

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

BESTWAY (USA), INC.
Petitioner

v.

INTEX MARKETING LTD.
Patent Owner

PGR2024-00036
U.S. Patent No. 11,959,512 B2

PATENT OWNER'S PRELIMINARY SURREPLY

Petitioner Bestway (USA), Inc. (“Bestway”) filed a Preliminary Reply on August 21, 2024. (Paper 6.) With the Board’s authorization (Ex. 3001), Intex Marketing Ltd. (“Intex”) files this Preliminary Surreply.

I. The Board Consistently Denies Institution Without Adverse Judgment When Claims Have Been Disclaimed—And for Good Reason

Bestway states that “[b]y filing its statutory disclaimer, [Intex] requested an adverse judgment pursuant to Rule 42.73(b).” (Paper 6, at 2.) That is inaccurate. *Cisco Sys. v. SecurityProfiling*, IPR2021-01428, Paper 13, at 7 (Mar. 14, 2021) (“we read *Arthrex* as permitting, but not requiring, adverse judgment when a patent owner cancels all claims at issue prior to institution.”). While *Arthrex* suggests that the Board has discretion to enter adverse judgment, most panels do not pursuant to the Board’s precedential *General Electric* decision—in fact, some panels apparently consider the issue so clear-cut that they decline requests by parties to argue otherwise in further briefing.

For example, in a separate and subsequent *General Electric* proceeding, the Board denied a request for additional briefing on the issue because “the precedential decision in [*General Electric*], denied institution, and did not enter adverse judgment against the patent owner, where all challenged claims were disclaimed prior to institution of trial.” *Gen. Elec. v. United Techs.*, IPR2019-01489, Paper 11 at 3–4 (Dec. 10, 2019). As a result, the Board determined that “a denial of institution, and not an adverse judgment against Patent Owner, is the appropriate vehicle for

disposing of this case.” *Id.* at 4; *accord Google v. Jenam Tech.*, PGR2021-00082, Paper 8, at 2 n.1 (Nov. 17, 2021) (citing *General Electric* and explaining: “Because nothing in Arthrex compels entry of an adverse judgment in this case, we determine that no further briefing on the adverse-judgment issue is necessary.”). Thus, contrary to Bestway’s assertion that these cases are distinguishable (Paper 6, at 5), these decisions (and the others cited in Intex’s Preliminary Response) in fact strongly support Intex’s position that no adverse judgment should be entered because the Board’s precedential *General Electric* decision instructs how to dispose of such matters: deny institution without entering adverse judgment. *See also Kymera Therapeutics v. Dana-Farber Cancer Inst.*, PGR2021-00115, Paper 13, at 3 (Mar. 2, 2022) (“consistent with Rule 42.207(e) and the Board’s precedential *General Electric* decision, we determine that a denial of institution is sufficient to dispose of this case” without entering adverse judgment); *Cisco*, IPR2021-01428, Paper 13, at 7 (“The statutory disclaimer was filed before institution. In view of this disclaimer, consistent with 37 C.F.R. § 42.107(e) and the Board’s precedential *General Electric* decision, we determine a denial of institution is sufficient to dispose of this case.”).

These Board decisions are on firm footing. As Intex previously argued (Paper 5, at 7) and Bestway does not dispute (*see generally* Paper 6), “[d]isclaimed claims are treated *as if they never existed.*” *Raytheon Tech. v. General Electric*, 993 F.3d 1374, 1379 n.4 (Fed. Cir. 2021) (emphasis added). Respectfully, the Board has no

authority to enter any judgment against disclaimed claims pre-institution. *See, e.g., Sanofi-Aventis v. Dr. Reddy's Labs.*, 933 F.3d 1367, 1374-75 (Fed. Cir. 2019) (“The court thus lacked authority to disinter the already disclaimed claims and declare them invalid. Accordingly, we vacate the court’s judgment concerning the disclaimed claims.”). Indeed, the Board has followed this exact reasoning before. *Pfizer v. UniQure Biopharma*, IPR2020-00388, Paper 52 at 4 (March 25, 2021) (“If the claims never existed, we cannot have exercised jurisdiction over the disclaimed claims and therefore cannot enter adverse judgment against them.”).

While Bestway cites *Arthrex v. Smith & Nephew* as support for the Board’s discretion to enter adverse judgment under these circumstances, *Arthrex*’s holding is much more limited. In *Arthrex*, the parties waived “any argument that [37 C.F.R. § 42.73(b) (purportedly allowing entry of adverse judgment of claims disclaimed pre-institution)] [is] not authorized by the statute,” 880 F.3d 1345, 1349 (Fed. Cir. 2018), so the Court did “not decide whether the PTO had authority to adopt this regulation.” *Id.* The issue in *Arthrex* was thus limited to whether “the Board’s interpretation of 37 C.F.R. § 42.73(b) is consistent with the text of that regulation.” *Id.* at 1351. Had the Board’s authority to adopt § 42.73(b) so that it could enter adverse judgment of claims disclaimed pre-institution been presented to the Federal Circuit, at least two of the three panel judges in *Arthrex* suggest that the outcome would have been different. *Id.* at 1351 (Judge O’Malley concurring but “question[ing] the Board’s

authority to issue adverse judgments prior to institution” and stating “it is unclear to me why the Board would have the authority to take any other action [*e.g.*, enter adverse judgment]—particularly prior to institution—with respect to disclaimed claims.”); *id.* at 1353 (Judge Newman dissenting and stating: “Adverse judgment against disclaimed claims without institution of trial is not available by statute, and is contrary to the PTO Rule [*i.e.*, 37 C.F.R. § 42.107(e)] directed to this event.”). And these judges are exactly right. *See also id.* at 1351 (Judge O’Malley further stating “our case law requires that statutorily disclaimed claims must be treated as if they never existed” and being “skeptical that the framework of the Leahy-Smith America Invents Act (‘AIA’) provides the Board with the necessary authority to issue adverse judgments based on statutory disclaimers prior to institution”).

Bestway’s cited caselaw is inapposite. *Smith & Nephew* (the underlying decision in *Arthrex*) issued well before the Board’s precedential *General Electric* decision that held that the proper way to dispose of a case where the claims are disclaimed pre-institution is merely to deny institution. In *MModal*, the request for adverse judgment was unopposed (which is not the case here). And *Dell* involved two proceedings related to the same claims of the same patent—the disclaimer occurred post-institution in one of those proceedings and, thus, the adverse judgment in that proceeding applied to the earlier pre-institution proceeding (which, again, is not the case here). *See Dell v. Softex*, IPR2023-01185, Paper 16 (Mar. 19, 2024)

(entering adverse judgment after post-institution disclaimer); IPR2024-00564, Paper 5 (Mar. 19, 2024) (entering the same adverse judgment). Moreover, none of these decisions address whether the Board has authority to enter adverse judgment against claims disclaimed pre-institution—as explained *supra*, it does not.

II. Bestway’s Equitable Arguments Are Unavailing

Bestway cites *Smith & Nephew* and suggests that Intex’s request for no adverse judgment is “unjust” and “inefficient” because Intex has other patents in the same family as the ’512 Patent, including pending applications.¹ (Paper 6, at 4.) But the Board has addressed and rejected these exact arguments post-*Smith & Nephew*:

[W]e are not persuaded by Petitioner’s position that the acts of filing disclaimers and continuation applications warrant entering adverse judgment in this particular proceeding. Our rules allow “patent owner . . . [to] file a statutory disclaimer under 35 U.S.C. 253(a) in compliance with §1.321(a) of this chapter, disclaiming one or more claims in the patent. **No inter partes review will be instituted based on disclaimed claims.**” 37 C.F.R. § 42.107(e) (emphasis added). ***This encourages, among other things, the efficient resolution of disputes early in the proceeding and the conservation of limited Board resources.***

Opus KSD Inc. v. Incisive Surgical Inc., IPR2017-01438, Paper 14 at 7-8 (Nov. 15, 2017) (second emphasis added). Intex’s action here is consistent, whereas Bestway’s proffered course of action would lead to unjust and inefficient results. *Id.*

¹ Bestway’s assertion that the ’512 Patent shares the same “heart of the claims” as the ’573 Patent is unsupported and irrelevant to this dispute. (Paper 6, at 3.)

Date: August 28, 2024

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on August 28, 2024, a true and accurate copy of Patent Owner's Preliminary Surreply was served on counsel for Petitioner via email, as follows:

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