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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

INTEL CORPORATION,
Petitioner,

v.

TELA INNOVATIONS, INC.,
Patent Owner.

Case IPR2019-01228
Patent 7,943,966

PATENT OWNER'S SUR-REPLY

TABLE OF CONTENTS

	Page(s)
I. THE IPRS ARE BARRED BASED ON EXPRESS INVALIDITY ALLEGATIONS.....	2
II. THE NDCA ACTION SUPPORTS DISCRETIONARY DENIAL.....	6
III. THE ITC ACTION HAS BEEN TERMINATED	7
IV. CONCLUSION.....	7

TABLE OF AUTHORITIES

	Page(s)
CASES	
<i>American Nat'l. Mfg., Inc. v. Sleep No. Corp.</i> , IPR2019-00514, Paper 10 (PTAB Aug. 5, 2019).....	5, 6
<i>Grimm v. Washington Mut. Bank</i> , No. 02:08CV0828, 2008 WL 2858377, at *7 (W.D. Pa. July 22, 2008)	4
<i>LG Elecs., Inc. v. Straight Path IP Grp., Inc.</i> , IPR2015-00196, Paper 20 (PTAB May 15, 2015)	3
<i>NHK Spring Co. v. Intri-Plex Techs., Inc.</i> , IPR2018-00752, Paper 8 (PTAB Sept. 12, 2018).....	7
<i>Samsung Elecs Co., Ltd. v. Bitmicro, LLC</i> , IPR2018-01410, Paper 14 (PTAB Jan. 23, 2019)	5
<i>Totes-Isotoner Corp. v. United States</i> , 594 F.3d 1346 (Fed. Cir. 2010)	4
STATUTES	
35 U.S.C. § 282(b)(2).....	5
35 U.S.C. §314(a)	1, 6, 7
35 U.S.C. §315(a)(1).....	2, 4, 5, 6
37 C.F.R. § 42.5	1

Pursuant to 37 C.F.R. §42.5 and the Board's Order - Conduct of the Proceeding dated November 15, 2019 (Paper 14), Patent Owner Tela Innovations, Inc. ("Tela"), respectfully submits the following Patent Owner's Sur-reply ("Sur-reply") to the Reply filed by Petitioner Intel, Inc. ("Intel") ("Reply") (Paper 16).¹

Intel's Reply goes to great lengths to assert that Tela's Preliminary Response ("POPR") (Paper 11) misrepresented the status of ongoing litigation between the parties. Tela did no such thing. Intel's assertions are the true misrepresentations, and are designed to distract from its egregious conduct. Intel fails to point to even one false statement in the POPR. That is because the POPR accurately outlined Intel's burdensome, inefficient, and duplicative litigation strategy. The simple fact is Intel filed these IPR petitions while Intel was asserting the same invalidity theories in the U.S. District Court for the Northern District of California ("NDCA"), and in the U.S. International Trade Commission ("ITC")² and Intel intentionally did not seek to stay either action. Intel further filed a total of 16 IPR petitions directed to six related Tela patents for maximum burden, inefficiency, and duplication, which also supports denial under 35 U.S.C. §314(a).

¹ The defined terms used herein have the same meaning as ascribed to them in the POPR.

² The POPR expressly disclosed that the '966 Patent was terminated from the ITC proceeding on October 2, 2019. Paper 11, p.15.

Intel's Reply also attacks Tela's statutory bar argument under 35 U.S.C. §315(a)(1) as "disingenuous" by pointing to a statement from counsel for Tela confirming Intel's careful efforts to obscure its challenge to validity in the NDCA Action. At the same time, Intel ignores its own allegations in its complaints in the NDCA Action (the "Complaints"), and its admissions in that same hearing that Intel's prior art arguments should not be disclosed in detail until the time required for invalidity contentions, confirming that Intel was directly and expressly challenging validity in the NDCA Action. EX2005, pp.9-10. These admissions by Intel are direct evidence that Intel was pursuing an invalidity challenge under the guise of non-infringement claims, as the Judge in the NDCA Action recognized: ["Intel now brings this action seeking declaratory relief for noninfringement, invalidity, and unenforceability with respect to six Tela patents."] EX2004, p.1 (emphasis added).

I. THE IPRS ARE BARRED BASED ON EXPRESS INVALIDITY ALLEGATIONS

Intel attempts to avoid application of the statutory bar under 35 U.S.C. §315(a)(1), by maintaining that its Complaints did not include a cause of action directly seeking a declaration that claims of the '966 Patent are invalid. However, Intel carefully avoids addressing its detailed allegations in the Complaints expressly challenging the validity of the '966 Patent under the guise of non-infringement claims.

Intel pretends that Tela's statutory bar argument is based solely on "valid claim" language in Intel's non-infringement causes of action, relying on *LG Elecs., Inc. v. Straight Path IP Grp., Inc.*, IPR2015-00196, Paper 20 at 7 (PTAB May 15, 2015). However, Tela expressly addressed *LG Elecs.* and demonstrated that Intel's allegations go far beyond "valid claim" statements. *See* Paper 11, pp.30-31. Specifically, Intel's Complaints include substantive and detailed factual allegations that the '966 Patent is invalid. EX2002, ¶¶22-38, 44; EX2003, ¶¶22-38, 44; EX2007, ¶¶27-44, 50. Further, those allegations assert that:

[B]ecause Intel's technology used in its commercial products since at least 2007 [. . .] was developed by Intel well before any of Tela's patents were conceived, and before Tela was even created, Intel's products cannot be covered by Tela's patents. **And Tela's attempts to apply those patents to Intel's products would render Tela's patents invalid because Intel's technology was developed by Intel first.**

EX2002, ¶44; EX2003, ¶44, EX2007, ¶50 (emphasis added).

Intel pretends these allegations are not part of the Complaints because they were in the Background Section. However, Intel ignores that those allegations were expressly incorporated into Intel's causes of action. EX2002, ¶49; EX2003,

¶50; EX2007, ¶77. Intel cites *Grimm v. Washington Mut. Bank*, for the unremarkable proposition that incorporation of preceding paragraphs is a standard practice to plead facts sufficient to establish a claim. No. 02:08CV0828, 2008 WL 2858377, at *7 (W.D. Pa. July 22, 2008) (evaluating Rule 8 pleading standards). *Grimm* in fact confirms that Intel's invalidity allegations are a basis for its cause of action, which is why the statutory bar applies. Tellingly, Intel provides no other explanation for why those allegations are in the Complaints, which is likely because Intel does not want to admit that it was surreptitiously attempting to challenge validity, while labelling its claims something else. Intel's artful pleading cannot circumvent Section 315(a)(1). The substance of Intel's pleadings, not the form, controls. *Totes-Isotoner Corp. v. United States*, 594 F.3d 1346, 1355 n.6 (Fed. Cir. 2010).

Further, the Section 315(a)(1) bar is not limited to "causes of action" as Intel argues. Section 315(a)(1) states that: "[a]n inter partes review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner or real party in interest **filed a civil action** challenging the validity of a claim of the patent." 35 U.S.C. §315(a)(1) (emphasis added). Intel did exactly that, and Section 315(a)(1) nowhere states that it is limited to causes of action labelled as "invalidity" claims.

Intel maintains that Board decisions addressing the statutory-bar have been “laser-focused” on whether the prior civil action includes a cause of action expressly challenging validity, citing *Samsung Elecs Co., Ltd. v. Bitmicro, LLC*, IPR2018-01410, Paper 14 at 20 (PTAB Jan. 23, 2019). However, *Samsung* refutes Intel’s position. In *Samsung*, the Patent Owner did not allege any explicit validity challenge, but instead interpreted the implicit inclusion of validity defenses in 35 U.S.C. § 282(b)(2) to mean that “an action involving ‘infringement,’ from a statutory perspective, implicates and includes validity challenges.” *Samsung*, IPR2018-01410, Paper 14 at 19 (citation omitted). The Board held that a complaint that “‘only alleges a cause of action for noninfringement,’ not invalidity, is ‘not considered a filing of a civil action for invalidity under 35 U.S.C. § 315(a)(1).’” *Id.* at 20 (citations omitted). Here, the Complaints expressly alleged invalidity, so *Samsung* actually supports a statutory bar here.

Intel’s citation to *American Nat’l. Mfg., Inc. v. Sleep No. Corp.* is similarly misplaced. IPR2019-00514, Paper 10 at 11 (PTAB Aug. 5, 2019). There the Board held that an antitrust action did not implicate the statutory bar of Section 315(a)(1). *Id.* at 12-14. The Board relied on the different showings required for an antitrust action for money damages under the Sherman Act, as compared to invalidation of a claim of a fraudulently-procured patent, in determining that the statutory bar did not apply. *Id.* The Board noted that “the legislative history of [35

U.S.C. §315(a)(1)] confirms Congress intended ‘a civil action challenging the validity of a claim of the patent’ to be limited to a declaratory judgment action for invalidity, not an antitrust action.” *Id.* at 13. Here, Intel sought a declaratory judgment based on claims that directly and expressly incorporated assertions of invalidity, so *American Nat’l. Mfg.* also supports a statutory bar here.

II. THE NDCA ACTION SUPPORTS DISCRETIONARY DENIAL

Institution under 35 U.S.C. §314(a) is discretionary. The fact that the Final Written Decision will be issued on this Petition (if instituted) prior to the currently scheduled NDCA Action trial is irrelevant and ignores the true status of the NDCA Action. All discovery in the NDCA Action (fact and expert) will be completed by May 15, 2020, at least six months before any final decision on this Petition under the normal timing rules. Additionally, Intel could have sought to stay the NDCA Action upon filing the IPR petitions, but opted not to in order to maximize burden, inefficiency, and duplication. The Board should exercise its discretion to deter this type of strategy, which is contrary to the efficiency goals of IPR proceedings.

Further, the NDCA Action includes all six Tela patents for which Intel has filed IPR petitions. *See* EX2007, p.1. Thus, the NDCA Action will deal with all of those patents in a single proceeding, so the issues common to those patents will be resolved simultaneously. Thus, the Board should deny institution here because this Petition will not provide an efficient alternative to the district court litigation. *See*

NHK Spring Co. v. Intri-Plex Techs., Inc., IPR2018-00752, Paper 8 at 20 (PTAB Sept. 12, 2018) (precedential).

III. THE ITC ACTION HAS BEEN TERMINATED

Tela's discussion in the POPR of the ITC investigation with respect to the '966 Patent was part of its complete and accurate description of Intel's strategy to litigate the same issues in multiple proceedings simultaneously.³ There is no dispute that the '966 Patent is no longer part of the ITC proceeding (the POPR expressly disclosed that). The fact that Tela withdrew the '966 Patent from the ITC proceeding after this Petition was filed does not change the fact that Intel filed this Petition at a time when the same invalidity theories were being challenged in two additional forums. Tela accurately described Intel's strategy to maximize burden, inefficiency, and duplication, which fully supports denial of institution under Section 314(a).

IV. CONCLUSION

For the above reasons, Petitioner's request for institution of *inter partes* review of the '966 Patent should be denied.

³ Regardless of who filed the ITC proceeding, it is Intel that opted to raise the same validity defenses in multiple forums while not seeking any stay.

IPR2019-01228 (Patent 7,943,966)
Patent Owner's Sur-reply

Respectfully submitted,

Date: November 27, 2019

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CERTIFICATE OF SERVICE

Pursuant to 37 C.F.R. § 42.6(e), this is to certify that on this 27th day of November, 2019, I caused to be served a true and correct copy of the foregoing **PATENT OWNER'S SUR-REPLY** by e-mail (as agreed in the Service Information section of the Petition):

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