

Filed on behalf of EMC Corporation and VMware, Inc.

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

EMC CORPORATION and VMWARE, INC.,
Petitioners

v.

Patent Owner of
U.S. Patent No. 6,415,280 to Farber et al.

IPR Case No. IPR2013-00083

PETITIONERS' REPLY IN SUPPORT OF ITS
MOTION TO EXCLUDE EVIDENCE

The Bermeister Declarations and Licenses Should Be Excluded

Patent Owner's opposition ignores the fundamental principle that, for evidence to be relevant to the secondary considerations of nonobviousness, it must be "objective." *See Iron Grip Barbell Co. v. USA Sports, Inc.*, 392 F.3d 1317, 1323-1324 (Fed. Cir. 2004). Furthermore, there must be an adequate *nexus* between the evidence and the challenged claims. *See id.* Patent Owner has yet to articulate any such nexus with objective evidence despite repeated opportunities to do so. Moreover, it does not dispute that its declarant, Chairman Kevin Bermeister, failed to disclose significant interlocking relationships between the parties to the Brilliant licenses, as well as inconsistent SEC disclosures regarding their valuation – both of which negate any "objective" value. The Board accordingly should exclude the Brilliant licenses (Exs. 2010-12) and the Bermeister Declarations (Exs. 2009, 2014).

First, Patent Owner has not established or even articulated any legitimate nexus to the *challenged claims*. Relying on *Transocean* but misapplying its holding, Patent Owner argues that a sufficient nexus exists so long as the licenses can be construed to cover the challenged patent, and this nexus is not undermined by the fact that the licenses also extend to other patents. (Opp. 1-2.) The basis for the motion to exclude, however, is not that the Brilliant licenses *also* cover other patents. The basis for the motion is that there is *no* evidence that the licenses were motivated in any way by the challenged claims.

Transocean provides no support for Patent Owner's argument that a sufficient nexus exists simply because the licenses cover a large number of patents (with many hundreds of claims) including the '280 patent.¹ Instead, the Federal Circuit held that "a reasonable jury could have found that the licenses reflect the value of the *claimed invention*," and the licensed "dual-activity" offshore drilling technology was the focus of the asserted claims. *See Transocean Offshore Deepwater Drilling, Inc. v. Maersk Drilling USA, Inc.*, 699 F.3d 1340, 1348, 1353 (Fed. Cir. 2012). In contrast, Patent Owner has yet to identify a single claimed feature that motivated any of the Exs. 2010-12 licenses. *See Honeywell Int'l, Inc. v. Nikon Corp.*, No. 04-01337, 2009 WL 577274, at *1-2 (D. Del. Mar. 4, 2009) (Ex. 1082) (excluding licenses that covered the challenged patent because they "*lacked a sufficient nexus to the asserted patent claim*" (emphasis added), *aff'd*, 400 Fed. Appx. 557 (Fed. Cir. Nov. 1, 2010); *see also Tokai Corp. v. Easton Enters., Inc.*, 632 F.3d 1358, 1369-70 (Fed. Cir. 2011) (no weight if no nexus established).

Second, Patent Owner does not dispute that Bermeister's declarations (Exs. 2009, 2014) failed to disclose the prior and contemporaneous business relationships between the parties to the Kinetech, Sharman, and Skype licenses (Exs. 2010-12), as well as the inconsistent SEC disclosures regarding their

¹ Only 2 of 55 claims of the '280 patent have been challenged in this proceeding.

valuation. (See Motion ¶¶ 3-4, 6-7, 9-10.) These material omissions alone warrant exclusion. See 37 C.F.R. § 42.12 (exclusion for violations of Rule 42.11 and Rule 42.51).

Third, the complex web of interlocking private equity ownership interests and parallel licensing transactions between the Exs. 2010-12 licensing parties negate any argument that the licenses provide “objective” evidence of the value of the claims. (See Motion ¶¶ 3, 6, 9.) The licenses do not provide “objective” evidence simply because they were entered outside litigation. Nor are the relationships between the parties comparable to Ford and Chevrolet’s “overlapping business interests.” Ford and Chevrolet are not joint, private ventures with interlocking ownership interests that routinely exchange monies in complex parallel licensing transactions. Moreover, while Patent Owner claims that Bermeister had no “personal interest” in Skype on the day the Skype license was signed, it is undisputed that Bermeister had indirect ownership interests both before and after, including the inexplicable transfer of a 1% equity stake in Skype to his family company (SEP Investments) shortly after the signing.² (See Motion ¶ 9.) See *Ex parte Baylor Coll. Of Med.*, No. 2012-005140, 2012 WL 2316829, at *9 (B.P.A.I. June 15, 2012) (license given no weight where patentee failed to show

² Given the suspect nature of these transactions, the Board also should exclude this evidence under FRE 403.

it was due to merits of claimed inventions rather than other business reasons); *see also In re DBC*, 545 F.3d 1373, 1384 (Fed. Cir. 2008) (evidence of secondary considerations only relevant if a “direct result of the unique characteristics of the claimed invention – as opposed to other economic and commercial factors”).

Fourth, Exs. 2009-12, 2014 also should be excluded because Bermeister did not provide any reasonable basis or explanation for his estimated “value” of any of the licenses, and his testimony is utterly lacking in reliability. *See, e.g., Utah Med. Prods., Inc. v. Graphic Controls Corp.*, 350 F.3d 1376, 1385-86 (Fed. Cir. 2003) (affirming exclusion of licenses and valuation testimony as unreliable); *Tex. Digital Sys., Inc. v. Telegenix, Inc.*, 308 F.3d 1193, 1217-18 (Fed. Cir. 2002). Patent Owner does not dispute that Bermeister failed to disclose SEC filings that were inconsistent with his valuations for the Kinetech and Sharman licenses. Nor does it dispute that Bermeister lacked personal knowledge of the money allegedly paid for the Skype license (which on the face of the agreement did not specify any consideration paid to Brilliant or Altnet). His “valuation” testimony accordingly lacks foundation, is unreliable on its face, and should be excluded.

For these reasons, the Board should grant Petitioners’ Motion to Exclude.

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