

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SDI TECHNOLOGIES, INC.,

Petitioner

v.

BOSE CORPORATION,

Patent Owner

Patent No. 8,364,295

Filing Date: December 7, 2006

Issue Date: January 29, 2013

Title: Interactive Sound Reproducing

Inter Partes Review No. 2014-00346

PETITIONER'S BRIEF ON THE APPLICABILITY
AND SCOPE OF 37 C.F.R. 42.73(d)(3)

I. INTRODUCTION

Bose's arguments in this proceeding amount to an untimely motion for reconsideration of the decisions of this panel in an earlier *inter partes* review where all challenged claims of U.S. Patent No. 8,364,295 ("the '295 patent") were found unpatentable. IPR2013-00465, Paper 40. As SDI explained in its Reply (Paper 17, p. 1), the Board finally rejected Bose's arguments in the earlier proceeding, and it should reject them again, for all the same reasons.

However, the Board need not even re-consider arguments Bose already lost. Under 37 C.F.R. § 42.73(d)(3), Bose is affirmatively estopped from taking actions inconsistent with the earlier decision. Presented with the *same* prior art, and represented by the *same* counsel, Bose fought hard to defend the claims of the '295 patent in the earlier IPR and it failed. The earlier Final Decision is now binding.

II. STATEMENT OF THE LAW

Inter Partes Review ("IPR") was implemented as a simpler and faster alternative to patent litigation in the District Courts, to assist accused infringers in invalidating obvious or non-novel patents. *See* 35 U.S.C. § 311. As in the Courts, *res judicata* and collateral estoppel are necessary to achieve the goals of IPR. *See, e.g.,* 35 U.S.C. § 315(e). For that reason, and in connection with the Congressional directive to "prescribe regulations establishing and governing IPR" (35 U.S.C. § 316(a)(4)), the Director promulgated 37 C.F.R. § 42.73(d)(3), codifying

conventional collateral estoppel: “[a] patent applicant or owner is precluded from taking action inconsistent with the adverse judgment.” The regulations also state that “[j]udgment means a final written decision *by the Board*, or a termination of a proceeding.” 37 C.F.R. § 42.2 (emphasis added).

The “[Supreme Court] and other courts have often recognized [that] *res judicata* and collateral estoppel relieve parties of the cost and vexation of multiple lawsuits, conserve judicial resources, and, by preventing inconsistent decisions, encourage reliance on adjudication.” *Allen v. McCurry*, 449 U.S. 90, 94 (1980); *see generally Blonder Tongue Labs. v. Illinois Found.*, 402 U.S. 313 (1971). Collateral estoppel may be raised at any time, including for the first time on appeal. *See Soverain Software LLC v. Victoria’s Secret Direct Brand Mgmt.*, 2015 U.S. App. LEXIS 2202, at *8 (Fed. Cir. Feb. 12, 2015) (citing *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573, 1583-84 (Fed. Cir. 1994)).

The Federal Circuit has adopted four conditions necessary to apply collateral estoppel: “(1) identity of the issues in a prior proceeding; (2) the issues were actually litigated; (3) the determination of the issues was necessary to the resulting judgment; and, (4) the party defending against [estoppel] had a full and fair opportunity to litigate the issues.” *Jet, Inc. v. Sewage Aeration Sys.*, 223 F.3d 1360, 1366 (Fed. Cir. 2000).

III. ARGUMENT

A. There Has Been An Adverse Judgment.

On November 7, 2014, the Board issued its Final Written Decision in IPR2013-00465, finding claims 1-21, 24, 27, 29-47, 50, 63, 64, 68-70, 73, 74, 77, and 78 of the '295 Patent unpatentable. *See* Paper 40. That Final Written Decision was adverse to Bose and it was a “judgment” under 37 C.F.R. § 42.2. Bose acknowledged as much by appealing the decision to the Court of Appeals for the Federal Circuit. *See* 35 U.S.C. §§ 141, 319; IPR2013-00465, Paper 44.

B. IPR2013-00465 Decided The Same Issues, And The Issues Were Actually Litigated.

The Board (and, indeed, the same panel) instituted the instant IPR after examining the same prior art presented in IPR2013-00465. *Compare* IPR2013-00465, Paper 14 *with* IPR2014-00346, Paper 13. As before, the Board instituted this IPR “on the ground of obviousness over WinAmp, Irman Web Pages, and Altec Lansing Manual.” IPR2014-00346, Paper 13 at 21.

Bose acknowledged that IPR2013-00465 addressed the same issues by making substantially the same non-obviousness arguments and filing substantially the same motion to exclude evidence in this IPR. *Compare* IPR2013-00465, Papers 13 and 21 *with* IPR2014-00346, Papers 12 and 20. Indeed, much of what Bose filed in the present IPR was copied *verbatim* from its earlier filings. There can, therefore, be no reasonable dispute that Patent Owner and Petitioner ***actually***

litigated the same obviousness issues with full briefing, evidentiary motions, and oral arguments before the Board in IPR2013-00465. *See generally* IPR2013-00465, Paper 40.

C. Determination Of The Same Issues Was Necessary To The Earlier Decision And Bose Had A Full Opportunity To Litigate Them.

Bose asserted the '295 Patent against Petitioner in *Bose Corp. v. SDI Techs., Inc.*, Case No. 13-cv-10277-WGY (D. Mass.), filed on February 13, 2013. *See* IPR2013-00465, Paper 1. Should the claims of the '295 Patent be invalidated, Bose would be estopped from prosecuting that suit. *See* 35 U.S.C. 315(e)(2). Bose, therefore, had every incentive to make any and all non-obviousness arguments during IPR2013-00465, and it was provided a full and fair opportunity for briefing and oral argument. *See* IPR2013-00465, Paper 40.

Further, while it has not yet filed its brief on this issue, Bose cannot credibly deny that it presented its best arguments in IPR2013-00465 because it repeated those arguments in this IPR. *Compare* IPR2013-00465, Paper 13 *with* IPR2014-00346, Paper 12.

In addition, the issues Bose seeks to re-litigate here were plainly necessary to the Final Written Decision in the earlier IPR. This panel instituted IPR2013-00465 to determine whether the challenged claims of the '295 Patent were obvious over the same prior art at issue in this proceeding. *See* 35 U.S.C. § 103(a); IPR2013-00465, Paper 14. The issues that Bose now seeks to re-litigate concern

the scope and content of the same prior art that was found to invalidate independent claims of dependent claims that are being addressed in this IPR. Those arguments were the sole issue before the Board, and the resolution of those issues was central to the Final Written Decision. *See id.*, Paper 40.

**D. Under 37 C.F.R. §§ 42.73(d)(3) And 42.2
The Board’s Decision Gives Rise to Estoppel.**

A patent owner is precluded from taking action inconsistent with an adverse final decision of the Board. 37 C.F.R. §§ 42.73(d)(3), 42.2. Here, there is a Final Written Decision by the Board—IPR2013-00465, Paper 40. The text of 37 C.F.R. §§ 42.73(d)(3), and 42.2 are crystal clear. Once that Final Written Decision issued, Bose was estopped from taking actions inconsistent with it.

During the oral hearing, Bose cited IPR2014-00511, Paper 18 for the proposition that estoppel does not attach until Bose exhausts its appeals. That is incorrect. There, before a Final Written Decision, Petitioner sought leave to file a motion to stay the prosecution of a related continuation application of the Patent Owner. Paper 18, at 2. The Board denied the request, explaining that the “Patent Owner will not be permitted to obtain in a patent any claims that are not patentably distinct from any claim that is canceled as a result of this proceeding” but that “whether any of the claims of the ’497 patent will be canceled is an issue that is not yet decided and will not necessarily be decided until a final written decision is entered in this case and appeals from it are exhausted.” *Id.*

Therefore, in that proceeding, and only in nonbinding *dicta*, the Board was stating only that a Patent Owner may not obtain ***new claims*** that are not patentably distinct from claims canceled in an IPR, and that cancellation of such claims would only be finally determined after appeals (*i.e.* claims may be canceled by the Board in an IPR and the Federal Circuit may reverse, in which case the Patent Owner obviously would be permitted to pursue new claims). That decision does not support the proposition that the Final Written Decision from IPR2013-00465 is not “final” for the purposes of precluding Bose from re-litigation issues it already lost in the earlier IPR.

In any event, 37 CFR expressly defines final. Period. “A patent applicant or owner is precluded from taking action inconsistent with the ***adverse judgment***.” 37 CFR even provides four examples of “***adverse judgments***,” all of which are ***actions taken in an inter partes review***. See 37 C.F.R. § 42.73(b)(1-4). Moreover, 37 C.F.R. § 42.2 explicitly defines a “judgment” as “a final written decision ***by the Board***, or a termination of a proceeding.” Bose understandably wishes to delay the inevitable, but one needs to look no further than the plain text of 37 C.F.R. § 42 to conclude that it cannot.

E. Bose Is Estopped From Arguing Everything But “Configured To Respond To Signals Received From The Computer.”

Rule 42 requires that Bose be precluded from presenting its earlier failed arguments, as do the policies of predictability and finality. Moreover, if the Board does not invoke § 42.72(d)(3), this IPR becomes a vehicle for reconsideration of IPR2013-00465, undermining the purpose (and eliminating the deadline) of § 42.71(d)(2). In addition, the Board should maintain its rulings to avoid an inconsistent appeal. On obviousness and admissibility, there is nothing new other than attorney argument—the evidence is the same. If the panel were to reach a different conclusion, the Federal Circuit would have two contradictory rulings from the same panel on the same factual record. That would be a farce.

As a consequence of preclusion, the *only* issue that remains viable in this proceeding is the construction of the term “configured to respond to signals received from the computer.” All of the other prior art and claim construction issues have already been decided against Bose in the earlier IPR. *See* 37 C.F.R. § 42.72(d)(3)(i) (estoppel extends to any claim “not patentably distinct from a finally refused or canceled claim”).

The same is true with respect to the evidentiary rulings, which were a predicate for the invalidation of the claims in the earlier IPR. Bose filed a virtually identical motion to exclude in IPR2013-00465, and it has appealed the Board’s denial of that motion. *See* Paper 44. As explained above, 37 C.F.R. § 42.72(d)(3)

estops Bose from making arguments contrary to the Final Written Decision from IPR2013-00465. Excluding this evidence would be contrary to that decision, which declined to exclude the same evidence on the same record.

Here, Bose offers nothing new regarding the admissibility of IRMan, the Altec Lansing Manual, or the Lippman Testimony (*see* IPR2013-00465, Paper 40; IPR2014-00346, Paper 21) but, even if it did, it would be too late. Bose cannot deny that it had a full and fair opportunity to address these same issues in the earlier IPR. If Bose wished to argue that the Board erred, it should have sought reconsideration the first time the Board addressed this issue.

Finally, Bose is estopped from re-raising its evidentiary arguments because the Board's decision denying Bose's motion to exclude forms the basis for the cancelation of the challenged claims. *See* IPR2013-00465, Paper 40. Two of Bose's evidentiary arguments are that the prior art references upon which the Board's obviousness determination is based should be excluded. Since Bose is estopped from arguing that the independent claims in the earlier IPR are non-obvious (37 CFR § 42.73(d)(3)(i)), Rule 42 necessarily estops Bose from seeking to strike the prior art references upon which that obviousness determination is founded, only relevance would be patentability of the independent claims.

Respectfully submitted,

Dated: March 10, 2015

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing
PETITIONER'S BRIEF ON THE APPLICABILITY AND SCOPE OF 37 C.F.R.
42.73(d)(3), in its entirety, was served electronically on counsel for patent owner
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