

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
PRELIMINARY REPLY TO PATENT OWNER'S
PRELIMINARY RESPONSE**

Petitioners Facebook, Inc. and Instagram, LLC (“Petitioners”) respectfully submit the following Preliminary Reply to address Patent Owner’s statutory disclaimer of claims 1-7 and 9. This Preliminary Reply was authorized by e-mail on February 27, 2017.

Patent Owner has once again invited the Board to commit a fundamental legal error that would threaten to undermine the efficacy of the CBM patent review procedure as envisioned by Congress.¹ Specifically, Patent Owner seeks 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. The Petitioners respectfully request that the Board refuse Patent Owner’s invitation.

The facts here are straightforward. The dispute began when Patent Owner sued Petitioners for patent infringement, asserting, among other patents, “at least claims 8 and 10-14 of the ’870 patent.” (Ex. 1003, ¶¶ 186-192.) On October 14,

¹ In proceedings on a related CBM Petition, Patent Owner similarly disclaimed claims of a financial nature and asked the Board to disregard them for CBM eligibility purposes. (CBM2016-00091, Paper 6 at 5-6) There, without providing Petitioners the opportunity to reply, the Board agreed with Patent Owner (Paper 7 at 7-10). Petitioners accordingly filed a request for rehearing that is still pending (Paper 8) to correct this fundamental error.

2016, the Petitioners filed their request for CBM patent review of claims 1-14 of the '870 patent. 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 6 at 5-6; Ex. 2001.)

There can be little doubt that the disclaimed claims, if considered, will amply qualify the '870 patent for CBM patent review. Those claims explicitly recite, among other things, “debiting ... an account” and “crediting ... 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). Patent Owner did not dispute that any of those claims would have authorized the Board to find the entire '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). In effect, Patent Owner would have the disclaimer oust the Board of its authority to institute CBM patent review against the '870 patent.

What Patent Owner did here is commonly referred to in federal court litigation as “a postfiling salvage operation,” an attempt to divest a tribunal of its jurisdiction by manipulating the facts *after* the complaint or petition is filed. As

explained by the Supreme Court, “[i]t has long been the case that ‘the jurisdiction of the court depends on the state of things at the time the action is brought.’ This time-of-filing rule is hornbook law (quite literally) taught to first-year law students in any basic course on federal civil procedure.” *Grupo Dataflux v. Atlas Glob. Grp., L.P.*, 541 U.S. 567, 570–71 (2004) (quoting *Mollan v. Torrance*, 22 U.S. (9 Wheat.) 537, 539 (1824)) (emphasis added). The corollary to this rule, deeply embedded in American jurisprudence, is that such an “attempted postfiling salvage operation” should not immunize a party – here, Patent Owner – from having to answer a proceeding brought against it. *Grupo Dataflux*, 521 U.S. at 571; *Mollan*, 22 U.S. at 539 (“It is quite clear, that the jurisdiction of the Court depends upon the state of things at the time of the action brought, and that after vesting, it cannot be ousted by subsequent events.”). This time-of-filing rule serves the important policy of preventing a responding party from depriving a forum of its authority through post-filing manipulation of the facts under the responding party’s control.

The Petitioners respectfully submit that the Board should adopt the longstanding “time-of-filing” rule in assessing the impact of post-filing statutory disclaimers on CBM eligibility. A patent’s eligibility for CBM patent review should be assessed based on the claims as they existed at the time the CBM petition is filed, without regard to any subsequent and unilateral disclaimers submitted by a patent owner. Patent Owner’s disclaimer of more than half of the

issued claims here, therefore, should not divest the Board of its authority under the AIA to institute CBM patent review of the remaining claims.

Although the time-of-filing rule originated in the context of federal court jurisdiction, its policies are fully consistent with the Congressional purpose behind the CBM patent review program. The Federal Circuit has noted that CBM patent review was created by Congress in response to concerns regarding litigation abuse involving business method patents. *See Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1325 (Fed. Cir. 2015). Applying the time-of-filing rule here would prevent patent owner litigants from gaining an unfair strategic advantage by ousting the Board of its ability to carry out the CBM patent review program.

In fact, by not applying the time-of-filing rule, the Board would create a powerful loophole that effectively surrenders its authority to institute CBM patent reviews to the very patent owner litigants that Congress sought to keep at bay through the CBM patent review program. Except in those cases where financial features are recited in every single claim of the challenged patent, it would be a simple matter for a patent owner to strip the Board of its CBM authority by surgically disclaiming those claims that explicitly recite financial features, as has become the *modus operandi* of Patent Owner here. Including the present petition, the Petitioners filed five CBM petitions challenging patents asserted in litigation by Patent Owner. Patent Owner has now filed statutory disclaimers in all five of those

proceedings in an attempt to avoid CBM review.²

The Board's authority to implement the CBM patent review program established by Congress should not depend on arbitrary differences in how the originally-issued claims are arranged in the challenged patent, such as concentrating financial terms in dependent claims that can be readily jettisoned. Nor should the Board's authority depend on the whim of patent owner litigants who are highly motivated to avoid CBM patent review.

And nothing in the rules governing these proceedings precludes the Board from applying a "time-of-filing" rule. Patent Owner cited to 37 C.F.R. § 42.207, but the relevant portion of that rule only prevents the institution of CBM patent review *against* claims that have been disclaimed. The PTO's commentary accompanying § 42.207 makes clear that the intent behind that portion of the rule was simply to bar institution of review against the particular claims that have been disclaimed. *See* 77 Fed. Reg. 48,680, 48,692 (Aug. 14, 2012) ("Section 42.207(e) provides that the patent owner may file a statutory disclaimer ... disclaiming one

² In four of those petitions (CBM2016-00091, CBM2017-00002, CBM2017-00003, CBM2017-00006), Patent Owner disclaimed certain claims to avoid CBM patent review. In the fifth petition (CBM2017-00007), because the only independent claim had financial terms, Patent Owner disclaimed the entire patent.

or more claims in the patent, and no post-grant review will be instituted to review disclaimed claims.”) (emphasis added). The question of whether a patent qualifies for CBM patent review is distinct from the decision as to which particular claims of the patent should be reviewed. The rule is simply one of convenience and administrative economy that obviates the Board from having to pass on the merits of claims that a patent owner itself has abandoned.

Nothing in that rule prohibits the Board from relying on a disclaimed claim to determine whether the patent as a whole qualifies as a “covered business method patent” under the AIA at the time the CBM petition is filed. Nor does that rule require that the Board treat disclaimed claims “as if they never existed,” as Patent Owner urges. (Paper 6 at 5-6.) After all, a disclaimer does not erase the existence of the claim from the intrinsic record. *See, e.g., Bd. of Regents of Univ. of Tex. v. BENQ Am. Corp.*, 533 F.3d 1362, 1370 (Fed. Cir. 2008) (reviewing a cancelled dependent claim during claim construction analysis); *Great West Cas. Co. v. Intellectual Ventures II LLC*, CBM2015-00171 (Paper 10), at p. 8 (PTAB Feb. 9, 2016) (“We acknowledge that other panels of the Board have taken the caveat that an otherwise statutorily disclaimed dependent claim, which includes finance-related subject matter, may still be considered...” (internal citations omitted)); *J.P. Morgan Chase & Co. v. Intellectual Ventures II LLC*, Case CBM2014-00157, slip op. at 2–3 (PTAB Feb. 18, 2015) (Paper 11) (holding post-institution disclaimer

did not alter scope of claims being challenged or justify termination of trial).

Finally, because of the unique characteristics of CBM patent reviews, the time-of-filing rule would work no unfair prejudice to patent owners. CBM patent reviews differ from other kinds of post-grant reviews in one key respect – a patent owner cannot be ambushed with a CBM petition it could not foresee. A petitioner cannot even file a CBM petition unless it “has been sued for infringement of the patent or has been charged with infringement under that patent.” 37 C.F.R. § 42.302(a). Owners of covered business method patents, therefore, are not faced with surprise challenges by intermeddling third parties with no personal stake. In the present case, Patent Owner had already sued the Petitioners for alleged infringement of the ’870 patent. (Ex. 1003, ¶¶ 189-192.)

If the Board does not apply the time-of-filing rule to CBM patent reviews, patent owners would unfairly get the best of both worlds – they could freely accuse third parties of infringing covered business method claims and demand royalties, but if one of those third parties responds by filing a CBM petition, patent owners could escape review through selective disclaimer. It is not too much to ask that patent owners whose claims are subject to CBM patent review file their statutory disclaimers *before* they sue third parties, and *before* those parties expend enormous time and expense preparing and filing CBM petitions in reliance on the originally-issued and asserted claims.

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

Dated: March 6, 2017

COOLEY LLP
ATTN: Patent Group
1299 Pennsylvania Ave., NW, Suite 700
Washington, DC 20004
Tel: (650) 843-5001
Fax: (650) 849-7400

Respectfully submitted,

By: /Heidi L. Keefe/
Heidi L. Keefe
Reg. No. 40,673
Counsel for Petitioners

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

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 PRELIMINARY REPLY TO PATENT OWNER'S PRELIMINARY RESPONSE** and related documents, are being served via electronic mail on the 6TH day of March, 2017, on counsel of record for Patent Owner as follows:

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

DATED: March 6, 2017

/ Heidi L. Keefe /
Heidi L. Keefe
Reg. No. 40,673

COOLEY LLP
ATTN: Patent Docketing
1299 Pennsylvania Ave. NW, Suite 700
Washington, D.C. 20004
Tel: (650) 843-5001
Fax: (650) 849-7400