

Case CBM2017-00002
Patent No. 9,203,870 B2

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

FACEBOOK, INC. and INSTAGRAM, LLC,
Petitioners,

v.

SKKY, LLC,
Patent Owner.

Case: **CBM2017-00002**
Patent **9,203,870 B2**

**PETITIONERS FACEBOOK, INC. AND INSTAGRAM LLC'S
REQUEST FOR REHEARING UNDER 37 C.F.R. § 42.71(c)**

Petitioners Facebook, Inc. and Instagram, LLC (“Petitioners”) respectfully submit this request for rehearing pursuant to 37 C.F.R. § 42.71(c). Petitioners note that the grounds for rehearing raised by Petitioners are substantially the same as those Petitioners raised in a pending request for rehearing filed December 22, 2016 and supplemental brief filed May 1, 2016 in CBM2016-00091, where the Board denied institution of CBM review regarding a related patent after Patent Owner filed a statutory disclaimer of certain claims. (CBM2016-00091, Papers 8 and 9.) The Board in CBM2016-00091 indicated during a teleconference held on April 24, 2017 that Petitioners’ request for rehearing in that case may be decided by an expanded panel. Accordingly, Petitioners respectfully submit that the Board in this case may prefer to defer decision on the present request until after the pending request in CBM2016-00091 is decided.

Petitioners appreciate that requests for rehearing under 37 C.F.R. § 42.71(c) are rarely granted. But Petitioners feel compelled to bring this request because of the importance of maintaining the efficacy of the CBM patent review procedure as envisioned by Congress. Specifically, as previously explained by Petitioners and confirmed by a newly-issued precedential decision by the Federal Circuit, a patent owner filing a statutory disclaimer of certain claims after the filing of the CBM petition does not extinguish the right of accused infringers (Petitioners here) to

challenge the patent in CBM review and should not unilaterally strip the Board of its authority to institute CBM review.

The dispute in this case began when Patent Owner sued Petitioners for alleged patent infringement, asserting, among other patents, “at least claims 8 and 10-14 of the ’870 patent.” (Ex. 1003, ¶¶ 186-92.) On October 14, 2016, Petitioners filed a petition for CBM patent review of claims 1-14 of the ’870 patent. (Paper 1.) Three months later, Patent Owner filed (the day before its Preliminary Response) a statutory disclaimer of claims 1-7 and 9 pursuant to 37 C.F.R. § 1.321(a), and argued that the disclaimer rendered those claims “as if they never existed” for purposes of CBM eligibility. (Paper 8 at 5-6; Ex. 2001.) With the Board’s permission, Petitioners filed a preliminary reply on March 7, 2017 explaining why the filing of the statutory disclaimer should not prevent the Board from granting institution of CBM review. (Paper 9.) On March 13, 2017 Patent Owner filed a sur-reply. (Paper 10.) Finally, the Board denied the instant petition on the basis that the ’870 patent was not eligible for CBM review after the filing of the statutory disclaimer. (Paper 11.)

It remains undisputed that the disclaimed claims, if considered, would amply qualify the ’870 patent for CBM patent review, even under the tightened standard for CBM eligibility articulated in *Unwired Planet, LLC v. Google Inc.*, 841 F.3d 1376 (Fed. Cir. 2016). As explained in the Petition and preliminary reply, those

claims explicitly recite, among other things, “debiting ... an account” and “creating ... an account” to facilitate payment between a user and a copyright owner (claim 9), pushing advertising content (claim 2), and monitoring downloads to determine royalty payments to rights holders (claim 1). (Paper 1, at 7-14; Paper 9, at 2.) Neither Patent Owner nor the Board’s decision denying institution dispute that any of those claims, if considered as part of the ’870 patent, would authorize the Board to find the ’870 patent eligible for CBM patent review. *See, e.g., Liberty Mutual Ins. Co. v. Progressive Casualty Ins. Co.*, CBM2012-00002, Paper 66 at 6 (Jan. 23, 2014) (explaining that CBM patent review is available for an entire patent even if only one claim recites a covered business method).

The Board’s Decision denying institution in this matter and Patent Owner’s arguments rely on the proposition that, for purposes of CBM eligibility, disclaimed claims should be treated “as if they never existed” or at least treated as no longer existing “as of the time of institution.” (Paper 11, at 9-12; Paper 8, at 5-6; Paper 10, at 1-2.) However, the Board and parties did not have the benefit of the Federal Circuit’s recent precedential decision in *Rembrandt Wireless Techs., LP v. Samsung Elecs. Co.*, 853 F.3d 1370, 2017 U.S. App. LEXIS 6502, at *24-27 (Fed. Cir. Apr. 17, 2017) that clarifies the impact of post-filing statutory disclaimers and underscores the points Petitioners previously explained in their preliminary reply.

Rembrandt clarifies that disclaimers under 35 U.S.C. § 253 extinguish only a

patent owner’s legal rights—not the rights of others—with regard to the disclaimed claims: “But while 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.” *Id.* at *26 (emphasis added). The court cited decisions across a wide range of litigation and administrative contexts rejecting patent owners’ attempts to use disclaimers to deprive accused infringers of their rights, and concluded that the same principle should apply to the § 287 patent marking context. *Id.* at *26-27 (citing cases). Accordingly, *post hoc* statutory disclaimers do not, under *Rembrandt*, extinguish rights held by “others besides the patentee.” *Id.*

This principle squarely applies to the rights Congress and the PTO granted to accused infringers under the Covered Business Method patent review program. AIA § 18(a) (providing that the Director will establish CBM review for parties that have been sued or charged with infringement); 37 C.F.R. §§ 42.302-303 (providing that a party accused of infringement may file a petition for CBM review “any time” except during the time period for post-grant review under 35 U.S.C. § 321(c)). Once a patent owner has sued parties for alleged infringement, the accused infringers—including Petitioners here—acquire the right to challenge the

asserted patent in CBM review under the conditions set forth in the statute and regulations. AIA § 18(a)-(d); 37 C.F.R. §§ 42.301-304. *Rembrandt* makes clear that this right cannot be extinguished by a patent owner's selective and unilateral disclaimer after the CBM petition is filed. Under *Rembrandt*, a *post hoc* disclaimer does not extinguish the accused infringer's right to challenge the asserted patent in CBM review so long as the patent was subject to CBM review at the time the petition was filed (which it was here). (*See also* Paper 9, *passim*.)

The Federal Circuit's decision in *Rembrandt* also provides context for the PTO's regulations regarding disclaimer. The PTO's regulations state that "[t]he patent owner may file a statutory disclaimer under 35 U.S.C. 253(a)" and "[n]o post-grant review will be instituted based on disclaimed claims." 37 C.F.R. § 42.207(e). In its decision denying institution, the Board interpreted this language to mean that claims disclaimed after the filing of the CBM petition should not be considered part of the patent when determining CBM eligibility. (Paper 11, at 12.) However, as Petitioners previously explained, the PTO's stated intent for that rule was merely to specify that the disclaimed claims themselves will not needlessly undergo CBM review. (*See* Paper 9, at 5-6, quoting 77 Fed. Reg. 48,680, 48,692 (Aug. 14, 2012).) To the extent the wording "based on disclaimed claims" is ambiguous, the PTO's commentary on that rule makes clear that it means "no post-grant review will be instituted to review disclaimed claims." (*See id.* (emphasis

added).) Moreover, *Rembrandt* confirms that *post hoc* statutory disclaimers do not extinguish rights held by “others besides the patentee” and cannot “retroactively” excuse a patent owner’s failure to disclaim the claims that confer CBM eligibility before the accused infringer’s right to challenge the patent has vested. *Rembrandt*, at *26-27.

The Board’s decision denying institution also interpreted the statutory language providing for CBM review of a patent that “is a covered business method patent” under AIA § 18(a)(1)(E) as limited to “what *is* a CBM patent *at the time of institution*.” (Paper 11, at 12 (emphasis in original).) The Board therefore determined that a patent owner’s statutory disclaimer filed after a challenger files a CBM petition could retroactively eliminate the CBM eligibility that existed at the time the challenger filed the petition. (*Id.*) Under *Rembrandt*, however, the Board should consider whether the patent “is a covered business method patent” under AIA § 18(a)(1)(E) at the time the accused infringer files its petition without regard to any subsequent statutory disclaimer. A post-filing disclaimer of only some claims in the patent may disclaim the patent owner’s rights in those claims, but it does not extinguish the vested rights of accused infringers (Petitioners here) to challenge the patent in CBM review, as discussed previously. *Rembrandt*, at *26-27.

Rembrandt also makes clear that any limited exceptions to the general rule

protecting the rights of others from *post hoc* statutory disclaimers should not be “readily extended” to other contexts. *Rembrandt*, at *26. The same reasoning fully applies to accused infringers’ right to challenge patents in CBM review, and the Board and Patent Owner have not cited any controlling authority to the contrary. For example, the Board cited *Genetics Inst., LLC v. Novartis Vaccines & Diagnostics, Inc.*, 655 F.3d 1291, 1299 (Fed. Cir. 2011) for the proposition “that the Board’s interference jurisdiction under 35 U.S.C. § 291 requires the existence of an interference, and a claim that never existed due to a statutory disclaimer cannot form the basis for an interference.” (Paper 11, at 10 (internal citations and quotes omitted).) But the Board did not have the benefit of *Rembrandt*, which makes clear that *Genetics* should be limited to a particular interference context. In fact, *Genetics* expressly rejected a request to extend the prior holding of the *Albert* case “beyond the effect of a patent disclaimer in a § 291 action.” *Genetics*, at 1298-1300, citing *Albert v. Kevex Corp.*, 729 F.2d 757 (Fed. Cir. 1984).

The *Albert* decision, in turn, underscores the reasoning of *Rembrandt*. *Albert*, 729 F.2d at 761. There, the Federal Circuit reasoned that allowing a post-filing disclaimer to nullify jurisdiction in a § 291 interference action was not as harmful to the rights of others because § 291 is not “comparable to the declaratory judgment statute” where a patent owner had already acted to charge others with infringement. *Id.* at 761. By contrast, CBM patent review explicitly requires an

actual infringement suit or declaratory judgment standing. AIA § 18(a)(1)(B); 37 C.F.R. § 42.302(a). Once a patent owner chooses to allege infringement of a CBM-eligible patent, it cannot “retroactively” extinguish the accused infringer’s right to challenge the patent in CBM review after the petition has been filed. *See Rembrandt*, at *26-27.

Rembrandt also confirms that its reasoning applies to PTO administrative proceedings as well as district court litigation, citing *Guinn v. Kopf* for the point that “disclaimer of an allegedly interfering claim did not divest the Board of jurisdiction over interference proceeding.” *Rembrandt*, at *26-27, citing *Guinn v. Kopf*, 96 F.3d 1419, 1422 (Fed. Cir. 1996). *Rembrandt* thus makes clear that the Board’s reliance on *Guinn* in denying institution in the present case is also untenable. (Cf. Paper 11, at 10, 12.) As *Rembrandt* confirms, *Guinn*’s “never existed in the patent” language speaks only to the patent owner’s rights, as a statutory disclaimer does not “divest[] the Board of jurisdiction” in a § 135 interference. *Guinn*, 96 F.3d at 1422 (terminating only under rule of convenience, 37 CFR § 1.662(c), because “all claims” in the count were disclaimed). *Guinn* actually supports CBM review of the challenged patent when, as here, not all claims have been disclaimed and the patent was CBM-eligible when the accused infringers (Petitioners) exercised their rights and filed their petition.

Rembrandt also further supports adopting the longstanding “time-of-filing” rule in assessing the impact of post-filing statutory disclaimers on CBM eligibility as Petitioners explained in their preliminary reply. (Paper 9.) As Petitioners explained previously, once an accused infringer has exercised its right to file a petition for CBM review, the patent’s eligibility for CBM patent review should be assessed using the claims as they existed at the time the CBM petition is filed, without regard to any subsequent and unilateral disclaimer submitted by a patent owner. (*Id.*, at 1-5.) *Rembrandt* further supports this rationale. Just as the patent owner in *Rembrandt* could not “retroactively” extinguish an accused infringer’s defense under § 287 and parties to lawsuits generally cannot retroactively divest the court of jurisdiction existing when the complaint is filed (*see id.*, at 2-3), so too Patent Owner here cannot retroactively extinguish the accused infringers’ right to challenge the patent in CBM review by filing a selective statutory disclaimer after the CBM petition has been filed.

Accordingly, Petitioners respectfully request that the Board grant this request for rehearing and institute CBM review of the non-disclaimed claims of the ’870 patent on the grounds set forth in Petitioners’ petition.

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CERTIFICATE OF SERVICE

I hereby certify, pursuant to 37 C.F.R. Section 42.6, that a complete copy of the attached **PETITIONERS FACEBOOK, INC. AND INSTAGRAM LLC'S REQUEST FOR REHEARING UNDER 37 C.F.R. § 42.71(c)**, is being served via electronic mail on the 12th day of May, 2017, on counsel of record for Patent Owner as follows:

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