

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Facebook, Inc.
Petitioner

v.

Rembrandt Social Media, L.P.
Patent Owner

IPR2014-00415
Patent 6,415,316

**PATENT OWNER'S REQUEST FOR
REHEARING UNDER 37 C.F.R. § 42.71(d)**

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I. INTRODUCTION

Pursuant to 37 C.F.R. § 42.71(d), Rembrandt hereby requests rehearing of the Board's July 7, 2014 decision instituting the *inter partes* review. The Petition should be dismissed because, on the undisputed facts, as a matter of law, it was not effectively filed before the expiration of the one year statute of limitations period.

In its July 7 institution decision the Board correctly found that Petitioner had failed to comply with the service requirement of 37 C.F.R. § 105(b).¹ Under 37 C.F.R. § 106 the consequence of that failure would be loss of filing date.² But the Board chose not to impose that consequence, on the ground that the Patent Owner supposedly was not prejudiced by the failure.³

It is of course true that there is a "harmless error" exception to the otherwise strict administrative law requirement that an agency enforce its own regulations. In applying that exception, however, the Board applied the wrong standard for

¹ July 7, 2014 Decision Instituting the Inter Partes Review ("Decision"), at 6-7; *see also* Rembrandt's May 12, 2014 Preliminary Response ("Preliminary Response") at 1-6.

² Preliminary Response at 1, 4-6; Decision at 6-7.

³ Decision at 7.

determining whether a failure to follow the rules was “harmless.” The Board focused on whether Patent Owner’s ability to timely respond to the Petition was prejudiced. But the correct standard is whether the failure to follow the rule is outcome determinative.

It is beyond dispute that here, where under the rules Petitioner would not have a filing date prior to expiration of the statute of limitations, the failure to properly effect service is outcome determinative. The Board thus lacks jurisdiction to entertain the Petition. It should be dismissed.

II. LEGAL STANDARD

“When rehearing a decision on petition, a panel will review the decision for an abuse of discretion.” 37 C.F.R. § 42.71(c).

III. ARGUMENT

A. Agencies Like the Patent Office Must Follow Their Own Regulations and in this Case the Regulations Require Proper Service in Order to Obtain a Filing Date

It is black-letter administrative law that “an agency is bound by its own regulations.” *Wagner v. United States*, 365 F.3d 1358, 1361 (Fed. Cir. 2004); *see also Service v. Dulles*, 354 U.S. 363, 372 (1957) (“[R]egulations validly prescribed by a government administrator are binding upon him as well as the citizen, and . . . this principle holds true even when the administrative action under review is discretionary in nature.”); *Fort Stewart Schools v. Fed. Labor Relations Authority*,

495 U.S. 641, 654 (1990) (“It is a familiar rule of administrative law that an agency must abide by its own regulations.”).

Here, the regulations make clear that a Petition will not be accorded a filing date until several requirements are met, including that service on the correspondence address is effected as required by § 42.105(a).⁴ Rule 42.105 governs “Service of the Petition” and imposes two service requirements on a petitioner. Subpart (a) dictates to whom the service must be directed (“the patent owner at the correspondence address of record”) and subpart (b) dictates the manner of service required.

⁴ See 37 C.F.R. § 42.106 (“FILING DATE (a) Complete Petition. A Petition to institute inter partes review ***will not be accorded a filing date until*** the Petition satisfies all of the following requirements: (1) Complies with §42.104; (2) ***Effects service of the Petition*** on the correspondence address of record as provided in §42.105(a); and (3) Is accompanied by the fee to institute required in §42.15(a). (b) Incomplete Petition. Where a party files an incomplete Petition, no filing date will be accorded, and the Office will dismiss the Petition if the deficiency in the Petition is not corrected within one month from the notice of an incomplete Petition.”) (emphasis added).

Under these regulations, the result of violating the § 42.105(b) mail manner-of-service requirement (as the Board correctly held here) is that the petition has not actually been served by mail as a matter of law. And here, because none of the other provisions of § 42.105(b) were complied with (electronic or personal service) when Facebook electronically filed the petition, it follows that service was not then effected on the correspondence address under § 42.105(a). As such, the Petition cannot be afforded a filing date on the day the petition was electronically submitted to the Patent Office.

In other words, the regulations establish that the Petition here does not have a filing date prior to expiration of the one year statutory limitation period. The Board declined to follow the regulations on the ground that the service defect supposedly was harmless.

B. The Harmless Error Exception Does Not Apply Here Because Had the Board Followed the Regulations, the Petition Would Have Been Dismissed

The only exception to the requirement that agencies must follow their own regulations is where the error of not following the regulations is harmless.

Wagner, 365 F.3d at 1361 (“The decision in *Service* requiring an agency to comply with its self-imposed regulations, however, does not end our inquiry, as strict compliance with procedural requirements is not required where the error is deemed harmless.”) (citing cases); *see also PDF Laboratories Inc. v. U.S. D.E.A.*, 362 F.3d

786, 799 (D.C. Cir. 2004) (“In administrative law, as in federal civil and criminal litigation, there is a harmless error rule: § 706 of the Administrative Procedure Act, 5 U.S.C. § 706, instructs reviewing courts to take ‘due account . . . of the rule of prejudicial error.’ If the agency’s mistake did not affect the outcome, if it did not prejudice the petitioner, it would be senseless to vacate and remand for reconsideration.”). But an error that is outcome determinative cannot be “harmless error” and thus this exception does not apply in those circumstances. *Sneed v. Shinseki*, 737 F.3d 719, 724, n.5 (Fed. Cir. 2013) (making clear that a harmless error by definition is not outcome determinative); *see also PDF Labs. Inc.*, 362 F.3d at 799 (same); *Dolan v. United States*, 91 Fed. Cl. 111, 122 (Fed. Cl. 2010) (“Correspondingly, no changes will be made when the error or injustice is deemed harmless, because harmless errors are not sufficiently significant to change the outcome of a case.”). Here, the “harmless error” exception does not apply because the Board’s failure to follow its own rules changed the outcome—dramatically.

Indeed, if the Board had followed its own regulations, the outcome would have been a dismissal. But by not following the regulations, the outcome is the institution of the *inter partes* review and potentially a finding that the challenged claims are not patentable and thus invalid. Ultimately, the error here is not applying the statute of limitations—an error that by its very nature cannot be harmless. *Harding v. Williams Property Co.*, 163 F.3d 598 (Table), at *4 (4th Cir.

Aug. 31, 1998) (unpublished) (“[T]he outcome-determinative statute of limitations defense present here quells any conceivable assertion of harmless error.”). Indeed, the Board’s error here is fundamentally one of jurisdiction and there is perhaps nothing more outcome determinative than the question of jurisdiction.

The Board’s jurisdiction to institute an IPR is set forth in 37 C.F.R. § 42.3—a section entitled “Jurisdiction”—which includes subpart (b) stating that “[a] petition to institute a trial must be filed with the Board consistent with any time period required by statute.” The legislative history in the Federal Register relating to this section reinforces this clear limitation on the Board’s jurisdiction, stating that “[p]roposed § 42.3 would set forth the jurisdiction of the Board in a Board proceeding.” Department of Commerce Patent & Trademark Office, 77 Fed. Reg. 6,882 (proposed Feb. 9, 2012). Thus, the regulations make clear that the Board is without jurisdiction to institute an IPR based on a petition that was filed after the one-year statute of limitations, as here.

Rembrandt respectfully submits that the Board improperly extended its jurisdiction in this case in applying the “harmless error” exception. The Board was focused on the wrong prejudice to Rembrandt. The Board justified its refusal to follow the regulations because Facebook’s service error was “harmless” to Rembrandt’s ability to respond to the petition in a timely manner. But the real harm to Rembrandt is having to defend its patent in an *inter partes* review that is

barred by the statute-of-limitations and which the Board is without jurisdiction to hear according to its own rules. When that prejudice is considered, Petitioner's failure to follow the service regulation becomes unquestionably outcome determinative and thus not harmless.

C. Statutes of Limitations Are To Be Strictly Enforced

While all rules are written to be followed, statutes of limitations in particular are strictly enforced. *Liadov v. Mukasey*, 518 F.3d 1003, 1009 (8th Cir. 2008) (“Filing deadlines, like statutes of limitations, necessarily operate harshly and arbitrarily with respect to individuals who fall just on the other side of them, but if the concept of a filing deadline is to have any content, the deadline must be enforced.”) (quoting *United States v. Locke*, 471 U.S. 84, 101 (1985)); *Turner v. Singletary*, 46 F. Supp. 2d 1238, 1240 (N.D. Fla. 1999) (“[A]lthough application of the statute of limitations might appear harsh, that is always the case with statutes of limitation. By definition, statutes of limitation preclude presentation of a plaintiff's or Petitioner's claims on the merits. Harsh as they are, statutes of limitation serve important interests. And harsh as it might seem, statutes of limitation establish hard and fast deadlines, subject to tolling under various circumstances but not subject to being held inapplicable simply because a plaintiff or Petitioner came close. The law is and always has been that a statute of limitations creates a definitive deadline; a complaint or petition filed one day late (or six days late as in the case at

bar) is untimely, just as if a year late.”); *Cummins v. Home Depot USA, Inc.*, No. 08 C 2226, 2009 WL 1851183, at *5 (N.D. Ill. June 29, 2009) (“Cummins has cited no Illinois authority that creates a “fairness” exception to the statute of limitations.”).

Moreover, the one-year statute of limitations included in 35 U.S.C. § 315(b) was carefully negotiated in Congress in order to “to provide defendants sufficient time to fully analyze the patent claims, but not to create an open-ended process”⁵ and Facebook had more than enough time to analyze the patent claims before submitting the Petition. Indeed, by last October—more than three months before the one-year statutory deadline—the parties in the related litigation had received a claim-construction ruling, completed fact discovery, exchanged expert reports

⁵ *Motorola Mobility LLC v. Patent of Michael Arnouse*, Case IPR2013-00010 (MT), 2013 WL 2023657, at *3 (P.T.A.B. Jan. 30, 2013) (reviewing the legislative history); *see also Meeting of H. Comm. on the Judiciary*, Transcript of Markup of H.R. 1249, p. 72 (April 14, 2011) (statement of Judiciary Committee Chairman Lamar Smith) (“The *inter partes* proceeding in H.R. 1249 has been carefully written to balance the need to encourage its use while at the same time preventing the serial harassment of patent holders.”).

(including Facebook's expert report on invalidity), taken expert depositions, filed summary judgment motions, and were preparing for a December 2013 trial on the merits. Facebook nevertheless waited until the last day, for its own reasons, and thus accepted the risk that a procedural defect would deprive it of the filing date it needed to comply with the statutory deadline. That this risk materialized is the result of Facebook's actions, not Rembrandt's. As such, a dismissal is fair and appropriate in this case.

IV. CONCLUSION

For the foregoing reasons, the Board should reconsider its decision to institute *inter partes* review and instead dismiss Facebook's Petition.

Respectfully submitted,

Date: July 21, 2014

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CERTIFICATE OF SERVICE

Pursuant to 37 CFR §§ 42.6(e)(4)(i) *et seq.* and 42.105(b), the undersigned certifies that on July 21, 2014, a complete and entire copy of this Patent Owner's Request for Rehearing was provided via e-mail, to the Petitioner by serving the correspondence e-mail addresses of record as follows:

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