

Appeal Nos. 20-1921, -1922, -1943, -1944

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

Appeal from the United States Patent and Trademark Office,
Patent Trial and Appeal Board in Case Nos. IPR2018-01129 and IPR2018-01130.

INTERVENOR'S RESPONSE TO APPELLANT'S PETITION FOR REHEARING *EN BANC*

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Zaxcom, Inc. v. Lectrosonics, Inc.,
2022 WL 499843 (Fed. Cir. 2022) (“*Zaxcom I*”) 3, 11

Zaxcom, Inc. v. Lectrosonics, Inc.,
2022 WL 499848 (Fed. Cir. 2022) (“*Zaxcom II*”) 2, 4, 11

I. Introduction

Nothing in this case warrants en banc rehearing. Under the panel’s undisputed claim construction, the original patent claims are broad and encompass two different ways of recording audio—a “multitrack” embodiment and a “dropout repair” embodiment. Zaxcom presented industry praise evidence that was tied only to the dropout repair embodiment. Because the original claims were broad enough to cover an embodiment that was never praised and was in the prior art, the panel found no nexus for the broad original claims and concluded they were obvious.

In contrast, Zaxcom’s narrower substitute claims are expressly limited to only the dropout repair embodiment. The panel found that, because these claims are focused on the embodiment that received industry praise, in the form of Emmy and Oscar awards, they are nonobvious. This set of intensely factual determinations is both unremarkable and shows exactly how the nexus analysis was intended to work. In general, such record-specific application of law to fact is inappropriate for en banc rehearing.

Zaxcom and its amici focus on this Court’s precedential decision in *Fox Factory*, arguing that *Fox Factory* is in tension with this Court’s prior decisions. Yet no one can show that the outcome of this case would or could change under a different analysis. In fact, we know the outcome under a pre-*Fox-Factory* analysis. The Patent Trial and Appeal Board decided, and the panel affirmed, three cases

with identical issues; the Board’s analysis in the first case was performed before this Court issued *Fox Factory*, and the Board’s analysis in the other two cases came after *Fox Factory* and addressed that decision. The outcome was the same.

Regardless, contrary to Zaxcom’s argument, the *Fox Factory* nexus analysis is consistent with this Court’s prior precedent. In step with the long-standing decisions of this Court, *Fox Factory* explained that, in order to obtain a presumption of nexus, a patentee must show that the product receiving industry praise *embodies* the claimed features and is *coextensive* with them. It is Zaxcom’s proposed nexus test—which reads out the coextensiveness requirement—that conflicts with precedent. Indeed, Zaxcom and its amici cover ground that has been trodden before. This court considered and rejected the same arguments in denying a petition for rehearing en banc in *Fox Factory*. There is no compelling reason why the Court should reach a different result here.

II. Statement of relevant facts

Lectrosonics petitioned the USPTO to institute inter partes reviews of claims of two patents owned by Zaxcom. *Zaxcom, Inc. v. Lectrosonics, Inc.*, appeal nos. 2020-1291 et al., 2022 WL 499848, *1 (Fed. Cir. 2022) (“*Zaxcom IP*”). In each IPR proceeding, Zaxcom filed narrower substitute claims that amended the broad original claims to limit them to the dropout repair embodiment. *Id.*

Zaxcom’s U.S. Patent Nos. 7,929,902 and 8,385,814 share a specification, and the audio recording technology described is also the same as that in U.S. Patent No. 9,336,307, discussed in the panel opinion in a related appeal. *See Zaxcom, Inc. v. Lectrosonics, Inc.*, appeal nos. nos. 2020-1350, -1405, 2022 WL 499843 (Fed. Cir. 2022) (“*Zaxcom I*”). Zaxcom’s specification describes a system for recording a performance by multiple actors. Each actor has a microphone that picks up the actor’s audio and sends it via a wired connection to a local recording device worn by the actor, and transmits it wirelessly to a remote central computer. This allows for two capabilities: 1) the central computer can combine the various received signals into a single “multitrack” recording, and 2) if there was a problem with the transmission to the central computer, portions of the local recording can be substituted for the missing or corrupted segments of the remote recording (the “dropout repair” embodiment).

The original claims broadly encompass both the dropout repair and the multitrack embodiments. *Zaxcom II*, 2022 WL 499848 at *1-2. The evidence of industry praise, including an Emmy and an Oscar, “was directed primarily to the dropout repair capability of Zaxcom’s systems.” *Id.*

Zaxcom’s narrower substitute claims amended the original claims to limit them to the dropout repair embodiment that had received industry praise. *See Zaxcom II*, 2022 WL 499848, *2; *Zaxcom I*, 2022 WL 499843, *2.

The Board issued two final written decisions finding a prima facie case of anticipation or obviousness for each of the claims, both original and substitute. Addressing Zaxcom's objective evidence of nonobviousness, the Board found that because the original claims covered the multitrack and dropout repair embodiments, they lacked a nexus with the industry praise evidence directed to dropout repair and were unpatentable. *Zaxcom II* at *1-2. The Board found that the narrower claims, which are limited to the dropout repair embodiment, had a nexus with the evidence of industry praise for dropout repair, which was sufficient to overcome the prima facie case of obviousness. *Id.* A panel of this Court affirmed those factual findings in a nonprecedential decision. *Id.*

III. The panel's decision does not warrant rehearing

Rehearing en banc is not warranted. The panel correctly affirmed the Board's decision as based on substantial evidence that there was no nexus for the broad original claims, while finding nexus for the narrower substitute claims, and nothing in that factual analysis warrants en banc review. The panel's decision does not conflict with a decision of this Court, and this Court has denied a similar petition in the past and should do so again here. Regardless, the outcome of this case would have been the same either before or after *Fox Factory*, as evidenced by the facts and timing of this case.

A. The panel correctly found no nexus for the broad claims that cover both multitrack creation and dropout repair, while finding nexus for the narrower claims that focus on dropout repair

Nothing about the fact-intensive analysis in this case warrants this Court's en banc review. The panel correctly affirmed the Board's nexus findings for both the broad original claims and the narrow substitute claims. The panel agreed with the Board's determination that the original claims encompass both the dropout repair and multitrack embodiments, and that substantial evidence supported the Board's finding that the industry praise was specifically for the dropout repair function. Due to this disconnect between the scope of the claims and the evidence of industry praise, which was tied only to dropout repair, the panel correctly affirmed the Board's finding of no nexus for the broad original claims.

The panel also correctly agreed with the Board that the narrower substitute claims are limited to the dropout repair embodiment and are coextensive with, and thus have a nexus with, Zaxcom's industry praise evidence that was tied to the dropout repair embodiment.

The panel's decision here applied the nexus analysis set forth in *Fox Factory* and the cases that preceded it to reach a fact-specific outcome that fairly protects the competing interests of all parties. The panel and the Board addressed all of the evidence of secondary considerations and carefully drew a line between the claims that were closely tied to the industry praise and the claims that were not.

Given the fact that the panel here found a nexus between Zaxcom’s evidence of industry praise for the dropout repair functionality and the narrower claims that focus on this functionality, it is difficult to understand how the panel’s decision will “def[y] common sense,” “suppress[] innovation by demoralizing inventors,” and “signal to inventors that no amount of praise will protect them from an obviousness attack.” Pet. at 16. If anything, this decision should signal the opposite to inventors—evidence of industry praise will save claims from an obviousness rejection when the thing being praised is closely tied to the thing being claimed.

B. The panel’s nexus analysis is consistent with *Fox Factory* and this Court’s many nexus cases before that

Zaxcom asserts that the panel decision conflicts with numerous prior cases of this Court, and instead follows the “the rubric used in *Fox Factory*.” Pet. at 9. But the nexus inquiry set forth in *Fox Factory*, which the panel in this case followed, is wholly consistent with this Court’s prior nexus precedent. *Fox Factory, Inc. v. SRAM, LLC*, 944 F.3d 1366, 1373 (Fed. Cir. 2019).

As this Court has long held, obviousness “is a question of law based on underlying findings of fact.” *In re Gartside*, 203 F.3d 1305, 1316 (Fed. Cir. 2000); *Fox Factory*, 944 F.3d at 1372. One of those underlying findings of fact is the presence of evidence of secondary considerations, such as commercial success, industry praise, long felt but unsolved needs, and unexpected results. *Graham v. John Deere Co. of Kan. City*, 383 U.S. 1, 17 (1966); *Fox Factory*, 944 F.3d at

1372. “In order to accord substantial weight to secondary considerations in an obviousness analysis, the evidence of secondary considerations must have a ‘nexus’ to the claims, *i.e.*, there must be a legally and factually sufficient connection between the evidence and the patented invention.” *Fox Factory*, 944 F.3d at 1373 (citing *Henny Penny Corp. v. Frymaster LLC*, 938 F.3d 1324, 1332 (Fed. Cir. 2019) and *Demaco Corp. v. F. Von Langsdorff Licensing Ltd.*, 851 F.2d 1387, 1392 (Fed. Cir. 1988)).

Importantly, “[t]he patentee bears the burden of showing that a nexus exists.” *WMS Gaming Inc. v. Int’l Game Tech.*, 184 F.3d 1339, 1359 (Fed. Cir. 1999); *Fox Factory*, 944 F.3d at 1373. “To determine whether the patentee has met that burden, we consider the correspondence between the objective evidence and the claim scope.” *Henny Penny*, 938 F.3d at 1332; *Fox Factory*, 944 F.3d at 1373.

This Court has identified two distinct paths that a patentee may take to meet its burden of proving nexus. Under the first path, 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 thing (product or method) that is commercially successful is the invention disclosed and claimed in the patent.” *Demaco*, 851 F.2d at 1392; *Fox Factory*, 944 F.3d at 1373. In other words, “presuming nexus is appropriate “when the patentee shows that the asserted objective evidence is tied to a specific product and that product ‘*embodies* the

claimed features, and is *coextensive* with them.” *Polaris Indus., Inc. v. Arctic Cat, Inc.*, 882 F.3d 1056, 1072 (Fed. Cir. 2018) (quoting *Brown & Williamson Tobacco Corp. v. Philip Morris Inc.*, 229 F.3d 1120, 1130 (Fed. Cir. 2000)) (emphasis added); *Fox Factory*, 944 F.3d at 1373. 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; *Fox Factory*, 944 F.3d at 1373.

This Court has reaffirmed the importance of the coextensiveness requirement in subsequent opinions. *SightSound Techs., LLC v. Apple Inc.*, 809 F.3d 1307, 1319 (Fed. Cir. 2015); Thus, “[i]f a product both *embodies* the claimed features and is *coextensive* with the claims at issue, a nexus is presumed.” *Id.* (emphasis added). “In other words, a nexus exists if the commercial success of a product is limited to the features of the *claimed* invention.” *Id.* (citing *Therasense, Inc. v. Becton, Dickinson & Co.*, 593 F.3d 1289, 1299 (Fed. Cir. 2010)) (emphasis added); *Fox Factory*, 944 F.3d at 1373.

If a patentee fails to meet its burden of proving that it is entitled to a presumption of nexus, a second path exists for establishing nexus. Namely, “the 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.” *In re Huang*, 100 F.3d 135, 140 (Fed. Cir. 1996); *Fox Factory*, 944 F.3d at 1373-74.

Thus, there are two pathways that a patentee may use to prove nexus. While the first path essentially provides a shortcut for the patentee to prove nexus, that shortcut is only available if the marketed product is an embodiment of the claimed invention and is coextensive with it. *See 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”).

Zaxcom’s argument essentially throws out the coextensiveness requirement and would presume nexus if the product having industry praise is an embodiment of the claim. Pet. at 3. Zaxcom’s sole proposed exception is when the claim scope is “merely a ‘small component’ of such a product.” *Id.* Amici argue for different rules: an “‘overly broad claim’ exception,” Doc. 98 at 11-12, or a complete lack of exceptions, Doc. 116 at 11. Each of these three proposed nexus tests largely eliminates the coextensiveness requirement and, thus, they all conflict with this Court’s long-standing nexus precedent.

In discussing the coextensiveness requirement, this Court in *Demaco* provided one example of non-coextensiveness. *Demaco*, 851 F.2d at 1393. “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,” then the patentee is not entitled to a presumption of nexus. *Id.* (emphasis added). The Court in *Henny Penny* identified the same example. 938 F.3d at 1333 (“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”) (emphasis added). By describing a component of a machine or process as one *example* of non-coextensiveness, these decisions in no way limit the coextensiveness requirement as only applying in this specific context.

Indeed, this Court has repeatedly held that broad claims that cover multiple embodiments are not coextensive with secondary considerations evidence tied to a single embodiment. *See Therasense*, 593 F.3d at 1336; *MeadWestVaco Corp. v. Rexam Beauty and Closures, Inc.*, 731 F.3d 1258, 1264-65 (Fed. Cir. 2013). And the cases—including those cited by Zaxcom and its amici—repeatedly emphasize the coextensiveness requirement for nexus. *See Demaco*, 851 F.2d at 1392; *Brown & Williamson*, 229 F.3d at 1130; *Henny Penny*, 938 F.3d at 1332. Not only must a praised feature embody a claim, but it must also, and separately, be coextensive with it. The nexus tests of Zaxcom and its amici are not compatible with this precedent.

In fact, Zaxcom’s petition largely repeats arguments raised in a petition for rehearing en banc in *Fox Factory* itself, which this Court denied. *Fox Factory, Inc.*

v. *SRAM, LLC*, appeal nos. 2018-2024, -2024, Docs. 65 and 80 (Fed. Cir. 2020).

Nothing here requires revisiting that decision.

C. Regardless of the merits of *Fox Factory*, the outcome here does not depend on that case

Even if, as *Zaxcom* contends, *Fox Factory* had changed the law of nexus, that would not affect the outcome of this case. Here, the Board decided a first case, on the '307 patent, before this Court issued *Fox Factory*. The issues in that first case were the same as the issues here. The Board reasoned that *Zaxcom* had failed to show a nexus between the original claims and the evidence of industry praise because the broad original claims covered both a multitrack embodiment and the praised dropout repair embodiment. The panel affirmed the Board's reasoning and findings. *Zaxcom I* at *1-2. After this Court issued *Fox Factory*, the Board addressed the '902 and '814 patents, which involved the same facts. In that decision, the Board reached the same result, that time addressing the Court's *Fox Factory* decision. The panel affirmed the Board's reasoning and findings in that case as well. *Zaxcom II*, at *1-2. Thus, even if *Fox Factory* had changed the law of nexus in some way, it is clear that en banc review in this case would not change the outcome.

IV. Conclusion

For all of the foregoing reasons, *Zaxcom*'s petition for en banc rehearing should be denied.

Dated: May 4, 2022

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

I certify pursuant to Federal Rule of Appellate Procedure 32(g) that the foregoing INTERVENOR'S RESPONSE TO APPELLANT'S PETITION FOR REHEARING *EN BANC* complies with the type-volume limitation. The total number of words in the foregoing response is 2,634 words, as measured by the word-processing software used to prepare this brief.

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