

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

ELYSIUM HEALTH, INC.
Petitioner,

v.

TRUSTEES OF DARTMOUTH COLLEGE,
Patent Owner.

Case: IPR2017-01795
U.S. Patent No. 8,383,086 B2

RESPONSE TO MOTION FOR REHEARING

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I. INTRODUCTION

The Motion for Rehearing of Patent Owner Trustees of Dartmouth College should be denied. Patent Owner argues that the proper response to the Supreme Court's decision in *SAS Institute v. Iancu*, No. 16-969, 138 S. Ct. 1348 (2018), is to ignore it and instead proceed with the same kind of "partial institution" the Supreme Court declared unlawful in *SAS*. Petitioner Elysium Health, Inc. respectfully disagrees. Case law, common sense, and considerations of practicality all point to the same conclusion the Board already has reached: that, having instituted an *inter partes* review, the Board should review all claims challenged and all grounds presented in the petition.

II. STATEMENT OF MATERIAL FACTS

Petitioner filed a Petition for *Inter Partes* Review on July 17, 2017.¹ Paper 1. Patent Owner filed a Preliminary Response on November 3, 2017.

¹ Petitioner disagrees with the characterization of the facts as set forth in Patent Owner's motion. As Patent Owner did not enumerate its asserted material facts as separately numbered sentences in the manner preferred by 37 C.F.R. § 42.22(c), Petitioner will note its disagreements with Patent Owner's characterizations in paragraph form.

Paper 8. The Board issued its Institution of *Inter Partes* Review Decision (“Decision on Institution”) on January 29, 2018 (*i.e.*, within three months of Patent Owner’s Preliminary Response). Paper 9. In that decision, the Board instituted an *inter partes* review, effective as of the date of the order. *Id.* at 2, 19. It did so on the grounds that there was a reasonable likelihood that Petitioner would prevail on at least one of the claims challenged in the petition. *Id.* at 2. The Board also went further and considered each challenged claim. *Id.* at 13–14, 18–19. Following regulations set forth in 37 C.F.R. § 42.108, it declared that the institution of *inter partes* review included four of the five challenged claims, and one of the two grounds presented in the petition. *Id.* at 19.

On April 24, 2018, the Supreme Court struck down this practice of “partial institution” as contrary to the patent statute. *SAS Inst., Inc. v. Iancu*, No. 16-969, 138 S. Ct. 1348, 1358–59 (2018). The Court held that the decision to institute a review is a “binary choice,” and that when the Board chooses to institute a review, it must issue a final written decision on all claims challenged by the petitioner in its petition. *Id.* at 1355–56.

Three days later, the Board issued an Order on the Conduct of the Proceeding (the “April 27 Order”) in this matter. Paper 22. The Board

acknowledged the Supreme Court's decision in *SAS*, noted that the Board had determined, in its Decision on Institution, that Petitioner was reasonably likely to succeed on one of the challenged claims, and confirmed that, pursuant to *SAS*, this review would include all challenged claims and all asserted grounds. *Id.* at 2.

Following the issuance of this order, the parties met and conferred to discuss the implications of the order on these proceedings. Patent Owner requested a 30-day extension of Due Date 1, and confirmed that this extension was the only modification it sought in view of the April 27 Order. Petitioner agreed to Patent Owner's request, and on May 1, 2018, the parties filed a Stipulation extending Due Dates 1 and 2. Paper 23.²

On May 11, 2018, Patent Owner filed a Motion for Rehearing, asking the Board to vacate the April 27 Order. Paper 24.

III. ARGUMENT

Patent Owner's Motion for Rehearing must be denied unless the Board's April 27 Order was an abuse of discretion. *See* 37 C.F.R. § 42.71(c). "An abuse of discretion may arise if a decision is based on an

² Earlier in the proceedings, Petitioner agreed to Patent Owner's request to extend Due Date 1 by two weeks, from April 20, 2018 to May 4, 2018.

erroneous interpretation of law, if a factual finding is not supported by substantial evidence, or if the decision represents an unreasonable judgment in weighing relevant factors.” *Arista Networks, Inc. v. Cisco Sys., Inc.*, IPR 2015-00973, Paper 11 at 2 (citing *Star Fruits S.N.C. v. United States*, 393 F.3d 1277, 1281 (Fed. Cir. 2005); *Arnold P’ship v. Dudas*, 362 F.3d 1338, 1340 (Fed. Cir. 2004); *In re Gartside*, 203 F.3d 1305, 1315–16 (Fed. Cir. 2000)). Patent Owner contends that the Board abused its discretion because the April 27 Order is at odds with the Board’s obligations under 35 U.S.C. § 314(b)–(c) and 37 C.F.R. §§ 42.4 and 42.5.

Patent Owner is wrong. The Board satisfied the requirements of § 314 when it issued the Decision on Institution within the three month time period prescribed in § 314(b) and gave notice to the parties of the institution pursuant to § 314(c) and 37 C.F.R. § 42.4. When the Supreme Court issued the *SAS* decision, the Board used the discretion given to it under 37 C.F.R. § 42.5(a) to determine how to proceed.

Patent Owner contends that the Board’s two rights somehow make a wrong. Patent Owner’s argument misapprehends *SAS*, the statute, and the regulations. Moreover, Patent Owner’s argument, if accepted, would mean

that the many pending IPR proceedings that were instituted by the Board pursuant to a partial institution decision cannot be lawfully completed.

A. The Board's Decision on Institution Satisfied 35 U.S.C. § 314 and 37 C.F.R. §§ 42.4 and 42.5

Two conceptual points underlie the Supreme Court's *SAS* decision.

The first is what an institution decision *indicates*. An institution is the Board's determination “that there is a reasonable likelihood that the petitioner [will] prevail with respect to at least one of the claims challenged in the petition.” *SAS*, 138 S. Ct. at 1353 (quoting 35 U.S.C. § 314(a)). That determination is both necessary and sufficient to institute a review. The second is what an institution decision *does*. The Court recognized that the statutory language “indicates a binary choice—either institute review or don't.” *Id.* at 1355. The institution of an *inter partes* review simply provides an affirmative response to that binary choice.

When the Board in this case recognized that Petitioner had a reasonable likelihood of success with respect to at least one of the challenged claims, it instituted a review. It did so within three months of Patent Owner's preliminary response, thus satisfying § 314(b), and provided the legally required notice to the parties under § 314(c) and 37 C.F.R. § 42.4.

In doing so, it did exactly what the statute and the regulations required, before and after *SAS*.

After addressing the binary choice presented at the institution stage by choosing to institute review, the Board went further. Here, as in the proceedings leading to *SAS*, the Board purported to limit these proceedings to fewer than all of the claims challenged and grounds presented in the petition. Patent Owner erroneously argues that this aspect of the Decision on Institution renders the decision irrevocably null and void in its entirety. However, this aspect of the decision has nothing to do with the Board's answer to the binary choice presented at the institution stage. As noted above, it is undisputed that the Board provided an affirmative answer to this choice by instituting review. In doing so, and providing notice of its decision to the parties, the Board fulfilled the requirements of § 314.

SAS does not prescribe any particular form for an institution decision. Instead, *SAS* held that under § 318, after institution a petitioner is entitled to a written decision addressing all of the claims the petitioner challenged. An institution decision that comments on petitioner's claims is not *per se* invalid; such institution cannot limit the scope of the Board's eventual written decision regarding those claims. Thus, in *SAS*, the remedy was not to

vacate the institution decision but to order the Board to give the petitioner “a final written decision addressing all of the claims it ha[d] challenged.” *SAS*, 138 S. Ct. at 1360.

B. The April 27 Order Was Lawfully Issued Pursuant to 37 C.F.R. § 42.5(a)

Petitioner in this case, like the petitioner in *SAS*, has a right to a final decision addressing all of the claims it has challenged. The Board's April 27 Order merely confirmed that, under *SAS*, this proceeding encompasses all challenged claims and all grounds presented in the petition. Patent Owner erroneously contends that the April 27 Order is *ultra vires*. As the Board recognized when issuing the April 27 Order, 37 C.F.R. § 42.5(a) allows the Board to “determine a proper course of conduct in a proceeding for any situation not specifically covered by this part.” *See also Ariosa Diagnostics v. Verinata Health, Inc.*, 805 F.3d 1359, 1367 (Fed. Cir. 2015) (noting that § 42.5(a) gives the Board power to “control its own proceedings, consistent with its governing statutes, regulations, and practice”).

Nothing in the statute or the regulations is contrary to the Board's action here, and Patent Owner cannot show that the Board abused its discretion in interpreting a regulation specifically granting the Board leeway in dealing with unexpected situations. This is especially so given the

broader context of judicial review. The Federal Circuit “accepts the PTAB’s interpretation of [USPTO] regulations unless that interpretation is plainly erroneous or inconsistent with the regulation, or conflicts with the USPTO’s intent at the time of the regulation’s promulgation.” *Redline Detection, LLC v. Star Envirotech, Inc.*, 811 F.3d 435, 441–42 (Fed. Cir. 2015) (internal citations and quotation marks omitted).³

The regulations governing *inter partes* review do not prescribe a particular course following the issuance of a Supreme Court decision that affects the proceedings in pending *inter partes* reviews. Accordingly, the Board was well within its authority under 37 C.F.R. § 42.5(a) when it issued the April 27 Order addressing the implications of *SAS* on this review.

³ Patent Owner tries to muddy the waters by suggesting that the Board has failed to specify that the April 27 Order waives or suspends regulatory requirements, as contemplated in § 42.5(b). This ignores the fact that there are no specific requirements in place that the Board was required to waive in order to address *SAS*.

C. Patent Owner's Argument, If Accepted, Would Wreak Havoc on Numerous Pending IPR Proceedings

If Patent Owner's argument were accepted, IPR proceedings that began with a partial institution decision could not be completed in accordance with law because any clarification as to the scope of the review would be too late, and any further proceeding under the partial institution would be unlawful. Indeed, the petitioner in *SAS* would not get the very remedy to which the Supreme Court declared it was entitled. The same would be true not just in *SAS* and in this review but in the scores of partially instituted reviews pending before the Board, the Federal Circuit, or Supreme Court.⁴ Under Patent Owner's reasoning, all of these cases would face a

⁴ Similarly, under Patent Owner's reasoning, the Board would have to summarily reject any motion for rehearing filed by a disappointed petitioner after a decision denying institution issued on the cusp of the three month deadline, because any decision to institute issued thereafter would be too late. But in fact the Board has granted motions for rehearing in such situations. *See Boston Scientific Corp. v. UAB Research Found.*, IPR 2015-00918, Paper 14 (granting request for rehearing and instituting review eight months after patent owner's preliminary response).

Catch-22 that would deprive the petitioner of its right to obtain a final written decision on all challenged claims.

Patent Owner's Motion ignores entirely the implications of its argument. Instead, it simply asks the Board to vacate the April 27 Order, without discussing how the proceeding would continue if that relief were granted. In light of *SAS*, Patent Owner presumably contends that a partial institution decision fatally infects an IPR proceeding, so that all such reviews must be dismissed. But it would be absurd to read *SAS* to say that an institution decision that wrongly purported to narrow the scope of the review, to the detriment of a petitioner, is wholly inoperative; and that to right this wrong to the petitioner, the whole proceeding requested by the petitioner must be dismissed.

Fortunately, it is not necessary to frustrate the Supreme Court's remedial intent or to force parties involved in *inter partes* reviews to endure the upheaval that would result from the Patent Owner's contention. On the contrary, the Board has the power to do just what it did in this proceeding: issue an Order confirming the scope of the review consistent with the Supreme Court's interpretation of the statute in *SAS*.

D. Patent Owner Has Suffered No Prejudice

Patent Owner's Motion is peppered with hints that somehow it has suffered prejudice by the timing of the Board's April 27 Order. Nothing could be further from the truth, which may be why Patent Owner does not straightforwardly allege or describe any prejudice in its Motion.

SAS issued two days *before* Patent Owner was scheduled to depose Petitioner's expert. Upon issuance of *SAS*, Patent Owner was on clear notice that the written decision in this review would cover all claims. In the wake of *SAS*, Patent Owner did not seek to reschedule the deposition to give it more time to prepare, nor did it seek to contact the Board to clarify any questions it had about the implication of *SAS* on this review. Instead, Patent Owner went forward with the deposition as scheduled and cross-examined Petitioner's expert on subjects of its choosing.

After the April 27 Order issued, the parties met and conferred about the implications of the Order on the proceedings. The only request that Patent Owner made was that it be given a further 30-day extension of the deadline for its response to the Petition. After Patent Owner assured Petitioner that this extension was the *only* modification it sought in light of the April 27 Order, Petitioner agreed. In short, Patent Owner has already deposed Petitioner's expert with knowledge that all claims are part of this

review, and it has waived any request to re-depose the expert following the April 27 Order. Any insinuation that Patent Owner has been prejudiced by the April 27 Order is wholly unfounded.

IV. CONCLUSION

Because the Board's Order on the Conduct of the Proceeding of April 27, 2018 was based on a correct reading of *SAS Institute v. Iancu* and fully in accord with applicable statutory and regulatory requirements, Petitioner respectfully requests that the Board deny Patent Owner's Motion for Rehearing.

Respectfully submitted,

Dated: May 29, 2018

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CERTIFICATE OF SERVICE

Pursuant to 37 C.F.R. § 42.6(c), the undersigned hereby certifies that a copy of the foregoing document was served on May 29, 2018 by filing this document through the Patent Trial and Appeals Board End to End as well as by delivering a copy via the delivery method indicated to the attorneys of record for the Patent Owner as follows:

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