

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

LIBERTY MUTUAL INSURANCE CO.
Petitioner

v.

PROGRESSIVE CASUALTY INSURANCE CO.
Patent Owner

Case CBM2012-00002
Patent 6,064,970

PATENT OWNER'S REPLY IN SUPPORT OF ITS MOTION TO
EXCLUDE EVIDENCE PURSUANT TO 37 C.F.R. § 42.64(c)

Patent Owner Progressive Casualty Ins. Co. (“Progressive”) hereby submits this Reply in support of its Motion to Exclude.

I. LEGAL STANDARD

37 C.F.R. § 42.304 requires that Liberty’s Petition “specify where each element of the claim is found in the prior art” and that Liberty “identify[] specific portions of the evidence that support the challenge.” *See* 37 C.F.R. § 42.304(b)(4),(5). Progressive quotes this language on page 2 of its Motion, yet nowhere in Liberty’s Opposition brief does it ever mention this rule.

Instead, Liberty discusses FTC and NLRB cases from the 1940s and a Tax Court decision from 1950. (Opp. at 1.) Then, Liberty cites 37 C.F.R. § 42.5 as “permit[ting] administrative patent judges *wide latitude* in administering the proceedings[.]” (Opp. at 1, emphasis added.) And, based on this “wide latitude” under § 42.5, Liberty concludes that its “evidence is entirely proper, while Progressive’s objections are baseless.” (*Id.* at 1-2.)

However, § 42.5 is inapplicable. It only applies to “situation[s] not specifically covered by this part[.]” 37 C.F.R. § 42.5(a). The situation at issue is plainly “covered” in Part 42 under § 42.304. Liberty’s refusal to address § 42.304 in its brief (and its resort to the inapplicable § 42.5) does not alter the mandatory requirement that its Petition must specifically identify where each claim element allegedly appears in each prior art reference.

On page 2 of its motion, Progressive quoted the requirement under 37 C.F.R. § 42.23(b) that a “reply may only respond to arguments raised in the...patent owner response.” In addition, Progressive quoted the treatment of this rule in the Office Patent Trial Practice Guide, which confirms that new evidence in a Reply is prohibited if it is necessary to make out a *prima facie* case or could have been presented in the Petition. (Motion at 2-3; *see* 77 Fed. Reg. 48,756, 48,767 (Aug. 14, 2012).) Once again, nowhere in Liberty’s Opposition does it even mention this mandatory rule or the recitation in the Trial Practice Guide as to how it operates.

Rather, Liberty simply claims its “*prima facie* case was complete when [it] filed its Petition commencing this proceeding” and to view it any other way “contradicts both common sense and the Board’s Institution Decision[.]” (Opp. at 2, 5.) Not so. The Trial Practice Guide addresses this *exact* situation of Petitioner introducing new evidence *after* a proceeding has commenced. It makes clear a reply that “include[s] **new evidence necessary to make out a *prima facie* case...and new evidence that could have been presented in a prior filing**” indicates an improper new issue has been raised. 77 Fed. Reg. at 48,767 (emphasis added). This language would be meaningless if deficiencies in Petitioner’s *prima facie* case could not be identified after instituting a proceeding. Indeed, the Board applied these principles in ordering that a revised reply be filed that “eliminate[d] all improper material under 37 C.F.R. § 42.23(b) and the Office Patent Trial Practice Guide.” *BlackBerry Corp v. MobileMedia*

Ideas, LLC, No. IPR2013-00036 (JYC), Paper 40, at 2-3 (P.T.A.B. July 26, 2013).

II. ARGUMENT

A. Liberty's Reply Introduced New Fuzzy Logic Evidence

Liberty's Petition did not allege – or offer any evidence to show – that a POSITA would understand fuzzy logic. (Motion at 5.) It argues instead that there was “no need” for it to do so, and it was “proper[]” for it to raise for the *first time* in its Reply that a POSITA understands fuzzy logic. (*See Opp.* at 3, 3 n.2.) However, this is not a deficiency Liberty can cure with its Reply. (*See supra* at 1-3.) In its Petition, Liberty cited Kosaka's “fuzzy logic” disclosure in contending that every independent claim was unpatentable. (Motion at 5.) It is a damning admission that Liberty can cite only to Reply Declarations in support of its claim that a POSITA “would in fact understand Kosaka's approach and know how to use it.” (*Opp.* at 3.) The knowledge and experience of a POSITA is an element of Liberty's *prima facie* obviousness case. *See KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007). Yet there is not a shred of evidence in Liberty's Petition that supports its claim that a POSITA would be familiar with fuzzy logic so as to be able to understand and know how to apply Kosaka.

Instead, Liberty offers seven new references. (Motion at 5-7.) To defend this blatantly improper reliance on new art in a Reply, Liberty attempts to transform the substantive law of a POSITA's knowledge of prior art into a new evidentiary rule, one which would allow Liberty to introduce any prior art at any time, simply by claiming

that it “would have been known to a POSITA[.]” (Opp. at 4.) This is plainly not the law, and Liberty’s argument is a smokescreen to cover its improper introduction of new evidence with its Reply.

Liberty further claims that it is not “combin[ing] these seven references with Kosaka” *because* its “*prima facie* case was complete” when this proceeding was commenced, and it is doing “nothing more than rebut[ting.]” (Opp. at 4-5.) However, as demonstrated above, Liberty misapprehends the effect of instituting this proceeding. (*See supra* at 1-3.) And, Liberty’s repeated recitation of the word “rebuttal” does not transform its tardy evidence into a timely submission.

Liberty next offers a straw man argument, claiming that it “defies common sense” that Andrews cannot rely on Kosaka’s Figures 10 and 11 in his Reply Declaration, simply because they “were not specifically called out in the Petition or his previous declaration.” (Opp. at 6.) What Progressive *actually* argued was that Andrews “relied on Figures 10 and 11” to improperly raise a *new* argument as to “how fuzzy logic would be used to classify [] input values in a way that could be used by an *insurance expert*[.]” (Motion at 8, emphasis added.) This is a new argument based on a new opinion as to how an “insurance expert” would benefit from “fuzzy logic,” and it needed to be raised in its Petition if Liberty wanted to rely on it in arguing invalidity. Indeed, Liberty further claimed that Andrews offered “no opinions on ‘insurance aspects’ of Kosaka” (Opp. at 8), but Progressive directly quotes from his Reply

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