

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

BAKER HUGHES OILFIELD OPERATIONS, INC.,
Petitioner,

v.

SMITH INTERNATIONAL, INC.,
Patent Owner.

Case IPR2016-01451
Patent 6,732,817 B2

Before BART A. GERSTENBLITH, JAMES A. TARTAL, and
AMANDA F. WIEKER, *Administrative Patent Judges*.

GERSTENBLITH, *Administrative Patent Judge*.

DECISION
Denying Institution of *Inter Partes* Review
37 C.F.R. § 42.108

I. INTRODUCTION

A. *Background*

Baker Hughes Oilfield Operations, Inc. (“Petitioner”) filed a Petition (Paper 1, “Pet.”) requesting institution of *inter partes* review of claims 43–46, 49, 50, 55–58, 62–69, and 72 of U.S. Patent No. 6,732,817 B2 (Ex. 1001, “the ’817 patent”). Smith International, Inc. (“Patent Owner”) filed a Preliminary Response (Paper 8, “Prelim. Resp.”).

Under 35 U.S.C. § 314(a), an *inter partes* review may be instituted only if “the information presented in the petition . . . and any [preliminary] response . . . shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” *See* 37 C.F.R. § 42.108(c).

Based on the record before us, we exercise our discretion and decline to institute review of claims 43–46, 49, 50, 62–69, and 72 of the ’817 patent. Additionally, for the reasons explained herein, Petitioner has not established a reasonable likelihood that it would prevail in showing that claims 55–58 are unpatentable. Accordingly, we *deny* the Petition and decline to institute an *inter partes* review.

B. *Related Proceedings*

The parties indicate that the ’817 patent is asserted in the United States District Court for the District of Delaware, in a case captioned *Smith Int’l, Inc. v. Baker Hughes Inc.*, No. 1:16-cv-00056 (D. Del.). Pet. 3; Paper 7, 2. The parties indicate that, in addition to the case pending in the District of Delaware, *In re Smith Int’l, Inc.*, No. 2016-2303 (Fed. Cir.), an appeal of an *Ex Parte* Reexamination Number 90/012,912, would affect or be affected by a decision in this proceeding. Pet. 3–4; Paper 7, 2.

Additionally, Petitioner challenges several other claims of the '817 patent in IPR2016-01450. Pet. 4; Paper 7, 2.

C. Real Parties in Interest

The Petition identifies Baker Hughes Incorporated and Baker Hughes Oil Field Operations, Inc. as the real parties in interest. Pet. 3. Patent Owner identifies itself as the sole real party in interest. Paper 7, 2.

D. The References

Petitioner relies on the following references:

International Publication No. WO 00/31371, published June 2, 2000 (Ex. 1003, “Eddison”);

U.S. Patent No. 5,368,114, issued Nov. 29, 1994 (Ex. 1004, “Tandberg”); and

U.S. Patent No. 6,059,051, issued May 9, 2000 (Ex. 1009, “Jewkes”).

E. The Asserted Grounds of Unpatentability

Petitioner challenges the patentability of claims 43–46, 49, 50, 55–58, 62–69, and 72 of the '817 patent on the following grounds:

Reference(s)	Basis	Claims challenged
Jewkes	§ 102(b)	43, 44, and 49
Jewkes, Tandberg, and Eddison	§ 103(a)	45, 46, 50, 55–58, 62–69, and 72

Petitioner supports its challenge with a Declaration by Leslie T. Shale, dated July 15, 2016 (Ex. 1005).

F. The '817 Patent

The '817 patent generally relates to “underreamers used for enlarging a borehole below a restriction to result in a borehole that is larger than the restriction” and “stabilizers used for controlling the trajectory of a drill bit

during the drilling process.” Ex. 1001, 1:16–21. In particular, the ’817 patent teaches “an expandable tool that may function as an underreamer, or alternatively, may function as a stabilizer in an underreamed portion of borehole,” and “relates to an expandable tool having arms that expand when a piston is exposed to fluid circulating through the borehole.” *Id.* at 1:21–27.

Figures 4 and 5 of the ’817 patent are reproduced, side-by-side, below:

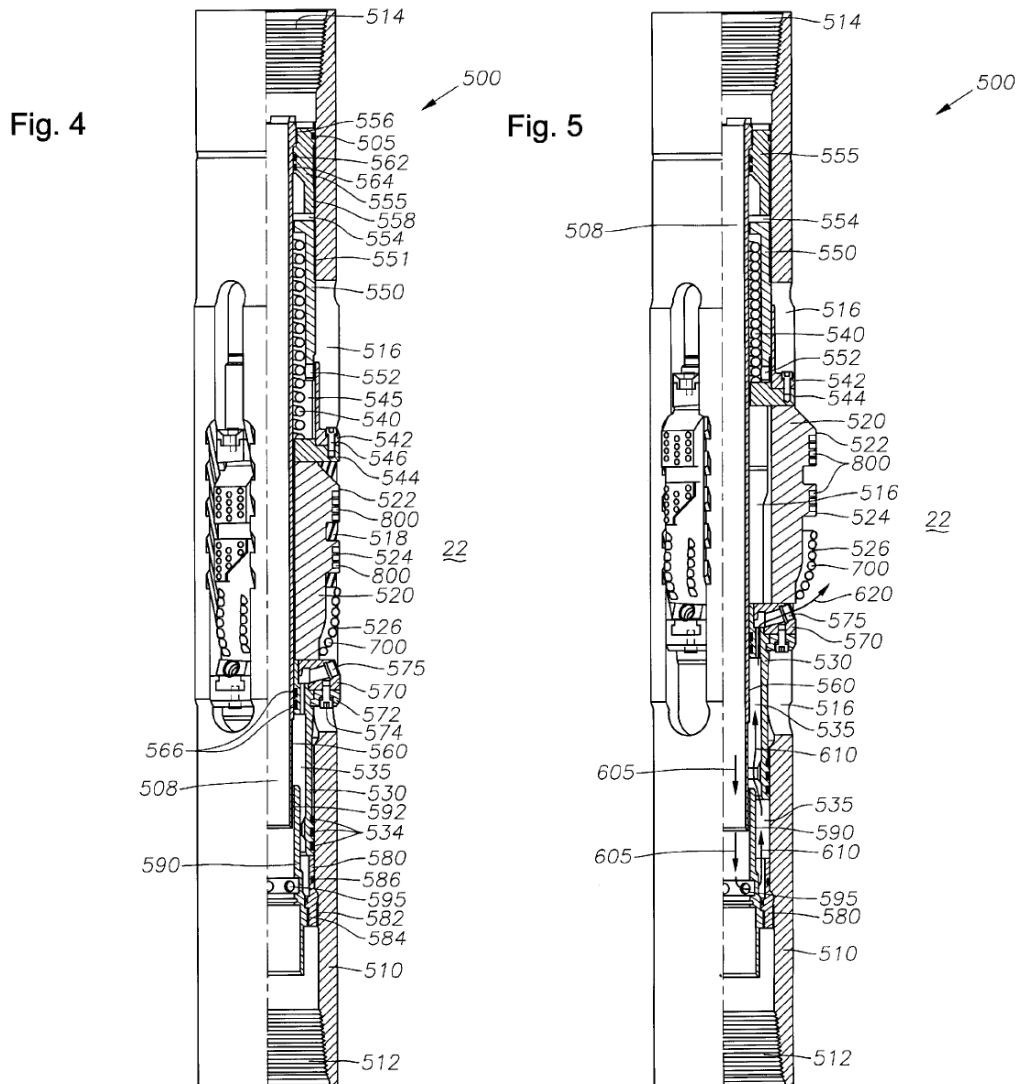


Figure 4 illustrates “a cross-sectional elevation view of one embodiment of the expandable tool . . . , showing the moveable arms [520] in the collapsed position,” and Figure 5 illustrates “a cross-sectional elevation view of the expandable tool of FIG. 4, showing the moveable arms [520] in the expanded position.” *Id.* at 5:60–65.

G. Illustrative Claims

Claims 43 and 55, the independent claims challenged in this proceeding, are illustrative of the claimed subject matter and are reproduced below:

43. A method of underreaming a wellbore to form an enlarged borehole and controlling the directional tendencies of a drilling assembly within the enlarged borehole, comprising:

using a drill bit to drill the wellbore;

disposing a first expandable tool having at least one arm configured for underreaming directly above the drill bit;

using the first expandable tool to form the enlarged borehole;

disposing a second expandable tool having at least one arm configured for stabilizing above the first expandable tool; and

using the second expandable tool to control the directional tendencies of the drilling assembly within the enlarged borehole;

wherein both the first expandable tool and the second expandable tool operate between a collapsed position and an expanded position.

Id. at 16:15–33.

55. A drilling assembly for underreaming a wellbore to form an enlarged borehole, comprising:

a drill bit to drill the wellbore;

a first expandable tool having at least one moveable arm configured for underreaming, said first expandable tool being positioned directly above the drill bit; and

a second expandable tool having the same design as said first expandable tool, said second expandable tool being positioned above the first expandable tool;

wherein said first expandable tool may be used to form said enlarged borehole or to control the directional tendencies of said drilling assembly.

Id. at 17:12–24.

II. CLAIM CONSTRUCTION

Although Petitioner and Patent Owner present proposed constructions for several claim terms, no terms require express construction for purposes of this Decision. Pet. 13–16; Prelim. Resp. 9–19.

III. ANALYSIS

A. Claims 43–46, 49, 50, 62–69, and 72

1. Reexamination Proceeding

In 2013, Baker Hughes, Inc. requested an *ex parte* reexamination of claims 28–37, 39–46, 49, and 50 of the '817 patent. Ex. 1007, 326. During the reexamination, Patent Owner amended certain claims, including claim 43, which is challenged in this proceeding. *Id.* at 166, 176 (Patent Owner Response to Non-Final Action (filed Apr. 28, 2014)). Additionally, claim 37 was cancelled. *Id.* at 165, 176. Ultimately, the Examiner issued a final office action rejecting the claims. *See id.* at 141–60 (Office Action (mailed Aug. 25, 2014)). Patent Owner appealed to the Board and a panel of the Board affirmed the Examiner's rejections. *See id.* at 1–8 (Decision on Appeal (mailed Apr. 29, 2016)). The Board affirmed the following rejections:

Reference	Basis	Claims Rejected ¹
Eddison ²	§ 102(b)	28–36, 39, 40, 42, 79, 80, and 93–98
Eddison and Jewkes	§ 103(a)	43–46 and 49
Eddison, Wardley, ³ and Jewkes	§ 103(a)	28, 40, 41, 43, 50, 80, 81, 93, and 99

Patent Owner appealed the Board’s decision to the United States Court of Appeals for the Federal Circuit, filing its appeal brief on October 20, 2016. Ex. 2001. A central issue in the reexamination and in the appeal to the Federal Circuit is the meaning of the term “body,” which is recited in each of the claims on appeal and is recited in challenged claims 62–69 and 72. *See, e.g., id.* at 12.

2. *Judicial Economy/Efficiency and the Parties’ Resources*

Petitioner challenges claim 43 as it currently exists, in its unamended form. Pet. 16. Patent Owner argues that it would be a waste of judicial resources for us to consider Petitioner’s challenges to claim 43 and its dependent claims because claim 43 was amended during the reexamination. Prelim. Resp. 1, 27. In particular, Patent Owner contends that regardless of which party prevails before the Federal Circuit in the reexamination, the version of claim 43 challenged in this proceeding, and the versions of the claims that depend therefrom, will not exist.⁴ *Id.* at 27.

¹ Patent Owner added claims 74–92 during the reexamination. Ex. 1007, 281–84 (Patent Owner Response to Non-Final Office Action (filed Dec. 2, 2013)).

² Petitioner’s request for reexamination refers to Eddison as “the ’371 Publication.” Ex. 1007, 327.

³ EP 0246789, published Nov. 25, 1987.

Patent Owner makes a valid point. Section 1.530(k) of Title 37 of the Code of Federal Regulations provides: “Amendments not effective until certificate. Although the Office actions will treat proposed amendments as though they have been entered, the proposed amendments will not be effective until the reexamination certificate is issued and published.” This places us in a difficult position. If Patent Owner ultimately succeeds in the appeal of the reexamination, a certificate will issue and the amendments to claim 43 and its dependents will be “effective.” *See id.*; *see* Ex. 1007, 166 (showing the amendments to claim 43). Yet Petitioner provides no analysis of the amended limitations of claim 43. *See, e.g.*, Pet. 16. Alternatively, if Patent Owner is unsuccessful in its appeal to the Federal Circuit, claim 43 and its dependents, as challenged in the reexamination, will be declared unpatentable. In either circumstance, any review we undertake of the unamended version of claim 43, and the claims depending therefrom, will be for naught.

Accordingly, in light of the above circumstances, reviewing these claims on the record presented would waste judicial resources as well as the resources of the parties.

3. *Meaning of the Claim Term “Body”*

As discussed above, the central issue before the Federal Circuit in the reexamination appeal is the meaning of the claim term “body.” Among the claims challenged by the Petition, the term “body” is recited in claim 62 and claims 63–69 and 72, which depend therefrom. *See* Ex. 1001, 18:3 (claim 62). In its Preliminary Response, Patent Owner contends that the Examiner’s construction of that term, which was affirmed on appeal by the Board, is incorrect. Prelim. Resp. 10–19. Patent Owner spends a substantial

portion of its Preliminary Response arguing the meaning of the term. *Id.* As with the appeal before the Federal Circuit, the meaning of the term is, thus, a central issue in this proceeding. Given that the Federal Circuit decision in the reexamination appeal will decide a central issue relevant to claims 62–69 and 72, conserving judicial resources and the parties’ resources favors not going forward on those claims.

4. 35 U.S.C. § 325(d)

Section 325(d) of Title 35 of the United States Code provides: “In determining whether to institute or order a proceeding under this chapter . . . the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office.” In light of § 325(d), we consider whether the reexamination contains the same or substantially the same art or arguments as presented in the Petition.

Patent Owner argues that we should decline to institute *inter partes* review under 35 U.S.C. § 325(d) because the Petition raises the same or substantially the same prior art or arguments that were presented previously to the Office. Prelim. Resp. 19–26. In particular, Patent Owner contends that each of the claims in the reexamination was rejected based on Eddison, under either 35 U.S.C. § 102(b) and/or in combination with Jewkes under § 103(a), and that Petitioner relies upon Jewkes again under § 102(b) in its Petition. *Id.* at 23–26.

Petitioner makes no attempt to explain why the references that form the bases for Petitioner’s challenge here are not the same or substantially similar prior art to that presented during the reexamination or why the arguments are not the same or substantially similar to those presented

previously to the Office. Eddison and Jewkes were relied upon in the reexamination. *See id.* at 141–60 (Office Action (mailed Aug. 25, 2014)). Additionally, Tandberg was presented to the Office in conjunction with the original prosecution of the '817 patent. *See* Ex. 2003; Prelim. Resp. 28.

5. Conclusion

In light of the desire to conserve judicial resources and the parties' resources, the overlapping issue of the meaning of the term “body,” and the failure of Petitioner to address the impact of 35 U.S.C. § 325(d), we exercise our discretion not to institute an *inter partes* review of claims 43–46, 49, 50, 62–69, and 72 of the '817 patent.

B. Claims 55–58

Independent claim 55 and dependent claims 56–58 are addressed separately. These claims were not included in the reexamination of the '817 patent and do not include limitations directed to the term “body.” Accordingly, neither 35 U.S.C. § 325(d) nor the discretionary considerations discussed above weigh in favor of denying institution.

Petitioner asserts that the combination of Jewkes, Tandberg, and Eddison would have rendered the subject matter of claims 55–58 obvious to one of ordinary skill in the art at the time of the invention. Pet. 28–37. Petitioner relies on Jewkes as disclosing many of the elements of the claims, but acknowledges that “Jewkes does not expressly state . . . that each of the expandable underreamer 212 and the expandable stabilizer 260 of the drilling assembly 230 of FIG. 5 have the same design.” *Id.* at 32. Petitioner turns to Tandberg, asserting that Tandberg discloses that “[i]t is especially advantageous for the under-reamers and the expandable stabilizers to have the same fundamental structure with regard to the expansion, with the same

type of activator or a common activator for the reaming members and the expandable stabilizers.” *Id.* (quoting Ex. 1004, 2:14–18). Additionally, Petitioner quotes from Tandberg’s disclosure that “the stabilizer 6 has the same basic structure as the under-reamer 7 and functions, therefore in the same way when a pulse code is transmitted from the drill floor.” *Id.* at 33 (quoting Ex. 1004, 6:15–19). Further, Petitioner contends that

Eddison also evinces that it was well known in the art at the time of the invention . . . that tools of the same design could be used for either expandable stabilizers (such as the stabilizer 260 of Jewkes) or expandable reamers (such as the expandable underreamer 212 of Jewkes), with the only change being whether or not the blades or “moveable arms” include cutting structures.

Id. (citing Ex. 1003, 1:1–3, 2:26–3:1).

Petitioner, thus, contends that “it would have been obvious at the time of the invention . . . to configure each of the expandable underreamer 212 and the expandable stabilizer 260 of Jewkes to ‘have the same design,’ as recited in claim 55, upon consideration of Jewkes in view of Tandberg and Eddison.” *Id.* at 33. Petitioner states:

it would have been obvious to employ the underreamers as disclosed in either Tandberg or Eddison as the first expandable tool 212, and to employ the stabilizers as disclosed in either Tandberg or Eddison as the second expandable tool 260, in the directional drilling assembly 230 of FIG. 5 of Jewkes.

Id.

Patent Owner raises several arguments in response to this challenge, including that “the Petition merely nakedly asserts that it would have been obvious to employ the underreamers of Tandberg or Eddison in the direction drilling assembly 230 of FIG. 5 of Jewkes, without providing any reasoning

as to why the skilled person would chose the underreamers of Tandberg or Eddison.” Prelim. Resp. 38 (citing Pet. 33).

We agree with Patent Owner that Petitioner has not articulated a clear reason as to why one of ordinary skill in the art would have modified Jewkes’s drilling assembly to include the additional structures taught by Tandberg and Eddison. We recognize that Petitioner points to Tandberg’s teaching that employing the same fundamental structure as an underreamer and as a stabilizer has an advantage, but Petitioner never explains what that advantage is or why it would have prompted one of ordinary skill in the art to modify Jewkes.⁵

Accordingly, on the record before us, Petitioner has not established a reasonable likelihood that it would prevail in showing that the combination of Jewkes, Tandberg, and Eddison would have rendered the subject matter of claims 55–58 obvious to one of ordinary skill in the art at the time of the invention.

IV. CONCLUSION

For the reasons explained above, we exercise our discretion and decline to institute an *inter partes* review of claims 43–46, 49, 50, 62–69, and 72 of the ’817 patent. Additionally, on the record before us, Petitioner has not established a reasonable likelihood that it would prevail in showing that the combination of Jewkes, Tandberg, and Eddison would have rendered the subject matter of claims 55–58 obvious to one of ordinary skill in the art at the time of the invention.

⁵ Petitioner does not appear to rely on the testimony of its declarant because the Shale Declaration is neither cited to nor quoted from in the Petition’s discussion of claim 55 of the ’817 patent. *See generally* Pet. 28–35.

V. ORDER

In consideration of the foregoing, it is hereby:

ORDERED that the Petition is *denied* as to the challenged claims of the '817 patent; and

FURTHER ORDERED that no *inter partes* review is instituted.

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