UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC. & MICROSOFT CORPORATION
Petitioners

v.

Neodron, Ltd.
Patent Owner

Case No. IPR2020-00778
U.S. Patent No. 7,821,425

PETITIONERS' PRELIMINARY REPLY

Patent Owner insists institution should be denied in view of a parallel ITC Investigation. Yet the Preliminary Response ("POPR") suffers a glaring deficiency—it fails to identify a single case in which institution has been denied on this basis. Petitioners have similarly uncovered no such examples. Many factors explain the Board's consistency on this issue. Perhaps most importantly, unlike the PTAB and a district court, the ITC has no authority to invalidate patent claims. Because the district court litigation is stayed pending the ITC investigation, even if the ITC concludes claims are invalid, lengthy district court litigation will be required *after* the ITC's work concludes in order to obtain a final judgment of invalidity.

Despite Patent Owner's arguments to the contrary, serial proceedings before distinct tribunals is a far less efficient than, as Congress intended, instituting IPR and resolving invalidity issues in a targeted proceeding before a panel of patent specialists. On this basis, and for all the reasons discussed below, this Board should reject Patent Owner's invitation to render a novel institution denial based on a parallel ITC Investigation.

I. The *Fintiv*-pertinent "parallel proceeding" is in the district court—the only proceeding with parallel authority to cancel claims

Insisting that the Board deny institution in view of a "parallel proceeding," Patent Owner attempts to divert the Board's attention from the statutorily stayed[1]

[1] 28 U.S.C. § 1659.

district court litigation to the ongoing ITC Investigation. But the ITC Investigation does not *parallel* an IPR because the ITC lacks the authority to issue a binding ruling on invalidity. Indeed, the Federal Circuit has long held that rulings at the ITC carry no preclusive effect on other forums. *Texas Instr. Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1569 (Fed. Cir. 1996) (citing the Senate Report accompanying the Trade Act of 1974, explaining section 337's legislative history indisputably shows Congress did not intend decisions of the ITC on patent issues to have preclusive effect on other forums and holding the same); *Tandon Corp. v. United States Int'l Trade Comm'n,* 831 F.2d 1017, 1019 (Fed. Cir. 1987) ("[O]ur appellate treatment of decisions of the Commission does not estop fresh consideration by other tribunals"). Without the aid of *res judicata*, ITC determinations do not implicate the efficiency concerns *Fintiv* targets.

The Board has expressly recognized this critical distinction, explaining that the "ITC does not have the authority to invalidate a patent in a way that is applicable to other forums, and thus ITC decisions do not preempt issues addressed in an *inter partes* review proceeding." *Nichia Corp. v. Lighting Science Group Corp.*, IPR2019-01259, Paper 21, *27 (PTAB Jan. 15, 2020). The lack of parallel authority is particularly important when assessing efficiencies. Absent the PTAB cancelling the Challenged Claims, these same invalidity issues will be litigated in the district court *after* the ITC Investigation concludes. *Id*. at 27-28 (noting that, even if the ITC finds

the asserted claims invalid, the patent owner may continue to assert the claims at issue in the district court); *see also Renesas Elecs. Corp. v. Broadcom Corp.*, IPR2019-01040, Paper 9, *8 (PTAB Nov. 13, 2019) (noting the same and explaining that the ITC decision cannot "resolve" the issues before the Board). Because a district court's authority to cancel claims—an authority that parallels the PTAB's in an IPR—may not be exercised until after the ITC Investigation concludes, the Board has repeatedly held that ITC investigations do "not render [an IPR] proceeding duplicative or amount to a waste of the Board's resources." *Samsung Elecs. Co. v. BitMicro, LLC*, IPR2018-01410, Paper 14, *18 (PTAB Jan. 23, 2019); *see also 3Shape A/S and 3Shape Inc., v. Align Technology, Inc.*, IPR2020-00223, Paper 12, *34 (PTAB May 26, 2020) (noting the "ITC does not have the power to cancel a patent claim" and concluding no "concerns with efficiency . . . support exercising our authority to deny institution"); *Wirtgen Am., Inc. v. Caterpillar Paving Prods.*, IPR2018-01202, Paper 10, *7–10 (PTAB Jan. 8, 2019).

II. The *Fintiv* factors strongly favor institution

1. *Whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted.*

Litigation in the Western District of Texas has been stayed pending finality of the ITC investigation. Ex. 1012 (granting stay on March 31, 2020 and noting the case is "administratively closed until the determination of the 337-TA-1193 Investigation becomes final, including any appeals and until the Commission

proceedings are no longer subject to judicial review"). While it is unlikely the ITC investigation will be stayed, as explained herein, the efficiency and integrity of the system are best served by instituting review.

2. *Proximity of the court's trial date to the Board's projected statutory deadline for a final written decision.*

No trial date has been set in the district court, and any theoretical trial date is years away. Accordingly, the Board's projected statutory deadline for a FWD will long predate any trial, and this factor favors institution.

Even if the Board were to consider the ITC Investigation schedule, this factor favors institution. The currently scheduled ITC hearing is set to conclude on February 22, 2021, but an initial determination is not due until June 18, 2021 and a Final Determination is not due until October 20, 2021. Ex. 2001, 4. In stark contrast to district court trials that conclude with a jury verdict, ITC evidentiary hearings merely provide each party the opportunity to present evidence for consideration by the ALJ. An initial decision will not issue until approximately four months later. Further, another four months must pass before a final determination issues. But even this ruling is not appealable (i.e., not final from a procedural standpoint) until after the presidential review period expires—60 days later. 19 U.S.C. § 1137(c); *id*. at (j)(4) ("such determination shall become final on the day after the close of such [presidential review] period or the day on which the President notifies the Commission of his approval, as the case may be"). The stay in the district court will

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