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Judge Prost (00:00):

[...] Begin our regular proceeding. We want to turn the gavel over to Judge Lourie.

Judge Lourie (00:05):

Oh, thank you, Chief Judge. I understand you have a motion to make.

Judge Prost (00:10):

Yes, I do. Bill, would you stand? I move the admission of J. William Toth who is member of the bar and is of good standing in the highest court of California. I have knowledge of his credentials and I'm satisfied that he possesses the necessary qualification. And I just like to say on a personal note, because we've worked together for a year now, what an honor and pleasure it's been to have Bill in our chambers, and I'm particularly happy because he's staying in D.C. when he leaves, which makes me very happy if that he'll continue to remain an important part of what we do. So I move his admission.

Judge Lourie (00:53):

Well, that's certainly a well-supported motion.

Speaker 1 (00:55):

(Laughs)

Judge Prost (00:55):

I don't want to hear a but [inaudible].

Judge Lourie (01:00):

My fellow panel member. So for a vote.

William Toth (01:04):

Uh I have no reason to object. I happily join in fact.

Judge Lourie (01:19)

We grant the motion and we ask you to step up and take the oath.

Bailiff (01:19):

Please raise your right hand. Do you solemnly swear or affirm that you will comport yourself as an attorney and counsel of this court, [inaudible], that you support the Constitution of the United States of America.

William Toth (01:19):

Yes, I do.

Bailiff (01:19):

Welcome to the [inaudible].

William Toth (01:19):

Thank you.

Judge Lourie (01:19):

Congratulations.

Judge Prost (01:19):

Congratulations, Bill.

Judge Prost (01:39):

Now the first case for argument is 17 1617 Netlist versus Sandisk. Mr. Lloyd, whenever you're ready.

Seth Lloyd (01:55):

Thank you, Chief Judge Prost. And may it please the court. The Board erred by holding Netlist claims unpatentable based on the theory of unpatentability that was never disclosed in the petitions or institution decisions. Yet even without that error, the Board's decisions should not stand because on the critical issue here of motivation to combine with the reasonable expectation of success, the board accepted conclusory assertions without adequate explanation or support.

Judge Prost (02:19):

Can I ask you, I mean, I know you were asking for reversal here and that's fine, but you're also asking the alternative, to vacate and remand. Doesn't it seem a little odd if we vacated and remand, because you're saying that you didn't have adequate notice and that they raised new arguments or a new theory, all that happens is it goes back to the board and they affirm it. I mean, doesn't that kind of prove that there's a question as to why we're even here dealing with this at this junction.

Seth Lloyd (02:49):

So at two responses on that Chief Judge Prost. I think the alternative for vacate and remand would only be to go back under the original theory. I don't think it would be proper for the court to send it back to address SanDisk's new theory.

Judge Prost (03:00):

Well, why is that? I mean, isn't this a notice problem? And in fact, I mean, one could argue as your friend does on the other side, that you did have appropriate notice here and an opportunity to respond, but if that's your gripe, then why don't we go back and do a do over and give you an opportunity to respond? Are they precluded from doing this at this juncture? Or is it just that you don't have, didn't have an adequate opportunity to respond?

Seth Lloyd (03:27):

They are precluded, it is a notice problem, but the AIA sets out a very particular regime. And how notice must be given. It requires a petition that identifies with particularity the claims challenged the grounds, for each challenge and then the evidence supporting that challenge. The board institutes review pursuant to the petition, patent owner has to file a response to the petition and—

Judge Prost (03:49):

But it includes evidence. You're not allowed to put on any evidence as the, as the case is a petition proceeds through the process?

Seth Lloyd (03:56):

Yes, you are allowed of course, to develop evidence. And that's the AIA makes that clear. But what you can't do is you can't change the ground of unpatentability. And that's what cases like *NuVasive* and *American* have held is that when the party changes the thrust of its theory and such that it's no longer standing behind the petition, that's an improper new theory. That's a question of law for this court. It's not a question of fact that the board gets to decide as the board seem to think.

Judge Prost (04:21):

I don't know how to define theory. There are no cases are there that are on point to this. I mean, grounds can include whether it's obviousness or anticipation. It can include combining these three references versus these three other references. So there are lots of different things that could get mixed up in terms of what's been—and I think the cases that you cite in the cases where this court has had a problem with changes through the proceeding, really deal with the board reliance on a different piece of prior art or a different aspect of that prior, right in reaching a decision, right?

Seth Lloyd (04:55):

So yes that, that is some of what happens in those cases, but that's also what happened here, but, and there are cases on point, Chief Judge Prost. Both the [inaudible] *NuVasive* case that we cite and the *American* case that we cite, both held that the board had adopted a new theory and, and *NuVasive* likens it to what this court has seen for, for decades in the law of re-examination is that the board can't adopt a new ground of unpatentability and the new ground of unpatentability in the re-examine context isn't just switching from obviousness to anticipation. It can be a new ground of unpatentability, even when it's relying on the same references and the same statutory basis.

Judge Chen (05:32):

I thought in the re-examination context, the board is allowed to do a new ground of unpatentability. It just, that, that would just mean the patent owner has a right to reopen prosecution if he wants to.

Seth Lloyd (05:43):

That's right. So there, so there, there are two, two parts to that Judge Chen, right. In there. The first question is whether there was a new ground, which I think was what Chief Judge Prost was asking about. And then the second is, you know, what's the, what, what are the proper procedures? So in the re-examine context, the statute does allow the board to adopt new grounds. Unlike the, unlike the AIA, the IPR context is different. That's what um—

Judge Chen (06:06):

Well, just so I understand, I understand how re-examine works. Let's just go to how AIA works. Is it your view that the petitioner and the board are confined completely to just whatever's in the petition and the institution?

Seth Lloyd (06:26):

They're confined in terms of the claims that can be challenged and the grounds of that challenge. And that's what [inaudible] held Judge Chen.

Judge Chen (06:32):

Right. But I guess we also have a handful of cases, including *Genzyme*, for example, that articulates an understanding and recognition that there is going to be some give and take throughout one of these so-called trials. And so therefore there's going to be more evidence that gets developed and introduced and, and possibly even some supplementation I'll call it to what the original grounds of unpatentability were. And so, therefore the board does have some discretion in permitting petitioners to say things in replies that are different from what was said in the petition. And as long as the patent owner has noticed an opportunity to respond. So what is wrong with that? I mean, right now we're outside of this case a little bit, but I'm just trying to understand why doesn't the board have the flexibility. If it chooses to, to accept a reply that says something different from an institution decision in petition. So long as the patent owner does have that opportunity to file a server apply or something else.

Seth Lloyd (07:41):

So, I agree, we are outside of this case a little bit, because I don't think that is exactly what happened here. The *Genzyme* case, wasn't a case about somebody—the petitioner, trying to raise any three. It was about new evidence and it's expected that evidence can be developed during an AIA. But what you can't do is you can't shift to a new theory or new ground of unpatentability. That, that is, I think, clear from the Supreme court's holding in SAS that following that the AIA puts a limit, not just on the petitioners, but on the board itself. What the Supreme Court said was that the AIA makes the petition the centerpiece of the proceeding before and after institution. Now, the issue in SAS was whether the board can decide less than what was in the petition, but I think it's equally clear that the board can't decide more than what's in the petition. The entire proceeding is based on what the petitioner has put in his petition. And this court has said that in cases like Illumina—

Judge Prost (08:36):

So why does the petitioner get to say anything more during the proceeding? If it can't diverge at all, from anything that's already in the petition, then they just go to sleep. Why did they have a right to put in any more paper or declarations or argument with respect to their case?

Seth Lloyd (08:55):

So uh, our, our position isn't as narrow as that, they can't do anything. They can continue to develop evidence that supports their original theory of unpatentability. So in this case, if SanDisk and his petitions had identified that it's theory involved modifying the prior art in ways that that the art doesn't expressly disclose, if its theory had identified that it was relying on the genetic specifications to support that modification, then it could have continued to develop evidence during the trial and present that to the board in support of its ground. But what it can't do is what it did here and what was rejected in both American and in [inaudible] NuVasive as an improper new theory, not just new evidence, but an improper new theory. And, and that improper new theory involved where the petition said, we're just relying on the express disclosures of Takeda and Connelly. Now, the petitioner's reply said, no, we're not relying on the express disclosures. We're going, we had a person that's skilled in the art would know they have to modify the circuit. They have to introduce additional logic to introduce a new signal and use that new signal. That's an improper new theory. That was the holding in [**inaudible**]. You also can't rely on—

Judge Chen (10:01):

Is there a case from this court that says, when a IPR reply does something different from the petition, say, instead, the petition said obvious in view of references A and B, and then the reply says, oh, well, in view of what I just saw in the patent owner response, it's really A in view of B and reference C. And then the board says, that's okay, I'm going to allow that because the patent owner has an opportunity to file a server reply or something like that, and then affirms or issues an unpatentability decision in view of references, A, B, and C, is there a federal circuit decision that said that is improper to do?

Seth Lloyd (10:46):

I think the NRA *NuVasive* decision comes to close to those facts. And, in fact, that that changed, there was even more subtle than what you suggested. In *NuVasive*, uh what happened is the petitioner in its petition identified the grounds of unpatentability and the, and the specific art, but it never identified figure 18 and identified other figures within the patent, but never identified figure 18 as a basis for the particular disputed element. Then in its reply it for the first time, it said, figure 18 is relevant. And the board relied on that in its final decision. And, and like, like here, the patent owner asked the board to both strike it to, to strike the petition, or the reply as improper and ask in the alternative to submit a surreply—

Judge Chen (11:34):

And then they were denied the opportunity to file a surreply—

Seth Lloyd (11:36):

And they were denied.

Judge Chen (11:37):

And that was the problem with that outcome in that case, right? It was the failure to permit the patent owner and file the surreply?

Seth Lloyd (11:44):

I that's not what the decision said, your honor. The decision, the decision said that the problem was that the board had adopted a new theory of unpatentability.

Judge Chen (11:52):

Without giving the other side an opportunity to file a surreply.

Seth Lloyd (11:54):

Without adequate notice and an opportunity to respond. So the court didn't go into detail about whether on the court remanded the issue, but it didn't specify whether on remand, the board would be allowed to consider that the new theory. And, in other cases, like in the *American* case, when the court did re find a new theory, the court remanded only under the original theory, just like the relief we're asking you. But I do want to, I mean, I do want to also fight the premise that if this were to go back under the new theory, to give us an opportunity that the outcome would be the same. And in fact it wouldn't be, it wouldn't be at least because we would have opportunity to present additional argument and evidence, but also the board—

Judge Prost (12:36):

At least argument, you did have an opportunity. Not only did you have an opportunity that you did, I mean, you were in the patent owners response, you had time to consider this new, I don't know which was a declaration or a deposition or whatever. And you cited that. You said, this is what we think the theory is that's wrong. But even if, you know, accepting this new information or new evidence we have in cross-examination, and then you responded to that so-called nuclear, right?

Seth Lloyd (13:04):

That was the board's reasoning, Chief Judge Prost, but that's wrong. When we filed our petitioner response. The only thing that we knew is that SanDisk's expert in his cross-examination had disclaimed his earlier testimony. And so we relied on his change in testimony to discredit him, which is what you do when it, when a witness changes their story.

Judge Prost (13:24):

I have a, maybe it's wrong, appendix 3-52. And even if these, you argue about what he said, and you said, even if these modifications were to solve the inoperability more, we're still required to establish obviousness. That's pushing back on his so-called revised theory, right?

Seth Lloyd (13:42):

That's right. So we, we had cross-examined him, we discredited him for changing his story. And then we also took on the merits, but SanDisk's theory continued to evolve because in its replies, then it continued it newly relied on arguments about a supposed finite number of predictable solutions, which the board sided in its, in its final decision, which was not something that we had any notice of or opportunity to respond to either.

Judge Prost (14:06):

Just a little bit, slightly different question. This is back to the SAS kind of question. In your view is it okay therefore for the patent owner to offer in its Pet—I mean, sorry for the petitioner in its petition to describe alternate theories, because there's an estoppel in your view, estoppel would still apply to both theories, right? So estoppel would apply because he could have reasonably raised a different theory. So what is the petitioner to do? How do we resolve this problem if you're right, which is your—are you allowed, is a petitioner allowed to come forward with alternate theories and the board that has to institute on all of those theories, because that's what SAS told us?

Seth Lloyd (14:48):

What the, what the statute says is the petitioner has to identify with particularity every claim challenge, every ground supporting that claim. And what this court said in Illumina is that puts an obligation on petitioners to put their affirmative case in the petition. And what the court said in *Ariosa* is that the reply has to be limited to a true rebuttaled role. That's not what happened here. That's a violation of the APA and violation of the AIA, I see I'm into my rebuttal time.

Judge Prost (15:14):

Thank you.

Jon Wright (15:33):

May it please the court, Netlist's principle argument on appeal rests on a false premise that SanDisk's reply was an attempt to cure some defect in the prima facie case of obviousness set forth in the petition. There is no defect in SanDisk's prima facie case. And at most this is a run of the mill dispute about the factual question of whether a person of ordinary skill in the art would have had a reasonable expectation of success in combining the references to arrive at the claim dimension and the board resolved that factual issue in SanDisk's favor.

Judge Chen (16:15):

How do we pronounce your expert's name?

Jon Wright (16:17):

Uh I've been pronouncing it Jagannathan. I don't know if it's correct.

Judge Chen (16:21):

Why would Dr. J in his declaration say that it'd be obvious to use the chip select signals output from the Takeda bank control unit as the logic signal to enable the bits switches? Why would he say it like that?

Jon Wright (16:41):

Well, when you put the emphasis on the logic signal to, you know, enable the chips like switches as well I think the board found as a matter of fact, that that was inartfully drafted. And in fact, the proposed combination as set forth in the petition was that a person of ordinary skill in the art would recognize the utility of the chips, like signal. And in the petition, we said that that, that the enablement of Connelly's fed switch would be based at least on that signal, or would be relative to which of those signals were selected. But the prima facie case of obviousness in the petition never set you take Takeda's chip-like signal and apply it directly to Connelly.

Judge Chen (17:35):

No, it's just based on at least the chips select signal. But I'm just trying to figure out why your expert, Dr. J would say it like this; I mean what am I supposed to make of this?

Jon Wright (17:45):

So what Dr. J was doing, was providing the actual implementation details. And when he was deposed on that, he unambiguously right off the bat clarified. I, I didn't mean that you would take the signal and apply it directly to the fed switch. I am absolutely saying that you use that signal as the logic signal that's used to enable the fed switch. You just have to put in inappropriate—

Judge Prost (18:16):

What if it said, gee, I misspoke? If he had fessed up that yes. I said something and I was wrong. Would that be a problem for you then?

Jon Wright (18:26):

Absolutely not. Because then what Netlist would be entitled to do would be to test that proposition through deposition and then use that deposition testimony to argue perhaps a Dr. Jaggannathan's declaration testimony is not credible, or to use that testimony and say, well you know, under now what he's saying, that would be beyond the capability of a person of ordinary skill in the art. And, in fact, that's precisely what, what Netlist did. And then the board has to evaluate that evidence and the Board—

Judge Prost (19:05):

Yes. We use a lot of words here, so there's grounds, and we all thought we knew, we think we know what that means. What word would you put on this thing that Dr. J was talking about it, would you call that a theory, is theory of the case? How would you how would you characterize what we're talking about here in terms of the chip signal and what he said.

Jon Wright (19:27):

I would characterize it as an implementation detail that supports the—

Judge Prost (19:34):

So is it a theory—

Jon Wright (19:35):

No.

Judge Prost (19:35):

Is it an underlying aspect of a theory?

Jon Wright (19:40):

It is evidentiary support for the prima facie case, it's set, for set forth in the petition that says that a person of ordinary skill in the art would have recognized the utility of Takeda's chips-like signal in enabling our Connelly's bit switches. So, that is evidence supporting the theory of unpatentability that is sitting in the prima facie case of unpatentability that's sitting in the petition. It's the petition that, that governs here, both in the statute and in this court's cases, not that evidence supporting the petition.

Judge Prost (20:18):

Yeah. But you're still followed by—I mean, that's still has to carry some weight. It has, you know, that's what the patent owner is, in theory, relying on part and parcel. It's not just responding to the petition, he's responding to the evidence supporting the petition, as he should be.

Jon Wright (20:32):

And as Netlist, in fact, did in this case, they drilled right down to that statement in Dr. J's declaration, they probed him on that. He—at best that statement was in artfully drafted, but they probed him on that. They tested it, they responded in their patent owner response and said all of those things, they say, well under his original implementation details it would have been inoperable. And, but, you know, under what he's saying now in in the declaration that would have been beyond the capability of the skilled artisan. And, in fact, because he's all over the place, you should discredit his testimony. That's—Netlist did precisely what it was supposed to do, but it can't claim that it did not have notice of his implementation details. And the Board found—

Judge Prost (21:30):

So you agree, right, that, did you get a, does the petitioner then get a reply to the patent owners response?

Jon Wright (21:37):

Yes.

Judge Prost (21:37):

And so if this had come in later in the process, and in fact, they had not had an opportunity in the absence of getting another surreply or something to respond, would you agree to, under those circumstances, if the board had relied on it, there would be a problem here?

Jon Wright (21:57):

I don't think so because this entire you know, new theory ground, which is in fact not a new theory, it's a response to their patent owner response that the contention of the parties is set forth in the petition. And the petition did not say, take the chips, one signal, plug it directly into the Connelly's fat. It just said, and all it had to do the pet-in the prima facie case, you're obligated to say that a person of ordinary skill in the art would have had a reasonable expectation of success in arriving at the claimed invention. And the petition did that. And it said—it went beyond that, or explain that and said, this is how a person of ordinary skill in the art would do it. They would recognize the utility of the chips, like switch here and use that. And based on that enable Connelly's fed switches. Now, the evidence supporting that Netlist, wasn't entitled to test. I think so, you know, I think what may also be dispositive here is the fact that there is no daylight between the board's articulation of its unpatentability ground in the final written decision. And SanDisk's articulation of its prima facie case in the–in the petition. There's no–there's no daylight between those two. And again, this is a—

Judge Chen (23:43):

Connelly teaches not only the use of bits switches to enable different memory devices, but it also teaches the idea of that async logic element for enabling the bits, which is themselves, right?

Jon Wright (23:57):

That's right. And Connelly also—

Judge Chen (24:00):

So through the logic element, it's not just a command signal that's directly enabling a switch. It's through the async logic element that's doing that? Is that right?

Jon Wright (24:12):

Yes, that's right. So Connelly basically uses the row, two of those largest signals that are called out in the claim. The claim calls out a number of logic signals. It calls out chips select signal, a bank address signal a—

Judge Chen (24:26):

I guess, the point I'm trying to make is if you're going to use the teachings of Connelly and Takeda, you wouldn't necessarily just be using the bit switch by itself, because Connelly teaches the async logic element that provides logic for enabling Connelly's bit switches. So you would use both of those things together in modifying Takeda's memory module.

Jon Wright (24:49):

But, yes, Connelly relies on two logic signals, RAS and CAS, row access strobe and column access strobe, Dr. J said, well, you could also use the chip select signal. And all three of those signals are called out in the claim. And the claim does not require the use of any one of them. It leaves that to a person of ordinary skill in the art. I want to address this, this notion that the SanDisk was not put on notice of the use of, of the JEDEC specification in SanDisk's petition. And, in fact, even in the institution decision, and if you go to, to SanDisk's petition, you, you cannot separate ground two from ground one. Ground two relies on ground one to teach most of the elements of the claim. And, when you look at appendix 202, for example, in SanDisk's petition, at the middle of the page, it says, because JEDEC provides the standards for implementing and overall DDR SDRAM architecture, a person of ordinary skill in the art would have consulted JEDEC when designing and implementing the concepts taught in Takeda.

Jon Wright (26:04):

And then, below that, it says JEDEC is a product data sheet designed to inform a user about the electrical requirements for DDR SDRAM dual inline memory modules, including the various signals, input signals, output signals, operating conditions, et cetera. And then for ground one, again, the petition explains, and this is an appendix 205, exactly how you would use JEDEC chip select signal to achieve the selective electrically coupling limitation in claim one. It says how you would do that. And it says how you would do it with, with Takeda as well. So, and then in the institution decision the board also this is an appendix t270, when it gave a short overview of JEDEC, it said in the institution decision genetic, a product data sheet, describing electrical requirements for DDR SDRAM, dual inline memory modules as existed in 2002. And it illustrates the configuration of these models, the data signal line status, strobe lines, row and column access signals bank act, the board, unambiguously recognized the applicability of the JEDEC standard and, and put, that list on notice that that standard was relevant at a minimum as a background art, but also as part of the prima facie case.

Jon Wright (27:24):

So there's no notice issue here with respect to how Dr. Jagannathan used the JEDEC specification and how the board used the JEDEC specification.

Judge Lourie (27:40):

At the bottom here, you're dealing with a limited group of references. It's not a new reference and dealing with one ground, which is obviousness. It's not a new ground such as anticipation of written description.

Jon Wright (27:56):

No, not at all. There's there. I mean, I think the, the, the ground of obviousness is Takeda and JEDEC and Connelly. At least, at least for ground two and ground to cure the use of Connelly here cured the defect that the board found with ground one and the switch not being actually on the, the memory device. I'm happy to address any additional questions that the panel has, if not I'll, uh.

Judge Prost (28:32):

Thank you.

Jon Wright (28:33):

Thank you.

Seth Lloyd (28:50):

Just a couple of short points, your honor. First, that there's no basis here for holding that and expert's testimony on cross-examination that contradicts his earlier testimony is somehow noticed. The AIA requires that the agency give adequate notice and the AP, or sorry, the APA requires the agency. And the AIA says how that adequate notice must be given it's in the petition. So whatever the expert said on his cross-examination, that can't be noticed if the court agrees that there was a new theory

Judge Prost (29:14):

Now the Board twice asked for briefing on this question, right, during the proceeding?

Seth Lloyd (29:17):

Just once your honor.

Judge Prost (29:20):

Okay. Well, they obviously on the one hand—

Seth Lloyd (29:22):

There were observations submitted, and then later the parties submitted legal briefings. Sorry.

Judge Prost (29:26):

Okay. On the one hand [inaudible] to your benefit, because it looks like the board took this issue seriously. On the other hand, they went against you. So.

Seth Lloyd (29:35):

Yes, but your honor, it's a legal question. And NuVasive makes that clear whether it was a new ground or new theory, is a legal question, whether the board complies with APA requirements is a new question. As the legal question. Judge Lourie, to your, to your point about new grounds, the change here is indistinguishable from the change in Illumina. In Illumina, the party argued there was a motivation to combine in the petitions based on specific references, especially particularly based on the express disclosures that the conditions in one of the references, a person of skill in the art, would have expected to succeed. On reply, they then argued no, in fact, once the patent owners explained why those conditions wouldn't work, they said, well, a person's skilled in the art would have known how to modify the conditions to make it work. This court called that a new ground, and it affirmed the board in refusing to consider that. And that's consistent with the way the court treats the same issue in the re-exam context, when it determines whether there's new ground.

Judge Chen (30:23):

The question what is really whether there was in fact, a new theory here, whether it was in the petition all along, given that the petitioner and Dr. J called out Connelly and not only Connelly's bit switches, which is, but Connelly's logic element for enabling the bit switches, and so why wouldn't it be the most logical reading of all of that, that you're also using some kind of logic to enable the bits switches in the combination with Takeda.

Seth Lloyd (30:49):

Because, that's not, that's not in fact what the petitions in institutions decision set, and that's certainly not what the expert states in his report. Here are some of the quotes. He said, quote, "The chips selects output from the decode circuitry" referring to—to Takeda" are the enable signal for the FET switches. That's 43.30. He said that a person that skill would have included Connelly's bits switches so that quote, "It would be enabled or disabled by the chips flex output by the Takeda logic." That was repeated over and over in his claim charts in his declaration, those were assigned and affirmatively by SanDisk in his petitions and by the board. That was the theory that we had to respond to. That theory changed. That's an error under the APA and the AIA and the court should reverse.

Judge Prost (31:27):

Thank you. We thank both sides. The case is submitted.