UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

CHANEL, INC.,

Petitioner,

v.

MOLO DESIGN, LTD.,

Patent Owner.

Case IPR2022-00545
U.S. Patent 9,689,161

PATENT OWNER'S RESPONSE TO PETITIONER'S MOTION TO STRIKE EXHIBITS 2034-2037

Exhibits 2034-2037 filed with Patent Owner's Sur-reply directly rebut Petitioner's false implication made in Petitioner's Reply. This rebuttal evidence goes to the issue of copying as evidence of non-obviousness. The arguments raised in Patent Owner's Sur-reply were not new, and Petitioner only objected to the exhibits themselves. As discussed herein, the Board should exercise its general discretion under 37 C.F.R. § 42.5(b) and deny Petitioner's Motion to Strike because the submission is the only meaningful opportunity for Patent Owner to rebut Petitioner's false implication.

In their Reply, Petitioner stated that "Molo presents no evidence that Chanel … acquired a softwall sample before purchasing a competing product." Paper 30 at 11. The implication is clear: Petitioner Chanel never purchased or had possession of Patent Owner's relevant product and could not copy it. To directly rebut this false implication, Patent Owner submitted Exhibits 2034-2037 that show purchase of a "softwall sample" by Petitioner.

Patent Owner acknowledges the requirements of 37 C.F.R. § 42.23(b) regarding the submission of new evidence in a Sur-reply. However, Patent owner respectfully notes that under § 42.5, the Board has wide discretion in almost all aspects of this proceeding. Indeed, under § 42.5(b) "[t]he Board may waive or suspend a requirement of parts 1, 41, and 42 and may place conditions on the waiver

or suspension." 37 C.F.R. § 42.5(b) As such, the Board has discretion to suspend § 42.23(b) and allow Patent Owner's probative rebuttal evidence. *See e.g.*, *Belden Inc. v. Berk-Tek LLC,* 805 F.3d 1064, 1081 ((Fed. Cir. 2015) (stating that the Board has authority to "waive or suspend a regulation that the patent owner believes impairs its opportunity to respond").

Petitioner did not object to the authenticity or admissibility of Exhibits 2034-2037, as they are merely Petitioner's business records. *See* Fed. R. Civ. P. 803(6). Each of Exhibits 2034-2037 is an electronic correspondence (i.e., an email) between Petitioner's employee and Patent Owner's employee. Consequently, there is minimal prejudice to Petitioner in allowing these exhibits, as they were already in Petitioner's possession.

Patent Owner is entitled by law to present rebuttal evidence. If the rules in prohibit such evidence, then those rules violate Due Process and the Administrative Procedures Act (APA).[1] Under the APA, the Board "must allow 'a party . . . to submit rebuttal evidence . . . as may be required for a full and true disclosure of the facts.'" *Dell Inc. v. Acceleron, LLC*, 818 F.3d 1293, 1301 (Fed. Cir. 2016) (vacating a Board decision where patent owner "ha[d] not had the required opportunity to present evidence" to counter a factual assertion relied on in the Board's decision). Here,

[1] Patent Owner must challenge the rule *in this venue* to preserve a rule challenge for appeal. *Ciena Corp. v. Oyster Optics, LLC*, 958 F.3d 1157, 1159-62 (Fed. Cir. 2020).

Petitioner implied a factual assertion relevant to non-obviousness—it is insufficient for Patent Owner to address this false implication solely with attorney argument in the Sur-reply. Not allowing Patent Owner the opportunity to rebut this false implication is prejudicial to Patent Owner and a violation of the APA and Due Process.

With regard to Petitioner's arguments regarding the untimeliness of Exhibits 2034-2037, Patent Owner notes that Rule 42.5(c)(3) excuses late actions if, *inter alia*, it "would be in interests of justice." 37 C.F.R. 42.5(c)(2); s*ee Hengdian Grp. DMEGC Magnetics Co., Ltd. v. Gitachi Metals, Ltd.*, IPR2017-01312, Paper 14 at 4 (PTAB Jan. 3, 2018) ("In deciding whether the interests of justice support considering the merits of a late filing, [the Board examines] the prejudice that would result from considering or not considering the merits"). As noted, there is minimal prejudice to Petitioner to retaining these exhibits in the record. The prejudice to Patent Owner results from admitting Petitioner's false implication but limiting Patent Owner to attorney argument in its rebuttal. As such, the prejudice from striking Patent Owner's exhibits would outweigh any prejudice to Petitioner.

For the foregoing reasons, Petitioner's Motion should be denied.

Respectfully Submitted,

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