

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

CANFIELD SCIENTIFIC, INC.,
Petitioner,

v.

MELANOSCAN, LLC,
Patent Owner.

Case IPR: 2017-02125
Patent No. 7,359,748

**PETITIONER'S REPLY
TO PATENT OWNER'S PRELIMINARY RESPONSE**

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EXHIBIT LIST

Ex. 1018 Melanoscan's Answer to Canfield's Counterclaim (D.I. 26), C.A. 2:16-cv-04636 (JMV) (D.N.J.)

Ex. 1019 Court docket C.A. 2:16cv04636 (JMV) (D.N.J.)

Ex. 1020 5 Charles Allen Wright & Arthur R. Miller, Federal Practice and Procedure: Civil 3d §1188

Ex. 1021 Excerpt of Crossing the Finish Line on Patent Reform: What Can and Should be Done: Hearing Before the Subcomm. on Intellectual Property, Competition, and the Internet, 223rd Cong. (2011) (testimony of David Simon, Associate General Counsel, Intellectual Property Policy, Intel Corporation) available at https://www.uspto.gov/sites/default/files/aia_implementation/hearing-feb11.pdf.

Ex. 1022 Excerpt of America Invents Act: Hearing Before the Subcomm. on Intellectual Property, Competition, and the Internet, First Session on H.R. 1249, 112th Cong. (2011) (statement of Mark Chandler, Senior Vice President and General Counsel Cisco Systems, Inc.) available at <https://www.gpo.gov/fdsys/pkg/CHRG-112hhrg65487/pdf/CHRG-112hhrg65487.pdf>

Ex. 1023 H.R. 1249 text as introduced (3/30/2011) available at <https://www.congress.gov/bill/112th-congress/house-bill/1249/text/ih?>

Ex. 1024 H.R. 1249 text as reported to the House (06/01/2011) available at <https://www.congress.gov/bill/112th-congress/house-bill/1249/text/rh?>

Ex. 1025 S23 text as introduced (01/25/2011) available at <https://www.congress.gov/bill/112th-congress/senate-bill/23/text/is?>

Ex. 1026 S23 text as reported to Senate (02/03/2011) available at <https://www.congress.gov/bill/112th-congress/senate-bill/23/text/rs?>

The Board's January 16, 2018, Order, Paper 13, authorizes this reply.

Petitioner's counterclaim does not defeat its standing. Melanoscan's contrary argument finds no support in the language of the statute, is contrary to its legislative history, and inconsistent with Board decisions interpreting Section 315.

Melanoscan falsely represented to Petitioner's customers that Petitioner's products infringed. Ex. 2001 at ¶1. Petitioner filed an action for unfair competition and sought a declaration that it did not infringe. *Id.* at ¶¶ 29-54. Petitioner's action did not concern the patent's validity. Melanoscan counterclaimed for infringement. Petitioner responded, per 35 U.S.C. §282(b), with affirmative defenses of invalidity, and a counterclaim seeking a declaration the patent was invalid.

The plain language of 35 U.S.C. §315(a)(3) permits a petitioner to file a counterclaim without jeopardizing its right to seek *inter partes* review. "Section 315(a)(3) makes clear that if a party is faced with a claim of infringement, it can bring the independent claim of invalidity as a counterclaim and still avail itself of *inter partes* review." *See Ariosa Diagnostics v. ISIS Innovation Ltd.*, IPR2012-00022, Paper 166 at 13 (P.T.A.B. 2014).

Melanoscan has itself acknowledged Petitioner's pleading is a "counterclaim." Ex. 1018. The district court has treated Petitioner's Reply as a proper counterclaim, acknowledging Petitioner as counter-claimant and Melanoscan as counter-defendant. Ex. 1019 at pp. 2-4. A counterclaim may properly be asserted in re-

ply. *Soilworks, LLC v. Midwest Industrial Supply, Inc.*, No. 06cv2141, 2007 WL 1521585, *1-2 (D. Ariz. 2007) (“[A] counterclaim may be raised in a pleading, and a reply to a counterclaim is a permissible pleading[.]”)(citations omitted); Ex. 1020, 5 Charles Allen Wright & Arthur R. Miller, Federal Practice and Procedure: Civil 3d §1188 (2004)(recognizing counterclaims in reply). Decisions cited by Melanoscan that treat a counterclaim in reply as an amendment do so merely for the Court’s administrative convenience; they do not—and cannot—redefine the term “counterclaim” for purposes of Section 315. *See Southeastern Indus. Tire Co. v. Duraprene Corp.*, 70 F.R.D. 585, 586-88 (E.D. Pa. 1976) (counterclaim in reply authorized, but treating as amendment for reasons of clarity and practicality). Congress could not have intended a uniform federal law regarding the timing of IPR petitions to turn on how individual district court judges administer their dockets.

Section 315(a)(3) does not distinguish between counterclaims brought in an answer and those asserted in a reply. *See Bull v. U.S.*, 479 F.3d 1365, 1377 (Fed. Cir. 2007) (noting strong presumption plain language expresses congressional intent, rebuttable only in exceptional circumstances). Congress clearly intended Section 315 to encompass petitioners compelled to reply to an infringement action brought as a counterclaim. *See St Jude Med., Inc. v. Volcano Corp.*, IPR 2013-00258, Paper 29 at p. 3 (P.T.A.B 2013) (non-precedential) (“By filing a counterclaim, the defendant [patent owner], in effect, sues the plaintiff within the same

civil action,” and accused infringer thereafter has one year to file its petition.)

Section 315(b) gives an accused infringer one year to file an IPR petition. Senator Kyl emphasized that Section 315(b) was intended to provide the only limits on an accused infringer’s subsequent petition for *inter partes* review:

Subsections (a) and (b) of sections 315 and 325 . . . do not restrict the rights of an accused infringer who has been sued and is asserting invalidity in a counterclaim. That situation is governed by section 315(b) [*i.e.* time limit to petition after being served with infringement action]. Ex. 2007 at p. 9 of 14. But a party served with a counterclaim alleging infringement has just twenty-one days to reply. *See* Fed. R. Civ. P. 12(a)(1)(B). Numerous courts view counterclaims seeking a declaration of patent invalidity to be compulsory. *See, e.g., Swimways Corp. v. Zuru, Inc.*, No. 2:13cv334, 2014 WL 12603190, at *1 (E.D. Va. June 6, 2014); *Insituform Tech., Inc. v. Amerik Supplies, Inc.*, No. 3:07cv687, 2008 WL 276404, at *2 (E.D. Va. 2008); *cf. Waterloo Gutter Prot. Sys. Co. v. Absolute Gutter Prot., LLC*, 64 F. Supp.2d 398, 406 (D. N.J. 1999) (allegations patent was invalid “logically related” to claims it was infringed, rendering counterclaims compulsory). In these circumstances, a party accused of infringement by counterclaim would have just three weeks to file its petition, or risk waiving its right to file an invalidity counterclaim—a right Melanoscan acknowledges is guaranteed to all other accused infringers. Unjustly treating accused infringers named in counterclaims differently from those named in complaints would

“frustrate Congressional intent, and would lead to unjustified discrimination among otherwise similarly-situated accused infringers.” *See St. Jude Med.*, at p. 3.

Congress was keenly aware of concerns that petitioners have ample time to seek *inter partes* review. *See, e.g.*, Ex. 1021 at pp. 4-5 (Intel Associate General Counsel, David Simons, testifying that an originally proposed six month deadline inadequate to both investigate prior art and file a petition); Ex. 1022 at p. 6 (Cisco General Counsel, Mark Chandler, complaining that a proposed nine month deadline was “extremely compressed” and would effectively “close the door” to IPR); Ex. 1023-26 (drafts of legislation). Ultimately, Congress granted petitioners one year from the date they were served with an infringement action to file their petitions. 35 U.S.C. § 315(b). Melanoscan would defeat Congress’ intent to ensure a sufficient window to seek review.

Melanoscan protests that Petitioner provoked its action for infringement by seeking a declaration of non-infringement. Melanoscan argues Petitioner’s later assertion of invalidity defenses in response to Melanoscan’s infringement counterclaim should, as a consequence, be deemed part of, and relate back to, Petitioner’s original filing. Through this procedural slight-of-hand, Melanoscan contends that Petitioner’s action for a declaration of non-infringement constitutes the “fil[ing of] a civil action challenging the validity of a claim of the patent,” prohibited by Section 315(a)(1). The Board has previously rejected this argument.

In *Ariosa*, patent owner similarly argued it would thwart Congress’ intent if a petitioner could file a declaratory judgment of non-infringement, and thereby prompt an infringement counterclaim so that petitioner could respond with invalidity defenses also presented to the Board in a petition for *inter partes* review. *Ariosa*, at 10. Congress, however, did not require election of a single forum, according to the Board. Congress explicitly permitted district courts and the Board to address invalidity arguments simultaneously, if an accused infringer countersues for infringement. *Id.* at 14-15 (quoting Sen. Kyl); *see also* 35 U.S.C. §315(a)(3). Rejecting suggestions a petitioner could thus “harass” a patent owner, the Board noted a petitioner cannot bring a declaratory judgment action unless there is a basis for doing so (*i.e.* a substantial controversy between the parties of sufficient immediacy and reality). *Id.* at 15–16. The Board refused to merge a petitioner’s earlier complaint with later raised invalidity defenses for purposes of Section 315(a)(1). *Id.* at 9, 11 (rejecting argument that 315(a)(1) applied to “entire civil lawsuit”).

Melanoscan would penalize parties like Petitioner left with no choice but to seek redress for unfair competition. Melanoscan should not be permitted to manipulate circumstances to provoke a declaratory judgment action, and then argue Petitioner’s rights to both defend against Melanoscan’s infringement claims, and to seek review of its patent, are limited as a result.

The Board should reject Melanoscan’s challenge to Petitioner’s standing.

Respectfully submitted,

January 26, 2018

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that, pursuant to 37 CFR §§ 42.6(e), copies of the foregoing “PETITIONER’S REPLY TO PATENT OWNER’S PRELIMINARY RESPONSE” and Exhibits 1018-1026 are being served today, January 26, 2018, by electronic mail on counsel for the Patent Owner and through filing this document through the Patent Trial and Appeal Board End to End System:

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