

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

FACEBOOK, INC. and INSTAGRAM, LLC,

Petitioner,

v.

SKKY, LLC,

Patent Owner.

Case CBM2016-00091

Patent 9,037,502 B2

Before DAVID P. RUSCHKE, *Chief Administrative Patent Judge*,
SCOTT R. BOALICK, *Deputy Chief Administrative Patent Judge*,
JUSTIN T. ARBES, GLENN J. PERRY, and KEVIN W.
CHERRY, *Administrative Patent Judges*.

PERRY, *Administrative Patent Judge*.

DECISION ON PETITIONER'S REQUEST FOR REHEARING

37 C.F.R. § 42.71

I. INTRODUCTION

Petitioner requests rehearing (Paper 8, “Req. Reh’g”), under 37 C.F.R. § 42.71(c), of our Decision (Paper 7, “Dec. on Inst.”) denying its Petition (Paper 1, “Pet.”). Petitioner’s Request includes a request that its arguments be heard by an expanded panel. Req. Reh’g 1.

On April 19, 2017, Petitioner requested a conference with the Board seeking authorization to file supplemental briefing pertaining to *Rembrandt Wireless Techs., LP v. Samsung Elecs. Co.*, 853 F.3d 1370 (Fed. Cir. 2017), decided by the U.S. Court of Appeals for the Federal Circuit after Petitioner filed its Request for Rehearing. We held a telephone conference on April 24, 2017, which was attended by counsel for both Petitioner and Patent Owner. We authorized supplemental briefing regarding *Rembrandt*, and have received and considered briefs from both Petitioner and Patent Owner. *See* Papers 9 (“Pet. Br.”), 10 (“PO Br.”).

II. ANALYSIS

A. *Petitioner’s Request for an Expanded Panel*

Our governing statutes and regulations do not provide for parties to request, or panels to authorize, an expanded panel. *See generally* 35 U.S.C. § 6; 37 C.F.R. §§ 41.1–42.412. Our standard operating procedures, however, provide the Chief Judge with discretion to expand a panel to include more than three judges. PTAB SOP 1, 1–3 (§§ II, III) (Rev. 14); *see id.* at 1 (introductory language explaining that the Director has delegated to the Chief Judge the authority to designate panels under 35 U.S.C. § 6); *see also In re Alappat*, 33 F.3d 1526, 1532 (Fed. Cir. 1994) (providing that Congress “expressly granted the [Director] the authority to designate expanded Board panels made up of more than three Board members.”). The

Chief Judge may consider panel expansions upon a “suggestion” from a judge, panel, or party. *Id.* at 3–4; *see also Apple Inc. v. Rensselaer Polytechnic Inst.*, Case IPR2014-00319, slip op. at 2 n.1 (PTAB Dec. 12, 2014) (Paper 20) (expanded panel) (per curiam).

The standard operating procedure exemplifies some of the reasons for which the Chief Judge may expand a panel. PTAB SOP 1, 3 (§ III.A). For example, an expanded panel may be appropriate when “[t]he proceeding or AIA Review involves an issue of exceptional importance” or when “[c]onsideration by an expanded panel is necessary to secure and maintain uniformity of the Board’s decisions.” *Id.* (§ III.A.1, 2).

In this case, the Chief Judge has considered whether expansion is warranted, and has decided to exercise his discretion to expand the panel due to the nature of the issue Petitioner presents. The effect of a pre-institution statutory disclaimer on covered business method (“CBM”) patent review has been at issue in multiple cases before the Board. The Chief Judge has determined that an expanded panel is warranted to provide guidance regarding the effect of such disclaimers on CBM patent review eligibility.

B. Petitioner’s Request for Rehearing

On June 15, 2016, Petitioner filed a Petition for CBM patent review of claims 1–11 of U.S. Patent No. 9,037,502 B2 (Ex. 1001, “the ’502 patent”). Three months later, Patent Owner filed, on the day before its Preliminary Response, a statutory disclaimer of claims 6 and 8–11 pursuant to 37 C.F.R. § 1.321(a), and argued that the disclaimer rendered those claims “irrelevant” to the CBM patent review eligibility determination. *See* Paper 6, 4–5 (“Prelim. Resp.”); Ex. 2001. Petitioner subsequently asked the Board for leave to file a reply limited to addressing the impact of the disclaimer, which

was denied. *See* Dec. on Inst. 2. On November 23, 2016, the panel denied institution on the sole ground that the '502 patent is not eligible for CBM patent review. *Id.* at 14. The panel “treat[ed] the disclaimed claims as if they never existed” and, thus, Petitioner’s arguments that the '502 patent is eligible for CBM patent review based on claims 6 and 8–11 were not considered. *Id.* at 9–10.

1. Standard of Review

In determining whether to institute a CBM patent review, “the Board may deny some or all grounds for unpatentability for some or all of the challenged claims.” 37 C.F.R. § 42.208(b). When rehearing a decision on petition, the Board will review the decision for an abuse of discretion. 37 C.F.R. § 42.71(c). “An abuse of discretion occurs if a decision is based on an 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.” *Arnold P’ship v. Dudas*, 362 F.3d 1338, 1340 (Fed. Cir. 2004). The party requesting rehearing bears the burden of showing an abuse of discretion, and “[t]he request must specifically identify all matters the party believes the Board misapprehended or overlooked.” 37 C.F.R. § 42.71(d).

2. A “Time-of-Filing” Rule Does Not Apply When Assessing Pre-Institution Statutory Disclaimers

Petitioner argues that the panel committed a “fundamental legal error” which, “if not corrected, threatens to undermine the efficacy of the CBM patent review procedure.” Req. Reh’g 1. The alleged error is “the Board’s decision to allow the Patent Owner to unilaterally strip the Board of its authority to institute a CBM patent review by filing a statutory disclaimer after the filing of the CBM petition.” *Id.* Petitioner urges that the Board

should adopt a “time-of-filing” rule in assessing the impact of post-filing statutory disclaimers on CBM patent review eligibility. *Id.* at 3. Petitioner explains that a “time-of-filing” rule is used for determining federal court jurisdiction and argues that it should be extended to CBM patent review because it is consistent with Congressional intent in creating the CBM patent review program. *Id.* at 4. Adoption of a “time-of-filing” rule would prevent a “postfiling salvage operation” attempting to divest this Board of its CBM patent review jurisdiction, according to Petitioner. *Id.* at 2–3. We decline to adopt a “time-of-filing” rule, as suggested.

Although Petitioner is correct that federal courts apply the rule that “the jurisdiction of the court depends upon the state of things at the time of the action brought,” *Grupo Dataflux v. Atlas Global Grp., L.P.*, 541 U.S. 567, 570 (2004) (citation omitted), we are not a federal court, but an administrative agency whose authority to act has been granted by Congress, *Kilip v. Office of Pers. Mgmt.*, 991 F.2d 1564, 1569 (Fed. Cir. 1993) (“An agency is but a creature of statute. Any and all authority pursuant to which an agency may act ultimately must be grounded in an express grant from Congress.”); *see also id.* (“Though an agency may promulgate rules or regulations pursuant to authority granted by Congress, no such rule or regulation can confer on the agency any greater authority than that conferred under the governing statute.”).

The Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (“AIA”), created a transitional program for the Board to conduct post-grant reviews of a limited set of patents designated as “covered business method patents.” AIA § 18(a). The AIA provides that “[t]he Director may institute a transitional proceeding only for a patent that *is* a

covered business method patent.” *Id.* § 18(a)(1)(E) (emphasis added). The AIA defines a “covered business method patent” as “a patent that *claims* a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service.” *Id.* § 18(d)(1) (emphasis added). Thus, the statute permits institution only for a patent that *is* a covered business method patent, and requires a patent that *claims* a particular type of method or apparatus. *See Secure Access, LLC v. PNC Bank Nat’l Ass’n*, 848 F.3d 1370, 1381 (Fed. Cir. 2017) (“Necessarily, the statutory definition of a CBM patent requires that the patent have a *claim* that contains, however phrased, a financial activity element.” (emphasis added)); *Unwired Planet, LLC v. Google Inc.*, 841 F.3d 1376, 1382 (Fed. Cir. 2016) (CBM patents “are limited to those with *claims* that are directed to methods and apparatuses of *particular types and with particular uses* ‘in the practice, administration, or management of a financial product or service’” (emphasis added)); *Blue Calypso, LLC v. Groupon, Inc.*, 815 F.3d 1331, 1340 (Fed. Cir. 2016) (citing previous Board decisions that “properly focuse[d] on the *claim* language at issue” (emphasis added)).

The decision whether to institute a CBM patent review is based on whether a patent “is” a covered business method patent, which in turn is based on what the patent “claims” at the time of the institution decision, not as the claims may have existed at some previous time. *See* AIA §§ 18(a)(1)(E) (using the present tense “is”), 18(d)(1) (using the present tense “claims”); 35 U.S.C. § 324(a); 37 C.F.R. § 42.207(e) (when a patent owner files a statutory disclaimer, “[n]o post-grant review will be instituted based on disclaimed claims”). For example, where a reexamination

certificate amending the claims of a patent issues subsequent to the filing of a petition but prior to a decision on institution, the Board's decision whether to institute is based on the claims of the patent as amended in the reexamination certificate. *See Eizo Corp. v. Barco N.V.*, Case IPR2014-00358, slip op. at 5 (PTAB July 23, 2014) (Paper 11); *GEA Process Eng'g, Inc. v. Steuben Foods, Inc.*, Case IPR2014-00051, slip op. at 2–3, 10–11 (PTAB Mar. 10, 2014) (Paper 14). Petitioner's proposed "time-of-filing" rule is inconsistent with these principles.

Petitioner's Request for Rehearing raises the further issue of whether, when a patent owner files a statutory disclaimer after the filing of the petition but before institution, CBM patent review eligibility can be based on the disclaimed claims. Specifically, Petitioner relies upon limitations of disclaimed claims 6 and 8–11 as supporting its contention that the '502 patent qualifies for CBM patent review. *See* Pet. 4–8 (citing claim 6, for example, which recites "charging a fee, to the user"). Patent Owner, however, statutorily disclaimed claims 6 and 8–11, pursuant to 35 U.S.C. § 253(a) and 37 C.F.R. § 1.321(a). *See* Prelim. Resp. 4; Ex. 2001. In the Decision on Institution, for purposes of establishing CBM patent review eligibility and in accordance with Federal Circuit case law, we treated the '502 patent as though these claims never existed. Dec. on Inst. 8–10.

Petitioner's "time-of-filing" rule would require that we ignore 35 U.S.C. § 253(a) and its effect, as interpreted by the Federal Circuit. Statutory disclaimer of claims is authorized under 35 U.S.C. § 253(a), which provides in part:

A patentee, whether of the whole or any sectional interest therein, may, on payment of the fee required by law, make disclaimer of any complete claim, stating therein the extent of his interest in

such patent. Such disclaimer shall be in writing, and recorded in the Patent and Trademark Office; and it shall thereafter be considered as part of the original patent to the extent of the interest possessed by the disclaimant and by those claiming under him.

The Federal Circuit has held consistently that claims disclaimed under § 253(a) should be treated as though they never existed. *See Vectra Fitness, Inc. v. TWNK Corp.*, 162 F.3d 1379, 1383 (Fed. Cir. 1998) (“This court has interpreted the term ‘considered as part of the original patent’ in section 253 to mean that the patent is treated as though the disclaimed claims never existed.”); *Guinn v. Kopf*, 96 F.3d 1419, 1422 (Fed. Cir. 1996) (“A statutory disclaimer under 35 U.S.C. § 253 has the effect of canceling the claims from the patent and the patent is viewed as though the disclaimed claims had never existed in the patent.”); *see also Genetics Inst., LLC v. Novartis Vaccines & Diagnostics, Inc.*, 655 F.3d 1291, 1299 (Fed. Cir. 2011) (holding that the Board’s interference jurisdiction under 35 U.S.C. § 291 required “the existence of an interference, and a claim that ‘never existed’ [due to a statutory disclaimer] cannot form the basis for an interference”).

Under Petitioner’s proposed rule, the disclaimed claims would be treated as if they never existed, except for purposes of the CBM patent review program. We see no basis for writing an exception into the statutory disclaimer statute by adopting a “time-of-filing” rule, as suggested.

Petitioner’s proposed rule also could result in the Board conducting a CBM patent review of a patent that is no longer a “covered business method patent” as defined in the AIA. *See AIA* §§ 18(a), 18(d)(1). Petitioner’s arguments regarding claims 6 and 8–11, therefore, are not persuasive, and Petitioner has not shown an abuse of discretion in the Decision not to institute a CBM patent review.

3. *Rembrandt Does not Require a “Time-of-Filing” Rule*

We are not persuaded that *Rembrandt* requires a “time-of-filing” determination of CBM patent review eligibility. According to Petitioner, *Rembrandt* clarified that disclaimers under 35 U.S.C. § 253(a) extinguish only a patent owner’s legal rights—not the rights of others—with regard to the disclaimed claims, pointing to the following language in the decision:

[W]hile we have held that a disclaimer relinquishes the rights of the patent owner, we have never held that the patent owner’s disclaimer relinquishes the rights of the public. Indeed, our precedent and that of other courts have not readily extended the effects of disclaimer to situations where others besides the patentee have an interest that relates to the relinquished claims.

Rembrandt, 853 F.3d at 1383–84; *see* Pet. Br. 1–2. Petitioner argues that the principle announced in *Rembrandt* “squarely applies to the rights Congress and the PTO granted to accused infringers under the Covered Business Method patent review program.” Pet. Br. 2. We disagree.

Rembrandt did not involve the issue of CBM patent review jurisdiction. Rather, it involved the patent marking statute, which pertains to giving “notice to the public” that an article is patented. *See* 35 U.S.C. § 287(a); *Rembrandt*, 853 F.3d at 1382–84. In *Rembrandt*, the plaintiff disclaimed claims to avoid a limitation on damages due to a failure to mark in accordance with the marking statute. *Id.* The Federal Circuit vacated and remanded the district court’s denial of the defendant’s motion to bar recovery of pre-notice damages based on the disclaimer, emphasizing the purpose of the marking statute—to protect the public from liability for unknown infringement. *Id.* Because the purpose of marking is to provide public notice, the court reasoned that it was “irreconcilable” for a disclaimer to extinguish the right of the public to utilize unmarked features of a product

until receiving notice. *Id.* Protecting the public’s rights was central to the decision, as reflected in the court’s narrow holding: “the marking statute’s focus is not only the rights of the patentee, but the rights of the public Considering these rights held by the public, we hold that disclaimer cannot serve to retroactively dissolve the § 287(a) marking requirement for a patentee to collect pre-notice damages.” *Id.* at 1384.

We agree with Patent Owner that there is no basis to expand this holding to the Board’s limited jurisdiction related to CBM patent review, especially given that the court did not discuss post-grant review proceedings at all in its decision, or the potential impact of statutory disclaimers on such proceedings.¹ *See* PO Br. 1–2. In contrast to the patent marking statute at issue in *Rembrandt*, which expressly pertains to rights of the “public,” as well as a defendant’s statutory right to patent infringement defenses and counterclaims (also cited by the Court in *Rembrandt*), there is no analogous right to institution of a CBM patent review for the public generally. *See Rembrandt*, 853 F.3d at 1383–84. Although certain individuals or entities who meet the statutory requirements may *petition* for CBM patent review, institution by the Board is discretionary. *See* AIA § 18(a)(1); 35 U.S.C. § 324(a) (“The Director *may* not authorize a post-grant review to be instituted unless the Director determines that the information presented in the petition filed under section 321, if such information is not rebutted, would demonstrate that it is more likely than not that at least 1 of the claims

¹ We also note that, although discussed in a concurrence and dissent, the issue of the effect that a pre-institution statutory disclaimer has on a CBM patent review was not decided by the Federal Circuit in *Secure Access, LLC v. PNC Bank Nat’l Ass’n*, 859 F.3d 998, 1003 n.5 (Fed. Cir. 2017) (Taranto, J., concurring); *id.* at 1005 (Lourie, J., dissenting).

challenged in the petition is unpatentable.” (emphasis added)); 37 C.F.R. §§ 42.4(a) (“The Board institutes the trial on behalf of the Director.”), 42.208(a) (“[T]he Board may authorize the review to proceed.”), 42.208(b) (“At any time prior to institution of post-grant review, the Board may deny some or all grounds for unpatentability for some or all of the challenged claims.”); *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016) (the AIA does not impose a “mandate to institute review”); *Harmonic Inc. v. Avid Tech., Inc.*, 815 F.3d 1356, 1367 (Fed. Cir. 2016) (explaining that under § 314(a) (which is worded similarly to § 324(a)), “the PTO is permitted, but never compelled, to institute an [*inter partes* review] proceeding”); PO Br. 3–4. Thus, we are not persuaded that *Rembrandt* requires statutorily disclaimed claims to be considered when determining whether a patent is eligible for CBM patent review.

4. Conclusion

As explained above, CBM patent review eligibility is determined based on the claims of the challenged patent as they exist at the time of the decision whether to institute, and statutorily disclaimed claims must be treated as if they never existed. Petitioner has not carried its burden of demonstrating that we abused our discretion in not considering disclaimed claims 6 and 8–11 and denying institution in this proceeding.

III. ORDER

For the above reasons, Petitioner’s Request for Rehearing is denied, and our order stands as set forth in our Decision Denying Institution of Covered Business Method Patent Review (“Dec. on Inst.”).

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Petitioner:

Heidi Keefe
Andrew Mace
COOLEY LLP
hkeefe@cooley.com
amace@cooley.com

Patent Owner:

Ryan Schultz
Andrew Kabat
ROBINS KAPLAN LLP
rschultz@robinskaplan.com
akabat@robinskaplan.com