

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 CBM2013-00009
Patent 8,140,358

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 an NLRB case from 1942, a Tax Court decision from Nebraska, and an FTC case from 1945, in addressing the admissibility of evidence as a general proposition. (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 37 C.F.R. § 42.5, Liberty concludes that its “evidence is entirely proper, while Progressive’s objections are baseless.” (*Id.* at 1-2.)

However, 37 C.F.R. § 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 37 C.F.R. § 42.304. Liberty’s refusal to address section 42.304 in its brief (and its resort to the inapplicable section 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 that its “*prima facie* case was complete when [it] filed its Petition commencing this proceeding” and that to view it any other way “contradicts both common sense and the Board’s Institution Decision[.]” (Opp. at 2, 4-5.) 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 that an improper new issue has been raised. 77 Fed. Reg. at 48,767 (emphasis added). Indeed, this language would be meaningless if deficiencies in Petitioner’s *prima facie* case could not be identified after the Board institutes a proceeding.

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 4-5.) Indeed, it argues 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 1-2.) Liberty relied on Kosaka's “fuzzy logic” disclosure as the basis for invalidating every element in claim 1. (Motion at 4-5.) It is a damning admission that Liberty is forced to cite only Rebuttal Declarations to support 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, yet there is not a single shred of evidence in Liberty's Petition as support for the claim that a POSITA would understand and know how to apply Kosaka.

Instead, Liberty introduces 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 as to 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.

Indeed, 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 1-2.) And, Liberty’s repeated recitation of the word “rebuttal” does not somehow transform its tardy evidence into a timely submission.

Liberty next offers a straw man argument, claiming that it “defies common sense” that its 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.

Liberty raises another straw man argument, claiming that Progressive seeks to exclude ¶¶ 6 and 8 from the Andrews Reply Declaration because of his “opinions on ‘insurance aspects.’” (Opp. at 8.) However, what Progressive *actually* argued, as set forth on the first paragraph on page 9 of its Motion, was that ¶¶ 6 and 8 are improper

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