Filed on behalf of Petitioners
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Paper No. ___

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

RPX CORPORATION,
Petitioner

v.

DIGITAL AUDIO ENCODING SYSTEMS, LLC,
Patent Owner

Case IPR2017-00208
Patent No. 7,490,037

PETITIONER'S BRIEF IN SUPPORT OF ADVERSE JUDGMENT AGAINST PATENT OWNER

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The Board authorized this briefing to address "whether we have the power to enter adverse judgment in these proceedings, where no instituted review of the patent exists." Paper 7 at 3. The Board asked that this Brief "elaborate as to why the definition set forth in §42.2 applies in §42.73" and "identify the statutory source of our power to enter adverse judgement when no review is instituted." *Id*.

I. DAE EXPRESSLY REQUESTED ADVERSE JUDGMENT

Rule 42.73(b) states that "[a] party may request judgment against itself ***at any time during a proceeding***." 37 C.F.R. § 42.73(b). Prior Board decisions have addressed whether to enter adverse judgment under Rule 42.73(b)(2) when the patent owner ***merely disclaims*** all challenged claims pre-institution**,** and different panels have ruled differently. See *Smith & Nephew v. Athrex*, IPR2016-00917, Paper 12 and the cases cited therein. The Board had discretion in those cases, because the Patent Owners did not expressly request entry of adverse judgment, but took other action (e.g., cancellation of all challenged claims) that Rule 42.73(b) provides "may" be construed as requesting adverse judgment.

The facts here are more straightforward. DAE expressly requested entry of adverse judgment, and that request can be acted upon irrespective of whether DAE disclaims all claims. The discretion addressed by other panels does not apply.

II. THE DEFINITION IN RULE 42.2 APPLIES TO RULE 42.73

37 C.F.R. § 42.2 states that it provides "Definitions" that "apply to this part"

42 of C.F.R. Title 37. Rule 42.2 includes definitions for numerous terms in Rule 42.73: "*Proceeding* means a trial or preliminary proceeding"; "*Preliminary Proceeding* begins with the filing of a petition for instituting a trial and ends with a written decision as to whether a trial will be instituted;" "*Trial*" is "a contested case instituted by the Board based upon a petition. A trial begins with a written decision notifying the petitioner and patent owner of the institution of the trial;" "*Judgment* means a final written decision by the Board, or a termination of a proceeding." *Smith & Nephew*, IPR2016-00917, Paper 12 at 3.

Given that "proceeding" and other terms in Rule 42.73 are ***expressly defined*** in Rule 42.2, and that Rule 42.2 states that its definitions apply to all sections of "this part [42]," the definition of "proceeding" in Rule 42.2 applies to Rule 42.73.

The Federal Circuit's decision in *Intellectual Ventures v. JP Morgan Chase*, 781 F. 3d 1375 (Fed. Cir. 2015) ("*IV*") is not to the contrary. There, the court interpreted "proceeding" as used in the ***statute*** (not the ***Rules***), for the purpose of deciding whether the court had Article III jurisdiction to hear an interlocutory appeal on a stay of litigation prior to institution of a CBM review. *Id.* at 1376 (citing AIA § 18(a)). The court only considered the Rules among a number of "non-statutory arguments" were found not to affect the meaning of "proceeding" in the ***statute***. *Id*. at 1378. The court's holding did not turn on the meaning of "proceeding" as defined in Part 42 of 37 C.F.R., and any statement in *IV* about the

meaning of "proceeding" in the ***Rules*** (rather than the ***statute***) is not binding on the Board. What is binding on the Board are the PTO's Rules, which ***expressly define*** "proceeding" (Rule 42.2) within Part 42 as including a preliminary proceeding like this one, and authorize adverse judgment at any time during a "proceeding" so defined (Rule 42.73). *Torrington Co. v. United States*, 82 F.3d 1039, 1049 (Fed. Cir. 1996) ("agencies are required to follow their own regulations.").

IV proposed that "the PTO's own regulations are inconsistent on [the meaning of 'proceeding']." A closer look reveals no inconsistency in 37 C.F.R. 42. The court cited the TPG (quoting "[T]he *Director may institute a proceeding* where a petitioner meets the threshold standards," 77 Fed. Reg. 48756 at 48765) and 37 C.F.R. § 42.101(b) (quoting "The *petition requesting the proceeding*…") as potentially inconsistent with Rule 42.2's definition of "proceeding." The quoted statement in the TPG references "Statutory Threshold Standards," thus dealing with the use of "proceeding" in the ***statute***, and not in 37 C.F.R. 42. Similarly Rule 42.101(b)'s reference to a "petition requesting the proceeding" is not inconsistent with Rule 42.2's definition that a "Preliminary Proceeding begins with the filing of a petition," as the petition requests both the trial and the preliminary proceeding that are both part of the "proceeding" under Rule 42.2.

This panel is empowered to follow the PTO's Rules and apply the express definitions in Rule 42.2 to Rule 42.73. Nothing in *IV* compels a different result or

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