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# The Rules

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## Exception to the Rule?

### Late Submission of Evidence as Supplemental Information Under 37 C.F.R. 42.123(b)

In PTAB trials, rules regulate when evidence may be presented by a party to ensure the opposing party a fair opportunity to respond to such evidence. Rule 42.23(b) prohibits a party from filing a sur-reply with “new evidence other than deposition transcripts of the cross-examination of any reply witness.” As shown by a recent Board ruling, in the right circumstances, this blanket prohibition against new evidence may be overcome. In *Group III International, Inc. v. Targus International LLC*, (No. IPR2021-00371, Paper 76), the Board granted a motion under 37 C.F.R. 42.123(b) to permit “late” filing of new exhibits as supplemental information with Patent Owner’s sur-reply. The Board deemed the exhibits, presented to a reply witness during deposition for testing the credibility of the witness, to satisfy the two-prong test of 42.123(b). While successful here, it appears unlikely that Rule 42.123(b) could be used more broadly to evade bars against new evidence in IPR proceedings.

## Background of the Case

The Rule 42.123(b) motion arose in the course of Group III International’s IPR challenge to Targus International’s US Patent No. 8,567,578 (“the ’578 patent”). The ’578 patent is directed to portable computer bags with specific configurations and compartments that provide convenient security screening of an electronic device. At issue was whether two new exhibits were relevant to providing the full context of the deposition transcript for sur-reply submission. The circumstances that led to the motion arose from a supplemental declaration filed by the Petitioner’s expert witness (“Expert”), which raised a new rationale as to why the bags of the cited prior art references could not have had features that would disrupt a scanner. Specifically, the Expert asserted that the presence of a zipper on a bag was incompatible with a bag being made of metallic material. During deposition, the Patent Owner presented the Expert with two new exhibits,<sup>1</sup> which were directed to bags having zippers and metallic mesh or matrix, to challenge the Expert’s zipper-metallic material incompatibility argument. The Patent Owner filed a motion to submit the deposition transcript under 37 C.F.R. 42.123(b) along with the two new exhibits. The

Petitioner filed an Opposition to the motion and argued that the two exhibits were irrelevant.

## Court Applies Two-Prong Test to Introduce New Evidence

In granting the Patent Owner’s motion to introduce the new evidence, the PTAB applied the two-prong test of 37 C.F.R. 42.123(b). The PTAB found that the new exhibits reasonably could not have been obtained earlier than December 23, 2021 because Petitioner’s Expert raised the metallic material and zipper incompatibility arguments in the supplemental declaration, months after the institution of the IPR.<sup>2</sup> In addition, the introduction of the two exhibits was in the interest of justice because the new exhibits provided a complete record [the full context of the deposition transcript] and would allow the PTAB to weigh the credibility of the Expert’s testimony.

Although it seems unlikely that the PTAB’s ruling here will provide a general exception to the prohibition on submitting non-deposition testimony with a sur-reply under 37 C.F.R. 42.23(b), it does illustrate a potential path for late admission of references that impeach the testimony of an expert witness. The Board’s reasoning that admission of the references in the present case “would allow the PTAB to weigh the credibility of the Expert’s testimony” indicates that it applied the “in the interest of justice prong” of 37 C.F.R. 42.123(b) as it did in last year’s decision in *Ascend Performance Materials Operations*

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*LLC v. Samsung SDI Co., Ltd.*, IPR2020-00349, Paper 53, p. 12 (July 15, 2021). There, the Board found that exhibits introduced during a deposition for the purpose of *testing a witness's testimony* may be submitted in a sur-reply along with the deposition transcript *if* the exhibits are relevant to the witness's testimony and provide the full context of the deposition.

Lest the exception under 37 C.F.R. 42.123(b) swallow rule 37 C.F.R. 42.23(b), the Board clearly noted in *Ascend* that such exhibits should be considered *only* to weigh the credibility of the testimony and not as evidence supporting the party's arguments on the merits. *Not* "any exhibit made of record during a deposition may be submitted with a sur-reply, because such a rule would give parties the incentive to raise completely new evidence during a deposition." *Id.* Indeed, in *Netflix Inc. v. DivX, LLC*,<sup>3</sup> the Board excluded deposition exhibits submitted with a sur-reply as "not in the interest of justice" as they did not provide the full context of the deposition since the expert

witness testified that he was not familiar with the exhibits. Thus, to be included with a sur-reply, the exhibit must be relevant to providing the full context of the deposition transcript. The two admitted exhibits in the PTAB order in *Group III International, Inc.* fall squarely within this holding. The two exhibits were relevant because: (1) the two exhibits contradicted the Expert's newly raised rationale regarding the bags of the prior art references, (2) the two exhibits were used to test/challenge the Expert's testimony, (3) the Expert did not deny being aware of the two exhibits during the deposition, and (4) the two exhibits belonged to the Expert.

## Takeaway

37 C.F.R. 42.123(b) does not allow parties to circumvent the blanket prohibition against sur-reply non-deposition transcript evidentiary filings. Any supplemental information permitted under 37 C.F.R. 42.123(b) goes to weigh the credibility of the

testimony and will not be used as evidence supporting a party's arguments on the merits.

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1. One exhibit was the expert's own patent and the other was a webpage capture concerning an anti-theft courier backpack made by the Expert's company.

2. Filed December 23, 2021, 5 months after the institution of the IPR.

3. IPR2020-00511, Paper 46 at pp. 54–56 (August 13, 2021).

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