc rehearing. And while parties may certainly advocate for a change in law, Zaxcom signals nothing about its facts that would make it better for analyzing “presumption of nexus” jurisprudence. In fact, for the reasons already identified, *see supra* § I, the posture of this case is far worse.

Zaxcom’s attempt to instigate a proxy campaign against *Fox Factory* using these nonprecedential panel determinations is unavailing.

III. *Fox Factory*’s Coextensiveness Requirement for a Presumption of Nexus Is Well-Established.

The Board’s determination that “[t]he evidence shows that the Emmy and Technical Achievement Award were awarded for, among other things, the critical

⁴ Amicus filer, the Honorable Judge Michel (Ret.), submitted a similar paper to the Court in the *Fox Factory* proceedings (*see* Brief of Amicus Curiae Paul R. Michel U.S. Circuit Judge (Ret.), in Support of Rehearing En Banc, *Fox Factory* 944 F.3d 1366 (No. 18-2024)), so the primary positions have already been considered and did not alter the unanimous result denying rehearing *en banc*.

feature of eliminating dropouts,” Appx34-35 (20-1921), is not challenged. Rather, Zaxcom argues that it should have been accorded presumptive nexus anyway because *Fox Factory* was decided incorrectly and fashioned a “new” coextensiveness requirement. *See* Dkt. 74 & 94 at 6-8. This is incorrect.

It has been understood for decades that to obtain an inference that nexus exists—i.e., a rebuttable “presumption of nexus”—the product, method, or system praised by industry must (i) embody the claims, *and* (ii) be *coextensive* with the claims. *Brown & Williamson*, 229 F.3d at 1129-30 (“[I]f the marketed product embodies the claimed features, *and is coextensive with them*, then a nexus is presumed and the burden is on party asserting obviousness to present evidence to rebut the presumed nexus.” (emphasis added)). Zaxcom noticeably fails to analyze *Brown & Williamson* in its petitions, despite its prominence in the *Fox Factory* opinion explaining the origin and importance of the “coextensive” standard. 944 F.3d at 1373.

This requirement of coextensiveness makes sense—when the commercial product *embodies and is coextensive* with the claimed features, there is little risk that the industry praise is attributable to unclaimed features. *See Fox Factory*, 944 F.3d at 1374 (“[T]he purpose of the coextensiveness requirement is to ensure that nexus is only presumed when the product tied to the evidence of secondary considerations ‘*is the invention disclosed and claimed.*’” (quoting *Demaco*, 851 F.2d at 1392)).

Coextensiveness is thus a check preventing that which its unclaimed from distorting the obviousness analysis; this test must be satisfied before patentee's burden is shifted by presumption. *See id.*

When coextensiveness cannot be shown, however—as is frequent—no presumption arises and patentee must show a case of *prima facie* nexus:

[T]he patentee in the first instance bears the burden of coming forward with evidence sufficient to constitute a *prima facie* case of the requisite nexus. . . . *When 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. . . .* When the patentee has presented a *prima facie* case of nexus, the burden of coming forward with evidence in rebuttal shifts to the challenger, *as in any civil litigation.*

Demaco, 851 F.2d at 1392-93 (emphasis added) (citations omitted); *Polaris Indus., Inc. v. Arctic Cat, Inc.*, 882 F.3d 1056, 1072 (Fed. Cir. 2018) (“[I]f the patented invention is only a component . . . [then] patentee must show *prima facie* a legally sufficient relationship between that which is patented and that which is sold.”) (citation omitted). The product in *Demaco* was the patented invention. *Demaco*, 851 F.2d at 1394 (“the patented paving stone that was the thing sold in commerce”).

Demaco's master-class explanation on these burdens is enshrined in *Fox Factory* expressly:

As first recognized in *Demaco Corp. v. F. Von Langsdorff Licensing Ltd.*, a patentee is entitled to a rebuttable presumption of nexus . . . if the patentee shows that the asserted evidence is tied to a specific product and that *the product is the invention disclosed and claimed.* . . .

A finding that a presumption of nexus is inappropriate does not end the inquiry into secondary considerations. . . . [T]he *patent owner is still afforded an opportunity to prove nexus* by showing that the evidence of secondary considerations is the direct result of the unique characteristics of the claimed invention.

Fox Factory, 944 F.3d at 1373-74 (citations and internal quotations omitted) (emphasis added). Far from Zaxcom’s charge that *Fox Factory*’s analysis has “morphed into a rabbit warren of proof standards,” Dkt. 74 & 94 at 3, it instead reflects the clear burdens explained in the time-tested articulations of *Demaco* and *Brown & Williamson*.

IV. The Cases Zaxcom Cites Are Distinguishable.

Zaxcom’s confusion regarding applicable standards comes from conflating passages discussing what it takes to achieve a *presumption* of nexus as opposed to resolving nexus questions in the ordinary course, with *prima facie* and rebuttal cases.

For example, Zaxcom cites *Rambus Inc. v. Rea*, 731 F.3d 1248, 1257 (Fed. Cir. 2013), suggesting that *Fox Factory* stands “in contrast to this Court’s longstanding case law, which holds that ‘objective evidence of non-obviousness lacks a nexus if it *exclusively* relates to a [previously-known] feature.’” Dkt. 74 & 94 at 6 (emphasis and alteration original). This quote, however, says nothing about

what is necessary to secure a *presumption* of nexus—an issue not relevant to *Rambus*. 731 F.3d at 1256-58 (no discussion of presumption of nexus, only burdens associated with *prima facie* nexus and rebuttal). So too with Zaxcom’s use of *Apple, Inc. v. Samsung Electronics Co.*, 839 F.3d 1034, 1053 (Fed. Cir. 2016) (en banc) to support its erroneous belief that products merely embodying the claim permit the patentee a presumption. Dkt. 74 & 94 at 11, 12 (“a presumption of nexus is proper where, as here, the industry praise is for ‘a product that embodies the patent claims’” (quoting *Apple*, 839 F.3d at 1053)). But *Apple* did not address presumptions of nexus, only nexus shown in the typical fashion. 839 F.3d at 1052-54 (no discussion of presumption of nexus).

Zaxcom also relies on several cases that actually teach the opposite of what it argues. For example, *Henny Penny Corp. v. Frymaster LLC*, 938 F.3d 1324 (Fed. Cir. 2019), at length explains when a presumption of nexus is granted:

If “the asserted objective evidence is tied to a specific product and that product ‘embodies the claimed features, *and is coextensive with them,*’” then the objective evidence is entitled to a rebuttable presumption of nexus. But when, *for example*, the patented invention is only a small component of the product tied to the objective evidence, there is no presumption of nexus.

Id. at 1332-33 (quoting *Polaris Indus.*, 882 F.3d at 1072 (quoting *Brown & Williamson*, 229 F.3d at 1130) (emphasis added)). Yet Zaxcom’s cropped rendering of the same passage yields the following: “a product that practices a patent is entitled

to a presumption of nexus *unless* ‘the patented invention is only a small component of the product,’ (quoting *Henny Penny*, 938 F.3d at 1333). *See* Dkt. 74 & 94 at 6 (emphasis added). Zaxcom’s articulation is much broader than the original statement in *Henny Penny* above—it changes this quote from a “*for example*” that would not be controversial, to an incorrect “entitled to a presumption *unless*” standard. *See id.*; Dkt. 74 at 13 (“a presumption is proper *unless* the *claim itself* only covers a ‘small component’ of the product”) (first emphasis added); Dkt. 94 at 14 (same).

On its facts, *Henny Penny* went on to recognize a presumption of nexus existed for industry praise, because they were of “commensurate” scope. *See* 938 F.3d at 1333 (“[C]laim 1 was commensurate in scope with Frymaster’s praised product. HPC acknowledged as much to the Board. . . . The Board thus found that Frymaster was entitled to a presumption of nexus.”); 1333-34 (“The Board determined that claim 1 is commensurate in scope with Frymaster’s product, that the evidence of praise was generally directed to the claimed invention as a whole, and that the two industry awards both specifically praised the claimed integrated TPM sensor.”). Given that the presumption of nexus had been fully established before the Board—something Zaxcom did not do—that issue was not contested on appeal. *See id.* at 1333 (“The Board thus found that Frymaster was entitled to a presumption of nexus. On appeal, HPC does not take issue with this determination.”). *Henny Penny* is therefore not about deciding on the presumption of nexus, *id.*, but rather how to

assess evidence of nexus *after* shifting the burden from patentee. *Compare id.* at 1333-34 *with Fox Factory*, 944 F.3d at 1374-75 (“The parties dispute whether the X-Sync chainrings are coextensive with the independent claims. . . . [T]he Board erred in presuming nexus.”). Whether patentee had qualifying for the presumption of nexus was the main question appealed in *Fox Factory*. *Id.* Zaxcom’s attempt to set *Fox Factory* in conflict with *Henny Penny* is thus unavailing, as they do not address the same issue.

Furthermore, *WBIP, LLC v. Kohler Co.* also recognized the proper “coextensiveness” standard: “[T]here is a *presumption of nexus* for objective considerations when . . . that product ‘*is the invention disclosed and claimed in the patent.*’” 829 F.3d 1317, 1329 (Fed. Cir. 2016) (quoting *J.T. Eaton & Co. v. Atl. Paste & Glue Co.*, 106 F.3d 1563, 1571 (Fed. Cir. 1997) and citing *Brown & Williamson*, 229 F.3d at 1130, *Demaco*, 851 F.2d at 1392-93) (emphasis added). The Court noted that, “[a]t trial, WBIP presented evidence that specific products . . . are embodiments of the invention *as claimed in the asserted claims*. And its proffered objective evidence relates to these specific products.” *Id.* at 1329 (citations omitted) (emphasis added). The *WBIP* court deemed this “sufficient to establish the presumption of nexus for the objective considerations at issue in this case.” *Id.* at 1330. Since presumptive nexus was already shown below, appeal in *WBIP* was limited to assessing nexus *after* the burden had been shifted to challenger: “We

review *Kohler's* remaining arguments to ascertain *whether they rebut the presumption of nexus.*" *Id.* This is a different question than in *Fox Factory*, which was focused on whether a presumption of nexus could arise at all. 944 F.3d at 1374-75. There is no conflict.

The "rare intervention" of en banc rehearing "should be reserved for real conflicts as well as cases of exceptional importance." *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1311 (Fed. Cir. 2006) (Michel, C.J., and Mayer, J., concurring). That rare intervention is unwarranted here.

V. Zaxcom Exaggerates Would-be Policy Concerns "Demoralizing Inventors."

Zaxcom claims that the "new standard set forth by *Fox Factory* is intractably high and will . . . signal to inventors that no amount of praise will protect them from an obviousness attack." Dkt. 74 at 15-16 ("[I]f an invention can win both an Emmy *and* an Oscar in its field and yet be found obvious because these awards were not commensurate with the claimed invention, how can any inventor hope to meet such a standard?"); Dkt. 94 at 16-17 (same).

There is nothing "new." Patentees have always carried the burden of demonstrating nexus for secondary considerations. *Demaco*, 851 F.2d at 1392 ("The burden of proof as to this connection or nexus resides with the patentee"). And while patentees may freely try to establish a *prima facie* case for nexus, there has never

been a right to a presumption of nexus unless and until coextensiveness is established. *See id.* That is consistent with “any civil ligation.” *Id.* at 1393.

Zaxcom wants to have it automatically presumed that its famous awards demonstrate that dozens and dozens of original claims across several patents have a sufficient nexus, without even raising it.⁵ The Board did not agree, and the panel correctly affirmed.

CONCLUSION

For the reasons expressed, the Court en banc should deny the petitions.

⁵ Lectrosonics has noted that across several IPRs, Zaxcom is claiming that at least three *different* patents of *different* inventive scope each benefited under its nexus theory from the *same* praise and long-felt need identified. Dkt. 50 (20-1921) at 52 & n.13; Dkt. 35 (20-1350) at 27-28; Dkt. 46 (20-1350) at 14 n.4. So the inventor here is still acquiring patents based on its EMMY and OSCAR wins, just not these claims, as the Board found.

Date: May 4, 2022

Respectfully submitted,

/s/ Cory C. Bell

Cory C. Bell
FINNEGAN, HENDERSON, FARABOW,
GARRETT & DUNNER, LLP
2 Seaport Lane, 6th Floor
Boston, MA 02210-2001
(617) 646-1600

J. Derek McCorquindale
FINNEGAN, HENDERSON, FARABOW,
GARRETT & DUNNER, LLP
1875 Explorer Street, 8th Floor
Reston, VA 20190
(571) 203-2700

Attorneys for Cross-Appellant

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

CERTIFICATE OF COMPLIANCE WITH TYPE-VOLUME LIMITATIONS

Case Number: 2020-1350, -1419

Short Case Caption: Zaxcom, Inc. v. Lectrosonics, Inc.

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Name: Cory C. Bell