

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

UNIFIED PATENTS, LLC

Petitioner,

v.

B# ON DEMAND, LLC

Patent Owner.

IPR2020-00995

PATENT OWNER'S RESPONSE TO THE PETITION

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Patent Owner's Updated Table of Exhibits

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2001	Curriculum Vitae of Petr Peterka
2002	File History of U.S. 6.763,370 (Schmeidler)
2003	https://www.nexttv.com/news/millennium-and-aerocast-go-streaming-seattle-132346
2004	http://www.fundinguniverse.com/company-histories/blockbuster-inc-history/
2005	https://www.forbes.com/2010/05/18/blockbuster-netflix-coinstar-markets-bankruptcy-coinstar_slide.html#523ba0b05464
2006	https://hbr.org/2011/04/how-i-did-it-blockbusters-former-ceo-on-sparring-with-an-activist-shareholder
2007	http://www.fundinguniverse.com/company-histories/reálnetworks-inc-history/
2008	http://www.fundinguniverse.com/company-histories/netflix-inc-history/
2009	U.S. Patent No. 7,243,366
2010	https://en.wikipedia.org/wiki/Digital_rights_management
2011	https://en.wikipedia.org/wiki/PlayReady
2012	https://en.wikipedia.org/wiki/Microsoft_App-V
2013	https://en.wikipedia.org/wiki/Application_virtualization
2014	https://en.wikipedia.org/wiki/Application_streaming
2015	Anderson, Ross, <i>Security Engineering</i> , Third Ed. (2020), Ch. 24, Copyright and DRM
2016	Clapp, The Beginnings of Subscription Publication in the Seventeenth Century, in 29 <i>Modern Philology</i> 199 (1931)
2017	Excerpts from File History of U.S. 6,912,528
2018	Excerpts from File History of U.S. 7,877,412
2019	Excerpts from File History of U.S. 9,031,985
2020	Excerpts from File History of U.S. 8,832,149
2021	Excerpts from File History of U.S. 9,330,242
2022	Excerpts from File History of U.S. 9,900,323
2023	File History of U.S. Application No. 15/867,668
2024	Declaration of Petr Peterka
2025	Amendment Dated July 25, 2020 in File History of U.S. Application No. 15/867,668 (together with exhibits to same)
2026	https://www.crunchbase.com/organization/riffage-com

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2027	https://torrentfreak.com/spotify-helps-to-beat-music-piracy-european-commission-finds-151028/
2028	Table comparing claim language
2029	Chart of challenged claim language allowed by Examiner
2030	https://www.unifiedpatents.com/insights/2019/10/4/twitter-and-spotify-join-unified
2031	https://www.unifiedpatents.com/
2032	Unified Patents Challenges Clouding IP Patent as Part of Mission to Remove Patent Trolls from Cloud Storage Industry (prnewswire.com)
2033	https://vimeo.com/322908815
2034	Docket Navigator Summary of Cases re Unified Patents, LLC f/k/a Unified Patents Inc. dated 2/22/2021
2035	Docket Navigator Summary re Parties as Patent Challenger
2036	https://www.unifiedpatents.com/member-gallery
2037	https://www.unifiedpatents.com/insights/2016/5/4/jpmorgan-chase-co-joins-electronic-payments-zone
2038	Chart of Unified Patents IPR Cases
2039	https://www.unifiedpatents.com/join
2040	11/12/2019 Summons in a Civil Action to Spotify USA, Inc. in USDC Delaware, Case No. 19-2077-RGA
2041	9/8/2020 Order Granting Motion to Dismiss in USDC Delaware Case No. 19-2077-RGA
2042	https://www.unifiedpatents.com/npe
2043	https://news.microsoft.com/2006/07/17/microsoft-completes-acquisition-of-softtricity/
2044	Microsoft SoftGrid v4 Application Virtualization and Streaming Overview
2045	12/3/2020 IEEE Request for Comments on Discretion to Institute Trials Before the Patent Trial and Appeal Board Docket No. PTO-C-2020-0055
2046	December 2020 Brief for Arthrex, Inc. re Supreme Court of the United States Case Nos. 12-1434, 19-1452, 19-1458

I. INTRODUCTION

Patent Owner, B# On Demand LLC (“B#”) respectfully requests that the Board deny the Petition of Unified Patents LLC (“Petitioner”) for the following reasons:

- The Board cannot consider the Petition because Petitioner has yet to name the Real Parties in Interest as required under 35 U.S.C. § 312(a), including without limitation its member, Spotify, Inc.; and, no filing date can be afforded if this statutory requirement is not met;
- Petitioner has not carried its burden to establish that a skilled artisan at the time of the invention would have had a reason to combine Schmeidler with Jaisimha because:
 - Schmeidler and Jaisimha are mutually inconsistent solutions to different problems, where Schmeidler teaches a complex security solution that relies on increased complexity and non-installation of executable software and file content on the client computer, while Jaisimha criticizes security but relies on client-side software;
 - Incorporating the simple software player of Jaisimha into the complex streaming encryption scheme of Schmeidler is not combining “familiar elements according to known methods” to “yield predictable results” where a skilled artisan would have to do far more than just reconfigure the SCDP client/operating system of Schmeidler to incorporate Jaisimha’s player;
 - Incorporating the software player of Jaisimha into the complex streaming encryption scheme of Schmeidler is not simple substitution of one known element for another to obtain predictable results where a skilled artisan would not have expected to obtain predictable results from streaming a player application to a software player on the client where doing so is completely redundant and defeats the purpose of not installing a complete application on the client in the first place;

- Schmeidler and Jaisimha are not “similar devices” capable of being improved in the same way by use of a known technique to improve similar devices in the same way because Jaisimha expressly criticizes security (not software as the Board mistakenly said in its institution decision), Schmeidler is primarily concerned with strong security provided by encryption, code obfuscation, whitebox cryptography, remote execution, and preventing local storage of decrypted media, and incorporating the Jaisimha media player into Schmeidler would impermissibly alter the principle of operation of Schmeidler;
- Incorporating the Jaisimha media player into Schmeidler is not the application of a known technique to a known device ready for improvement because Schmeidler was complete in and of itself as demonstrated by one of its commercial embodiments in the marketplace--Microsoft’s SoftGrid, which “changes applications [such as software players like Jaisimha] into network services that never need to be installed”;
- The PTAB exceeded its authority and/or engaged in arbitrary and capricious rulemaking with regard to institution of IPRs as authorized by the America Invents Act (“AIA”). The United States Patent and Trademark Office (“PTO”) failed to engage in notice and comment rulemaking that considered four factors required by statute, pursuant to the Administrative Procedures Act (“APA”), 5 U.S.C. §§552 and 553, including with respect to institution, the implementation of 35 U.S.C. § 325(d), and the factors set-forth in the Board’s precedential decisions in *Advanced Bionics, LLC v. Med-el Elektromedizinische Gerate GmbH*, IPR2019-01469, Paper 6, 8 (PTAB Feb. 13, 2020) (precedential) and *Becton, Dickinson & Co. v. B. Braun Melsungen AG*, IPR2017-01586, Paper 8 (PTAB Dec. 15, 2017) (precedential);
- The burden of proof set forth in 35 U.S.C. § 316(e) for invalidating issued patent claims in PTAB proceedings violates the due process clause of the Fifth Amendment of the U.S. Constitution; and
- Under the Constitution’s Appointments Clause (art. II, § 2, cl. 2), administrative patent judges of the PTO are principal officers and have, thus, not been properly appointed by the President with advice and

consent of the Senate; the Federal Circuit’s decision in *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019) did not cure this Constitutional defect.

For these reasons, B# respectfully requests that the Board vacate its institution decision and DENY the Petition.

II. THE BOARD HAS NO JURISDICTION TO PROCEED WHERE PETITIONER HAS NOT IDENTIFIED ALL REAL PARTIES IN INTEREST IN ACCORDANCE WITH 35 U.S.C. §312(a), THE FEDERAL CIRCUIT’S DECISION IN *APPLICATIONS IN INTERNET TIME LLC V. RPX CORPORATION*, AND THE BOARD’S PRECEDENTIAL DECISION IN RPX CORPORATION V. APPLICATIONS IN INTERNET TIME, LLC

Petitioner failed to identify all Real Parties in Interest (“RPIs”) in its Petition.

Specifically, Petitioner failed to name at least two of its known members, Spotify and Twitter, who represent only a small fraction of the many social media, video, and music platforms “committed to deterring assertion of bad patents by non-practicing entities” that undeniably benefit from Unified Patents’ filing of the Petition, and will benefit if Unified Patents succeeds on its Petition:

October 4, 2019

Twitter and Spotify join Unified

We are pleased to announce that [Twitter](#) and [Spotify](#) are now Unified members. They are joining 250+ other companies committed to deterring the assertion of bad patents by non-practicing entities (NPEs). With the addition of these companies, almost all major North American and European social media, video, and music platforms are Unified members. Recent studies indicate that NPEs continue to pose a threat to operating companies and account for more than half of [all US patent litigation in 2019](#). Unified is the only entity which deters invalid patent assertions and never pays NPEs.

[Unified Patents News Release dated October 4, 2019, EX. 2030.]¹

On page 1 of the Petition, Petitioner points to the underlying litigation that prompted Unified Patents to file the IPR Petition—*B# On Demand LLC v. Spotify Technology S.A. et al.*, District of Delaware Case No. 1:19-cv-02077, filed on November 1, 2019—as a “related matter.”² Nevertheless, Petitioner failed to name Spotify as an RPI and failed to request leave from the Board to correct its omission after the Board designated as precedential its decision in *RPX Corporation v. Applications in Internet Time, LLC*, IPR2015-01750, Paper 128 (designated precedential December 4, 2020) (“*RPX Corp.*”). Notably, Spotify is now beyond the one-year time bar for filing IPRs concerning the patents B# asserted against it in Delaware. 35 U.S.C. §315(b).

As a result of the Federal Circuit’s decision in *Applications in Internet Time, LLC v. RPX Corporation*, 897 F.3d 1336 (Fed. Cir. 2018) (“*AIT*”) and the Board’s subsequent *RPX Corp.* decision, Petitioner cannot carry forward its shambolic façade that its members are not RPIs. 35 U.S.C. § 312(a) states unequivocally that a petition “may be considered **only if**... (2) the petition identifies all real parties in interest.” The Board has no power or authority to treat this statutory requirement as subject to agency discretion, even after it issues an institution decision. Indeed, the Board has permitted petitioners to correct designation of

¹ Indeed, the list of members of Unified Patents that would benefit from having claims cancelled in this proceeding is large, including at least: Google, Facebook, Snap, Inc., Twitter, Spotify, and TikTok. [See EX 2036.]

² B# voluntarily dismissed that case following an order from the court granting Spotify’s Motion to Dismiss as to a single claim of the 346 claims in the asserted patents. Case 1:19-cv-02077-RGA (D.Del.) Dkt Nos. 25 (order re MTD) and 28 (voluntary dismissal without prejudice).

RPIs even after the Board has instituted IPR. *E.g.* SharkNinja Operating LLC v. Irobot Corp., IPR2020-00734, Paper 11 (Oct. 6, 2020). But if the Board were to permit Petitioner to correct its failure to name all the RPIs here—and it should not—the Board still could not proceed because once Petitioner names Spotify as an RPI—as it must—the filing date of the Petition must be reset, according to the PTO itself: If the petition complies with all of the statutory requirements (see 35 U.S.C. §§ 135, 312, and 322), the original submission date of the petition will be accorded as the filing date. Conversely, no filing date will be accorded if a statutory requirement is not satisfied. For example, for fee deficiencies, the Office will accord the later submission date when all appropriate fees have been paid because the fees are required by statute. See, e.g., 35 U.S.C. § 312(a)(1).³

Accordingly here, “no filing date will be accorded” because “a statutory requirement is not satisfied.” Should the Board permit Petitioner to correct its failure to name all RPIs—and it should not—the Board must “accord the later submission date” of Petitioner’s identification of the RPIs, because identifying all RPIs is “required by statute.”⁴ When the Board resets the filing date, as it must to comply with 35 USC §312 and the PTO’s own stated policies, Spotify will be beyond the one-year time bar and the Board will lack jurisdiction to proceed to trial on the Petition.

³Available at: <https://www.uspto.gov/sites/default/files/documents/PTAB%20E2E%20Frequently%20Asked%20Questions%20July%2011%202016.pdf>, #D1 at 7 (last accessed Feb. 24, 2021).

⁴ RPI requirements are indistinguishable from fees in the PTO’s own example quoted *supra*, as both are requirements enumerated in 35 U.S.C §312.

It is beyond peradventure that Spotify as well as “almost all major North American and European social media, video, and music platforms [that] are Unified members” [EX.2030] are RPIs under the Board’s precedential RPX Corp. decision. In its *AIT* decision, the Federal Circuit admonished the Board, stating, “Congress intended that the term ‘real party in interest’ have its expansive common-law meaning.” 897 F.3d at 1351.

Determining whether a non-party is a “real party in interest” demands a flexible approach that takes into account both equitable and practical considerations, with an eye toward determining whether the non-party is a *clear beneficiary that has a preexisting, established relationship with the petitioner.*

Id. at 1351 (emphasis added).

The Court explained that RPI and privity requirements serve “two related purposes:

- (1) to ensure that third parties who have sufficiently close relationships with IPR petitioners would be bound by the outcome of instituted IPRs under § 315(e), the related IPR estoppel provision; and (2) to safeguard patent owners from having to defend their patents against belated administrative attacks by related parties via § 315(b).

Id. at 1350 (quoting Senators Kyl and Schumer).

The Board has subsequently concluded that “a member organization having a business model such as RPX [or Unified Patents] gives rise to both concerns.” RPX Corp. at 9. The Board examined the following factors to determine if Salesforce was, indeed, an RPI that RPX should have named in its petition:

- RPX’s business model;
- RPX’s interest in the IPRs;
- Whether RPX takes client interests into account when filing IPRs;
- Salesforce relationship with RPX;
- Salesforce interests and benefits from the IPRs;
- Whether RPX was representing Salesforce’s interests;
- Whether Salesforce actually desired review of the patents;
- Overlapping board member; and
- Communications between RPX and Salesforce.

Id. at 10-30.

“It is ‘the IPR petitioner [who] bears the burden of persuasion to demonstrate that its petitions are not time-barred under § 315(b) based on a complaint served on a real party in interest more than a year earlier.’” RPX Corp. at 6 (citing *Worlds Inc. v. Bungie, Inc.*, 903 F.3d 1237, 1242 (Fed. Cir. 2018)). Here, the balance of factors the Board considered in RPX Corp. demonstrates that Unified Patents cannot carry its burden of persuasion.

A. Unified Patents' Business Model

RPX's business model was to serve as a defensive patent aggregator that only sometimes filed IPR petitions on behalf of its members. By contrast, Unified Patents' sole reason for existence is to challenge "bad patents" on behalf of its members.⁵ Unified Patents touts itself as:



Unified Patents states that its mission is to "deter bad NPE conduct."⁷ It does so in part through "USPTO challenges."⁸ Indeed, since 2013, Unified Patents has filed at least 223 IPR petitions on behalf of its members.⁹ It is by far the leading firm in filing IPR petitions.¹⁰ Of these 223 IPR petitions, B# has identified 136

⁵ EX 2031 (<https://www.unifiedpatents.com/>).

⁶ *Id.* Ironically, Unified Patents is a Non-Practicing Entity itself because it has no business to protect from the challenged claims; its *raison d'être* is to file IPRs where it has no real stake in the game.

⁷ *Id.*

⁸ EX 2032. *see also* EX 2033 (<https://vimeo.com/322908815>: "Goals—Zealously fighting invalid patents; Never pay NPEs anything...Join other member companies and allow Unified to protect your most valuable products and services from NPEs.")

⁹ <https://search.docketnavigator.com/patent/party/105801/3>, a copy of which is submitted as EX 2034.

¹⁰ <https://search.docketnavigator.com/patent/party/105801/0>, a copy of which is submitted as EX 2035 (Showing Unified Patents had filed 215 IPR petitions; the next closest firm, Finnegan Henderson Farabow Garret & Dunner, LLP has only filed 35).

(roughly 61%) that challenged patents previously asserted in district court against confirmed¹¹ and/or likely members¹² of Unified Patents. [EX 2038.] Unified Patents charges its “Zone” members fees of “\$50K-\$490K” “FOR LARGER COMPANIES.”¹³

This evidence demonstrates that “filing IPRs...to protect its members from the threat of patent litigation...[is an] important component[] of [Unified Patents’] core subscription business” to an even greater extent than it was to RPX. *See RPX Corp.* at 15. Accordingly, the Board should find that “[Unified Patents] filed [this] IPR[] to benefit its members [*e.g.* Spotify], supporting a conclusion that [Spotify] is an RPI in these proceedings.”

B. Unified Patents’ Interest In The IPR

Simply put, Unified Patents has no legitimate interest in the IPR beyond its business model as Non-Practicing Entity—the self-professed “The Anti-Troll,” collaterally attacking patents actually or potentially infringed by its members. Nowhere in the Petition or in the “Voluntary Interrogatories” of Petitioner does Unified Patents express any interest in the subject IPR other than deterring “NPE

¹¹ Confirmed members represent 84 of said 136 IPR Petitions. *See* EX 2036 (partial list of members from Petitioner’s website) and EX 2037 (press release).

¹² Likely members are those that qualify based on Unified Patents’ public statement in EX 2030 that “almost all major North American and European social media, video, and music platforms [that] are Unified members.”

¹³ EX 2039 (<https://www.unifiedpatents.com/join/>).

litigation by protecting technology sectors [including its “Content Sector” relevant to Spotify].” EX. 1046 at Response No. 1. “This fact is not at odds” with a finding that Unified Patents “also files IPRs to protect its clients. Indeed, challenging patents asserted against its clients—as the evidence discussed above suggests—serves this objective well.” RPX Corp. at 16. As already noted, 61% of Unified Patents 223 IPR petitions challenged patents that had already been asserted against its confirmed and/or likely members.¹⁴ That is 136 out of 223, or 61%. Even absent such damning statistical evidence, Unified Patents clearly selects patent challenges based, at least in part, on the risks they to its members. Accordingly, just as in RPX Corp., the Board should find that Unified Patents “filed [this] IPR[] to benefit its existing clients, supporting a conclusion that [Spotify] is an RPI in these proceedings.” RPX Corp. at 17.

C. Whether Unified Patents Takes Its Client Interests Into Account When Filing IPRs

Unified Patents admits that “[c]ompanies in a technology sector subscribe to UNIFIED’s technology-specific deterrence.” EX. 1046, Voluntary Response No. 1. That, combined with the evidence set forth above, establishes that “even if [Unified Patents] does not file IPRs to benefit a particular client, [Unified Patents] admits that it takes its clients’ interests into account.” RPX Corp. at 17-18. Indeed, Unified

¹⁴ See EX 2038. *See also* footnotes 11 & 12 *supra* and accompanying text.

Patents prides itself on abuse of the RPI requirement by “avoiding clients being found to be RPIs by circumventing the Board’s case law in the *VirnetX* decisions.” *Id.* at 19; *see also* <https://www.unifiedpatents.com/rpi> (touting that “Unified Patents, Inc. has won every real party-in-interest (RPI) challenge...” excluding any such challenge that post-dates RPX Corp.). And just as in RPX Corp., the Voluntary Interrogatories Unified Patents submitted in support of its Petition “suggest[] a ‘willful blindness’ strategy . . . supporting a conclusion that [Spotify] is an RPI in these proceedings.” RPX Corp. at 20.

D. Spotify’s Relationship With Unified Patents

“[W]hen it comes to evaluating the relationship between a party bringing suit and a non-party, the common-law seeks to ascertain who, from a ‘practical and equitable’ standpoint, will benefit from the redress that the chosen tribunal might provide.” *Id.* at 20, *citing* Trial Practice Guide, 77 Fed. Reg. at 48,759. Here, it is undeniable that from a practical and equitable standpoint, Spotify “will benefit from the redress” that Unified Patents seeks.

Just as in RPX Corp. (and as set forth above), Spotify pays “substantial sums” in membership fees to Unified Patents. And just as in RPX Corp., these “substantial sums” support the theory that “[Unified Patents’] core business model is premised on taking actions that will support its clients and potential clients [including by

filing IPR petitions]...In other words, the sums paid are to advance [Spotify's] interests." *Id.* at 21.

E. Spotify's Interest In And Benefit From The IPR

Just as in RPX Corp., Spotify and other Unified Patent members benefit from Unified Patents' business model. *Id.* at 23. Further, and just as in RPX Corp., "[Spotify] has an additional benefit [because] any further challenges [by Spotify] would be time-barred under § 315(b)" when the Board corrects the accorded filing date, as it must if and when Unified Patents opts to correct its erroneous omission of RPIs. *Id.* at 23-34.

B# served Spotify with a complaint alleging infringement of the '880 Patent on November 13, 2019. [EX 2040 (Affidavit of Service).] Although Spotify did not file any IPR or CBM challenges to the Patents-in-Suit itself (including the '880 Patent), it did file a motion to dismiss under *Alice v. CLS*, which the court granted as to only a single claim among the 346 claims in the asserted patents. [EX 2041 (Court's Order Granting in Part and Denying in Part Spotify's Motion to Dismiss).] Over six months later, Unified Patents filed this Petition on May 29, 2020. On October 26, 2020, B# requested voluntary dismissal *without prejudice* of the Delaware case and the Court entered that dismissal *without prejudice* on October 28, 2020. Based on the service of the underlying lawsuit in Delaware, Spotify is time-barred under § 315(b) should it seek review of the '880 Patent, or any other patents

B# asserted in the Delaware case for that matter. Because 345 B# claims survived Spotify's motion to dismiss in Delaware and because B# dismissed that case *without prejudice*, it is undisputed that Spotify would benefit from invalidation of the claims of the '880 Patent challenged here—all of which survived Spotify's motion to dismiss in Delaware. [*See id.*] This supports the conclusion that Spotify is an RPI in these proceedings.

F. Whether Unified Patents Is Representing Spotify's Interest

For the reasons set forth above, it is undeniable that Unified Patents represents the interest of Spotify, as well as any other members of its "Content Zone."¹⁵ Payment for filing this specific IPR is not necessary to create an RPI relationship, especially "given the significant relationship between [Spotify] and [Unified Patents] and the strong economic incentives on [Unified Patents] to represent [Spotify's] interests." RPX Corp. at 25.

G. Whether Spotify Actually Desired Review Of The '880 Patent

There is no direct evidence that Spotify desired review of the '880 Patent, but the Board can infer the same based on the record evidence set forth above. Indeed, just as in RPX Corp., Unified Patents "did not testify [in its Voluntary Interrogatory Responses] that it '*actually believed* [Spotify] would have reacted negatively to

¹⁵ EX 2042 (<https://www.unifiedpatents.com/npe>).

[Unified Patents'] filing of IPR petitions' challenging the patents [Spotify] was sued on." RPX Corp. at 27, *citing AIT*, 397 F.3d at 1355. And just as in RPX Corp., "[e]ven if, as [Unified Patents] contends, it did not have direct knowledge of [Spotify's] desire for IPRs to be filed, it appears this was in part because [Unified Patents] would not let them talk about the matter." RPX Corp. at 27; *see generally* EX. 1046. The challenged claims of the '880 Patent were asserted against Spotify, and it failed to obtain dismissal of those claims *with prejudice* in the trial court. This is evidence that Spotify would have been interested in Board review of the challenged claims of the '880 Patent because those claims are still presumed valid and subsisting as a matter of law and Spotify remains vulnerable to an assertion by B# that Spotify infringes those claims.

H. Overlapping Board Member

There is no record evidence that Spotify and Unified Patents share overlapping board members. But given that all other factors detailed above auger strongly in favor of finding that Spotify is an RPI in these proceedings, the Board should find that Spotify is an RPI. Should the Board allow Petitioner to correct its remarkable failure to identify Spotify as an RPI, it must reset the filing date and dismiss this proceeding as time-barred under § 315(b). Alternatively, should Petitioner fail to correct the omission of Spotify as an RPI, the Board should

terminate this proceeding because Petitioner has failed to satisfy a statutory mandate required for it to grant the requested relief.

III. PETITIONER FAILED TO DEMONSTRATE ANY *KSR* MOTIVATION TO COMBINE SCHMEIDLER AND JAISIMHA

The Petition is unclear as to which of the rationales it relies upon in arguing obviousness under *KSR Intern. Co. v. Teleflex Inc.* 550 U.S. 398 (2007); *see also* MPEP § 2143 (listing seven exemplary obviousness rationales under *KSR*). Petitioner argues in various ways that a skilled artisan would substitute the player from Jaisimha into the content security delivery method of Schmeidler; but, it never identifies either *how* or *why* that might be done.

The Petition, then, implicates the following established *KSR* rationales:

- A) Combining prior art elements according to known methods to yield predictable results;
- (B) Simple substitution of one known element for another to obtain predictable results;
- (C) Use of known technique to improve similar devices (methods, or products) in the same way; and
- (D) Applying a known technique to a known device (method, or product) ready for improvement to yield predictable results.

MPEP § 2143 (citing *KSR* at 415-421).

It is unclear which of the *KSR* rationales is the basis for Petitioner's obviousness challenge. The Board, however, in Paper 20 at page 28, asked B# to address Petitioner's assertions directly, characterizing B#'s arguments as follows:

Patent Owner supports this contention by arguing that Schmeidler is focused on increased security through, inter alia, increased complexity and non-installation of file content and software on the user's computer while, according to Patent Owner, **Jaisimha “expressly criticizes software.”** *Id.* at 46–47 (citing; Ex. 1003 1:52–59; Ex. 2024 ¶ 72).

(bold emphasis added)

What B# actually argued, and what its expert actually declared, was

The focus of *Jaisimha* is allowing selection of preferred transmission protocols (e.g. streaming, “faster than real time reliable download” [FTRRD], or simultaneous FTRRD and streaming transmission). EX 1003 4:44-65; 7:54-8:3; EX 2024 ¶72. **In fact, Jaisimha expressly criticizes security.** EX 1003 1:52-59 (such access restriction is undesirable because many users would be unwilling to visit a web site if they were forced to enter a username and password upon every visit.”); EX 2024 ¶72.; *See See* [sic] *Depuy Spine, Inc.*, 567 F.3d at 1327; *Ricoh Co., Ltd.*, 550 F.3d at 1332.

Patent Owner's Preliminary Resp. at 47 (bold emphasis added)

72. As discussed above, the focus of *Schmeidler* is increased security for content through increased complexity, obfuscation, and non-installation of title content and executable software content on the client. *Jaisimha*, on the other hand, ignores security concerns almost entirely. The focus of *Jaisimha* is allowing selection of preferred transmission protocols (e.g. streaming, “faster than real time reliable download” [FTRRD], or simultaneous FTRRD and streaming transmission). EX 1003 4:44-65; 7:54-8:3. **In fact, Jaisimha expressly criticizes security.** *Id.* 1:52-59 (such access restriction is undesirable because many users would be unwilling to visit a web site if they were

forced to enter a username and password upon every visit.”)

EX 2024 ¶72 (Peterka Decl.) (bold emphasis added).

This difference is crucial to understanding why Petitioner’s obviousness position lacks merit. Jaisimha does not criticize software, it fully embraces it by using a software browser and a media player already installed on the end-user computer. [Peterka Second Decl. at ¶11 (citing Peterka Original Decl. at ¶72).] Jaisimha criticizes security and protection as an “undesirable” from of “access restriction” because “many users would be unwilling” to provide a username and password to access a web portal with on-demand content. [*Id.* (quoting Jaisimha at 1:52-59).]

The Board thus misrepresented B#’s arguments about Jaisimha’s hostility towards *security* (as B# argued) as hostility toward *software* (which B# never argued). In doing so, the Board erroneously discounted B#’s position and attributed merit to Petitioner’s position where there was none.

In fact, understanding how Jaisihma *embraces* software while *rejecting* robust security is critical to understanding why none of the *KSR* rationales applies to a combination of Jaisimha with Schmeidler. Schmeidler would not benefit from anything from Jaisimha because the very small subset of security that Jaisimha describes is already fully present in Schmeidler’s solution. [Peterka Second Decl. at ¶12 (quoting Schmeidler at 2:14: “Accordingly, a need exists for a method and

System for on-demand delivery of executable Software content, which does not require installation of the content on the Subscriber's local computer system.”] Furthermore, combining Jaisimha’s player with Schmeidler’s browser defeats the goal of Schmeidler. [*Id.* at ¶13.] His browser is meant for web access and media portal browsing and navigation but explicitly excludes media decryption, decoding and rendering. [*Id.*] Adding the player to the browser would render the concept of self-contained, self-executing media content in the format of the briq useless and broken. [*Id.*]

A. Incorporating The Software-Based Player Of Jaisimha Into Schmeidler Complex Streaming Encryption Scheme Would Not Be An Instance Of Combining “Familiar Elements According To Known Methods” To “Yield Predictable Results” Under *KSR*

Petitioner and its declarant flatly state that a skilled artisan would combine Jaisimha’s software-based player with Schmeidler’s complex method of streaming content and encryption; but, they never say how that would be possible. Such a gambit would be a drastic redesign of Schmeidler’s overall system. [Peterka Second Decl. at ¶14.] Since the briq in Schmeidler is self-contained and self-playing protected content (meaning that it includes the player in it), a skilled artisan would have to “undo” most of Schmeidler’s design before incorporating the separate Jaisimha player. [*Id.*] The title (briq) is self-contained and self-executing. There is no need to install a player, codec, or browser plugin to the client device (contrary to

Jaisimha’s solution). [*Id.* (quoting Schmeidler at 14:62: “At that point, launcher module 220 begins to run the title executable file, as illustrated by procedural step 526. In the illustrative embodiment, the title executable is in the form of a Windows executable file located in the file system implemented by ARFSD VxD 218 using the data retrieved via RAFT VxD 222”).]

There are ample other examples in Schmeidler demonstrating that it does not need or want a player embedded in the browser, such as:

“The ARFSD VxD 218 maintains an installation abstraction for the operating System creating the illusion that the file System necessary to execute the title is installed on the local host PC” (Schmeidler 15:16 - 19)

“the title is never really ‘installed’ on the SCDP client host system. The SCDP client Software creates an installation abstraction, maintaining the illusion for the local operating System that the title currently executing is installed on the most computer. Thus, when execution of the title is terminated, there is no remaining evidence the title ran on the host client System.” (Schmeidler 15:35-41)

“Information such as the briq URL, and system requirements are placed into the briq header 1202 along with the names of the executable files and titles, and a map of the network drive and additional tags”. (Schmeidler 30:11-14)

[Peterka Second Decl. at ¶15.]

A skilled artisan would have to remove the briq’s ability to “play” itself on the VxD (Schmeidler 14:62), rendering the briq into nothing more than protected content that is streamed to a device that has a player already installed (or integrated with the browser). [Peterka Second Decl. at ¶16.]

Schmeidler's browser is not used to play content, so adding Jaisimha's player to it is not intuitive and solves no meaningful problem. [*Id.*] A skilled artisan would have to do far more than reconfigure the SCDP client and/or operating system of the client computer in Schmeidler to incorporate Jaisimha's player. [*Id.*]

B. Simple Substitution Of One Known Element For Another To Obtain Predictable Results

Schmeidler only installs the absolute minimum on the client computer, specifically the VxD. [Peterka Second Decl. at ¶17.] A skilled artisan would not have had a reasonable expectation of success in modifying Schmeidler to include Jaisimha's media player. [*Id.*] Installing a player would be wasteful, since the player would never be used because the briq is self-contained and self-executing and does not need a local player. [*Id.*] Streaming a player on its own from the RAFT would not achieve the goal of actually playing a piece of protected video. One needs the player as well as the video stream. These two come together as part of the briq. [*Id.*]

Streaming a player application to a locally installed application is completely redundant and defeats the purpose of not installing the complete application on the client computer in the first place. [*Id.* at ¶18.] A skilled artisan would not be motivated to have an executable software player streaming with content to a local software player in the first place. [*Id.*]

The goals of Schmeidler and Jaisimha are very different and possibly conflicting. [*Id.* at ¶19.] Schmeidler is trying to achieve the highest security and robustness in order to prevent content theft, while Jaisimha wants minimal intrusion caused by security and the main goal is to control the type of content delivery (controlled with encrypting the access token but not the content itself). [*Id.*]

C. Schmeidler And Jaisimha Are Not “Similar Devices” Capable Of Being Approved In The Same Way By Use Of A Known Technique To Improve Similar Devices (Methods, Or Products) In The Same Way

KSR also allows for a finding of invalidity “if a technique has been used to improve one device, and a person of ordinary skill in the art would recognize that it would improve similar devices in the same way.” 550 U.S. at 401. Putting aside that Petitioner never identifies precisely what that technique would be, the devices disclosed in Schmeidler and Jaisimha are not sufficiently similar to qualify for this analysis. Schmeidler’s browser is used for content discovery, navigation, searching and selection but not for playing it (streaming, decrypting, decoding and rendering). [Peterka Second Decl. at ¶20.] One of the main ideas of Schmeidler is to keep the content and the player together in the browser. Separating the protected stream from the player would simply return to the prior art of just streaming or downloading encrypted (or clear) content to a local player installed on a client computer. [*Id.*]

Jaisimha teaches a simple but secure access to media; its primary goal is to control a type of file transfer: download, progressive download, streaming. [*Id.* at ¶21.] Multiple logins are not desirable since it may deter users from using content. DRM already existed, but Jaisimha is not interested in using it. [*Id.*] Jaisimha would not be interested in adding more security and content protection. [*Id.*] Conditional access and digital rights management technologies existed at the time of his invention but none of them were included, nor even mentioned. [*Id.*]

Jaisimha's goal was simplicity and ease of access to content with the goal of controlling the type of content transfer [*Id.* at ¶22 (quoting Jaisimha at 1:55-59 "Besides presenting possibly prohibitive administrative overhead, Such access restriction is undesirable because many users would be unwilling to visit a web site if they were forced to enter a username and password upon every visit" and 2:11-12 "What content providers need is a convenient way of controlling the ways users can access media objects").] Since Schmeidler is one the most complex content protection solutions presented at that time, Jaisimha would not be motivated to add it to his solution. [*Id.*]

Schmeidler describes authentication tokens and activators with a limited life time, which makes the user request new ones, reauthenticating at the web portal (e.g. logging in again, etc.) [*Id.* at ¶23 (citing Schmeidler at 4:7-8). Schmeidler 19:14 describes one time use of activators, again showing that a user needs to log in (or

somehow authenticate) again if she wants to use the content second time. [*Id.* (citing Schmeidler at 19:14-16)]. Both of these restrictions teach away from the desired simplicity and ease of use central to Jaisimha. [*Id.*]

Jaisimha's goal is to control the type of media file transfer and is unconcerned about encrypting the media or applying existing digital rights management systems which already existed at that time. [*Id.* at ¶24.] Jaisimha, although interested in not downloading the media file in full to the user's computer, has no concern about hackers attacking the media player to violate the access rules (e.g. by disobeying the access token). [*Id.*]

Schmeidler, on the other hand, is primarily concerned with strong security provided by encryption, code obfuscation, whitebox cryptography, remote execution and preventing of local storage of decrypted media. [*Id.* at ¶25.]

D. Applying A Known Technique To A Known Device (Method, Or Product) Ready For Improvement To Yield Predictable Results

Lastly, it is beyond question that the technology taught by Schmeidler was complete in-and-of itself and was not "ready for improvement" under *KSR*. 550 U.S. at 417. The Schmeidler patent was assigned to Softricity. [Ex. 1002.] Microsoft acquired Softricity in 2006. [EX 2043 (available at <https://news.microsoft.com/2006/07/17/microsoft-completes-acquisition-of-softricity/>, last accessed on Mar. 2, 2021).] EX 2044 is a Microsoft brochure from

shortly after it acquired Softricity.¹⁶ It embodies the Schmeidler patent and shows a complete and sophisticated solution to a complex problem:

Page 2: All this is possible today. SoftGrid transforms corporate computing by making software as instantly available and easy to use as electricity. **Using patented technologies, including application virtualization and on-demand streaming, it changes applications into network services that never need to be installed. The result is a highly scalable software environment that is securely deployed, managed and immediately available anywhere in the world at a fraction of traditional IT investments – delivering dramatic improvements in business agility and a superior end-user desktop experience.**

Page 3: Applications can even be locked down so that they can't be altered or used in unauthorized ways. And, because SoftGrid **isolates applications from the operating system, it reduces the likelihood and limits the severity of security breaches and infections.**

Page 8: applications that typically require administrative rights can be run using a standard user account – in virtual administrator mode – so **end-users cannot inadvertently, or intentionally, affect the network... protecting applications from being altered** or used in unauthorized manners.

Page 18: Rather than “pushing” down and installing entire applications, the first time an application is requested by end users, the SoftGrid client rapidly responds and “pulls” **only the code necessary to start the program from a central Server** – typically 20-40% of the total code. This happens without any degradation in functionality or response time; applications launch within seconds, based on application size and connection speed.

[Peterka Second Decl. at ¶26 (emphasis added).]

¹⁶ available at <http://web.archive.org/web/20061120221831/http://www.softtricity.com:80/products/index.asp> (last accessed March 2, 2021).

Since Schmeidler and his company were in the business of application streaming and virtualization (*see* EX 2012, EX 2043, and EX 2044) the idea of installing the player application on the client computer completely defeats the original invention. [*Id.* at ¶27.] It also defeats the security goal of preventing hackers from reverse engineering or otherwise attacking the player application. [*Id.*] No skilled artisan would be motivated to do it because the result is an existing and traditional streaming of video over the network into a browser/player application installed on a client computer. [*Id.*] It would not be novel and it would not be more secure. [*Id.*]

IV. THE BOARD’S EXCEEDS ITS JURISDICTION UNDER THE APA AND EXERCISES DISCRETION IN AN ARBITRARY AND CAPRICIOUS MANNER WHERE THE DIRECTOR HAS FAILED TO FOLLOW NOTICE AND COMMENT RULEMAKING¹⁷

A. The Board’s Enforcement Of Rules That Were Not Properly Promulgated As Required By The APA Is Arbitrary And Capricious

Congress mandated that the Director “*shall* prescribe regulations ... setting forth the standards for the showing of sufficient grounds to institute a review” and

¹⁷ The argument below in Section III. A. is based on the arguments of the IEEE-USA (Ron D. Katznelson, PhD, Chairman) in its December 3, 2020 Letter to the PTO providing comments to proposed rulemaking. Available at <https://www.regulations.gov/comment/PTO-C-2020-0055-0824>, which B# submits as EX 2046 and incorporates in full by this reference.

“establishing and governing [a] review under this chapter and the relationship of such review to other proceedings under this title.” 35 U.S.C. §§ 316(a) and 326(a) (emphasis added). In this expansive grant of rulemaking authority, Congress also mandated that in establishing these regulations, “the Director *shall* consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings.” *Id.* (emphasis added).

Congress spoke unequivocally: the word “shall” is an imperative denoting a definite obligation. *See SAS Inst., Inc. v. Iancu*, 138 S.Ct. 1348, 1354 (2018) (finding that the word “shall” means “must” because it “generally imposes a nondiscretionary duty”); *Kingdomware Techs., Inc. v. United States*, 136 S.Ct. 1969, 1977 (2016) (“Unlike the word ‘may,’ which implies discretion, the word ‘shall’ usually connotes a requirement.”); *Farrel Corp. v. U.S. Int’l Trade Comm’n*, 949 F.2d 1147, 1153 (Fed. Cir. 1991) (“The use of ‘shall’ in a statute is ‘the language of command’”).

The four enumerated statutory factors that the Director *shall* consider in promulgating the regulations are *mandatory*. The U.S. Supreme Court has held that an agency's rule normally **is arbitrary and capricious** if the agency “entirely failed to consider an important aspect of the problem” before it. *Motor Vehicle Mfrs. Assn., Inc. v. State Farm Mut. Aut. Ins. Co.*, 463 U.S. 29, 43 (1983).

A statutorily mandated factor, by definition, is an important aspect of any issue before an administrative agency, as it is for Congress in the first instance to define the appropriate scope of an agency's mission. When Congress says a factor is mandatory, that expresses its judgment that such a factor is important” and must be addressed during the regulatory process.

Pub. Citizen v. Fed. Motor Carrier Safety Admin., 374 F.3d 1209, 1216 (D.C. Cir. 2004).¹⁸

In 37 C.F.R. §42.108(c) as amended The PTO promulgated *a single* regulation governing the institution of IPRs:

(c) Inter partes review shall not be instituted unless the Board decides that the information presented in the petition demonstrates that there is a reasonable likelihood that at least one of the claims challenged in the petition is unpatentable. The Board's decision will take into account a patent owner preliminary response where such a response is filed, including any testimonial evidence. A petitioner may seek leave to file a

¹⁸ See also *Owner-Operator Indep. Drivers Ass'n, Inc. v. Fed. Motor Carrier Safety Admin.*, 656 F.3d 580, 587 (7th Cir. 2011) (“When Congress requires an agency to address something before issuing a regulation, that factor is by definition an ‘important aspect of the problem’ under *State Farm*.”); *United Mine Workers v. Dole*, 870 F.2d 662, 673(D.C.Cir.1989) (agency defies a “statutory limitation on [its] authority” when it ignores mandatory factor); *Mozilla Corp. v. FCC*, 940 F.3d 1, 60 (D.C. Cir. 2019) (“A rule is arbitrary and capricious if an agency fails to consider a factor the agency must consider under its organic statute.”) (cleaned up, quoting *Lindeen v. SEC*, 825 F.3d 646, 657 (D.C. Cir. 2016)); *Citizens Coal Council v. U.S. E.P.A.*, 385 F.3d 969, 977 (6th Cir. 2004), *on reh'g en banc*, 447 F.3d 879 (6th Cir. 2006) (“[A]n agency abuses its discretion when it fails to consider a factor the statute directs it to consider in promulgating regulations.”); *Newspaper Ass'n of Am. v. Postal Regulatory Comm'n*, 734 F.3d 1208, 1210 (D.C. Cir. 2013) (In regulating rates “for market-dominant products, the Commission must consider the statutory factors set out in [the law].”)

reply to the preliminary response in accordance with §§ 42.23 and 42.24(c). Any such request must make a showing of good cause.

This sole regulation on institution contains no provisions facially linking it to any consideration, for example, of the “effect on the economy,” or the “ability of the Office to timely complete proceedings” for determining whether to institute an IPR.

Instead, in promulgating the final rule on institution in 2012, the PTO responded in its *Federal Register* notice to public comments on the four statutory factors pertaining to decisions to institute as follows:

“Comment 57: One comment suggested that because institution of a proceeding might impose an economic hardship on many patentees, the requested review should be instituted after consideration of the effect on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the proceeding timely.

Response: Under the rules, review will not be instituted unless the Board decides that the petition supporting the ground would demonstrate that there is a reasonable likelihood, for *inter partes* proceedings, or more likely than not, for post-grant proceedings, that at least one of the claims is unpatentable. §§ 42.108 and 42.208. The rules utilize the statutory threshold. 35 U.S.C. 314, as amended, and 35 U.S.C. 324. *The Office has considered the effect on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the proceeding timely in prescribing the rules* as required by 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b). That said, the Office, in determining whether to institute a proceeding, may take into account whether the review could be timely completed. For example, *the Board may decline to institute a proceeding where the Board determines that it could not complete the proceeding timely.* For example, the Board could exercise its discretion to decline to institute a petition that seeks review of several hundred claims based upon a thousand references or when the patent owner demonstrates that a determination of patentability would

require dozens of depositions of non-party controlled witnesses in foreign countries for which the testimony would need to be compelled.”¹⁹

Here, the PTO merely *referenced* the requirement for considering the four statutory factors but failed to actually address such mandates by “express and considered conclusion” in the rulemaking on institution. The DC Circuit has explained:

When Congress requires an agency to consider something, we ask whether the agency has reached an express and considered conclusion pursuant to the statutory mandate. “*Merely referencing a requirement is not the same as complying with that requirement.* And stating that a factor was considered—or found—is not a substitute for considering or finding it.”

Cigar Ass’n of Am. v. U.S. Food & Drug Admin., 964 F.3d 56, 61 (D.C. Cir. 2020) (quoting *Gerber v. Norton*, 204 F.3d 173, 185 (D.C. Cir. 2002) (emphasis added).

Moreover, while the PTO was presented with specific public comments on the application of the four statutory factors in promulgating the institution regulation in 37 C.F.R. §§ 42.108(c) and 42.208(c), as the PTO itself acknowledged, it failed to discuss all but the fourth factor. Failing to respond substantively to such public comments violates the Administrative Procedures Act (“APA”) because the agency “fail[ed] to respond to significant points and consider all relevant factors raised by

¹⁹ *Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method*. Final Rule. 77 Fed. Reg. 48679, 48702 (August 14, 2012) (emphasis added).

the public comments.” *Carlson v. Postal Regulatory Comm'n*, 938 F.3d 337, 344 (D.C. Cir. 2019)

Accordingly, an agency *must respond* to comments that can be thought to challenge a fundamental premise underlying the proposed agency decision.

* * *

Even when an agency has significant discretion in deciding how much weight to accord each statutory factor, that does not mean it is free to ignore any individual factor entirely.

Id. (cleaned up; emphasis added).

Congress commanded that the four statutory factors “*shall*” be considered “*in prescribing regulations.*” 35 U.S.C. §§ 316(b) and 326(b). Even when the PTO addressed (exclusively) the fourth statutory factor of “timely completed,” it did so by stating that the PTAB *may* take into account *during its deliberations* whether the review could be timely completed. But the PTAB’s Administrative Patent Judges (“APJ”s)) have no such discretion absent “prescribed regulations” and do not “prescribe regulations” in their adjudicative roles. The Director of the PTO has promulgated no *regulations* to guide those deliberations.

In other words, only the PTO Director is delegated with rulemaking authority to create PTO rules having the effect of law—not APJs of the PTAB, upon whom Congress conferred only adjudicative authority. *See* 35 U.S.C. § 6(b)(4). The Federal Circuit has recently explained that “in agencies where Congress has not

expressly delegated both rulemaking and adjudicative authority to a single delegee, as in the PTO, **adjudication may not operate as an appropriate mechanism for the exercise of rulemaking.**” *Facebook, Inc. v. Windy City Innovations, LLC*, 973 F.3d 1321, 1352 (Fed. Cir. 2020) (Citing *Martin v. Occupational Safety and Health Rev. Comm’n*, 499 U.S. 144, 154-55 (1991)) (emphasis added).

In deciding whether to institute a proceeding, APJs have neither the expertise nor the authority to apply *sui generis* the four statutory factors unless they do so *based on standards and guidance already established in PTO regulations* established by the Director. APJs are not authorized to interpret the four statutory factors on the fly on a case-by-case basis. It is “the Director [who] shall consider the effect of any such regulation on [the four statutory factors]” and set the standards for how to apply them. Such standards and guidance for weighing and applying the four statutory factors should have been developed based on relevant expertise and resources of the PTO Office of the Chief Economist and of industry experts and stakeholders participation in the public comments. But this was never done—the four statutory factors are a dead letter.

Therefore, PTAB’s adjudications and its “precedential” opinions cannot substitute for regulations that the Director *shall* promulgate pursuant to the APA, 5 U.S.C. §§ 552 and 553. The APA requires publication in the *Federal Register* under § 552(a) and notice and comment under § 553. “The Patent Office cannot effect an

end-run around its congressionally delegated authority by conducting rulemaking through adjudication without undertaking the process of promulgating a regulation.” *Aqua Products, Inc. v. Matal*, 872 F.3d 1290, 1339 (Fed. Cir. 2017).²⁰

The PTO’s 2016 amendment of the institution regulation in 37 C.F.R. §§ 42.108(c) and 42.208(c) fared no better in complying with the statutory mandates. The regulation was amended to indicate that a genuine issue of material fact created by patent owner testimonial evidence will be viewed by the PTAB *in the light most favorable to the petitioner* solely for purposes of deciding whether to institute a review.²¹ This amendment thus created an *irrebuttable presumption* against the patent owner, but nowhere in the amended regulation, nor in the accompanying *Federal Register* discussion of the amendment, is there any evidence that the PTO considered, for example, the mandatory factor of the “effect of any such regulation ... on the economy” due to biasing the decision in favor of instituting a trial. In any event, adopting this irrebuttable presumption for institution is *ultra vires*. The U.S. Supreme Court has held that applying an irrebuttable presumption is “the

²⁰ The PTO’s subsequent amendments of 37 C.F.R. §§ 42.108(c) and 42.208(c) fare no better under this analysis. Nowhere in these amendments, nor in the accompanying *Federal Register* discussion of the amendment, is there any evidence that the PTO gave sufficient consideration of all four statutory factors enumerated in 35 U.S.C. §§ 316(b) and 326(b). *Cigar Ass’n of Am.*, 964 F.3d at 61.

²¹ 81 *Fed. Reg.* 18750, 18755, *Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board*. Final rule. (April 1, 2016).

implementation of *a substantive rule of law*.”²² In this 2016 rule change, the PTO exceeded its authority to institute IPRs because its regulation permits what the statute in 35 U.S.C. § 314(a) does not—institution without evaluating the substance and weight of Patent Owner’s evidence in “any response filed under section 313.” This unlawful regulation was prejudicially applied against B# in deciding the institution in this case. The Board refused to evaluate both parties’ conflicting expert testimony to make a determination as to which is more persuasive and simply ordered a trial anyway. Institution decision, Paper 20, at 28-29 (December 8, 2020) (“Both parties offer contentions for and against the proposed combination of Schmeidler and Jaisimha supported by testimony from their respective declarants. Given the factual nature of the issues that require resolution, we would benefit from further development of the complete record during trial before resolving these issues.”)

Petitioner and the Board may “benefit” from instituting a trial based on such prejudice, but not Patent Owner. B# has been harmed by the lack of any semblance of the four statutory factors in the institution regulation in 37 C.F.R. § 42.108(c)

²² *Michael H. v. Gerald D.*, 491 U.S. 110, 119 (1989) (While “phrased in terms of a presumption, that rule of evidence is the implementation of *a substantive rule of law*.”) (Emphasis added); *See also* 2 Strong J., *McCormick on Evidence*, § 342 at 451(4th ed.1992) (In applying an irrebuttable presumption, “the courts are not stating a presumption at all, but simply expressing the rule of law”).

with its irrebuttable presumption in favor of dragging Patent Owner into a trial.²³ This harm to B# could have been avoided had the PTO adopted regulations as required under the statute that take into account, for example, the financial conditions of the parties as part of “the effect on the economy.” The relevance is demonstrated by the fact that a condition for institution in prior versions of the AIA required petitioner to present a “substantial reason to believe” that the patent caused petitioner “significant economic harm.”²⁴ When addressing the economic hardships on the parties, it should be recognized that the economic effects of such hardships broadly implicate the entire national innovation economy. In contrast with entities having ample resources, patent owning entities with limited financial resources would be more likely to become insolvent or lose their patent rights improperly at the PTAB due to their financial inability to mount an effective and robust defense of their patents. “[S]uch activity would divert resources from the research and development of inventions,”²⁵ reduce incentives to invest in patented technology, and thereby inhibit innovation—an outcome that would constitute adverse “effect

²³ The PTO has since revised the regulation to eliminate the presumption favoring the petitioner in 85 *Fed. Reg.* 79120 (December 9, 2020) with effective date of January 8, 2021. That was a month too late for governing the decision to institute in this case.

²⁴ See S. 1145, 110th Cong. Sec. 6(e), § 322(2)(A) (2007); H.R. 1908, 110th Cong. Sec. 6(e), § 322(2)(A) (2007) (as introduced); S. 3818, 109th Cong., Sec. 6(a)(1), § 312(2) (2006).

²⁵ H.R. Rep. No. 112-98, pt. 1, at 48 (2011).

on the economy.” B# is economically categorized by the PTO as a “Small Entity,” which should have been taken into account in a proper regulation that would have likely prevented institution under the Director’s discretion to deny institution even if other threshold conditions are met.

B. Absent Duly-Promulgated Regulations For The Application Of 35 U.S.C. §325(d) In Accordance With The APA, The Board Exceeded Its Authority

The Board’s application of 35 U.S.C. §325(d) suffers from a similar, fatal infirmity. §325(d) provides that, during the pendency of any post-grant review, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the post-grant review or other proceeding or matter may proceed, including providing for the stay, transfer, consolidation, or termination of any such matter or proceeding. § 325(d) also provides that, in determining whether to institute or order an AIA trial, the Director may take into account whether the same or substantially the same prior art or arguments previously were presented to the Office and reject the petition on that basis.

However, the PTO regulations implement only the first part of the statute: 37 CFR § 42.122(a) provides as follows.

Multiple proceedings. Where another matter involving the patent is before the Office, the Board may during the pendency of the inter partes review enter any appropriate order regarding the additional matter including providing for the *stay, transfer, consolidation, or termination* of any such matter.” (Emphasis added)

The PTO conspicuously promulgated no regulations for implementing the second part of this statute—the denial of institution based on previously-rejected arguments on substantially the same prior art. Instead, in issuing its final regulations in August 2012, the PTO asserted that the PTAB can deny institution pursuant to “authority under 35 U.S.C. 325(d)” without promulgating regulations, let alone regulations that take into consideration the four statutory factors:

Comment 55: A few comments expressed concerns regarding piecemeal challenges against specific claims in the same patent, and encouraged the Board to use its authority under 35 U.S.C. 325(d) to discourage efforts by petitioners to avoid estoppel through successive petitions against different claims within a patent.

Response: The Office recognizes these concerns and will exercise its authority under 35 U.S.C. 325(d), where appropriate, to deny petitions that submit the same or substantially the same prior art or arguments previously presented to the Office.

77 *Fed. Reg.* at 48702. This assertion is facially wrong because the Director has not “prescribed regulations” for implementing the second part of § 325(d).

In this case, the Board granted institution over Patent Owner’s objections, which included (among other things) evidence showing that the Examiner had already considered the prior art cited in the Petition. In its decision to institute, the Board applied no regulations but, instead, applied its precedential opinions relating

to §325(d),²⁶ Those precedential decisions are the result of an adjudicatory process—not notice and comment rulemaking. Furthermore, those opinions were not published in the *Federal Register* and thus have no real binding effect. 5 U.S.C. 552(a)(1). The PTO cannot use adjudication as a substitute for notice and comments rulemaking. *Aqua Products*, 872 F.3d at 1339; *Facebook, Inc.*, 973 F.3d at 1352..

Accordingly, the Board’s implementation of 35 U.S.C. §325(d), and any institution decision of the Board that “takes into account” whether prior art had previously been presented is arbitrary and capricious, and must be “set aside,” 5 U.S.C. 706(2)(A), regardless of whether or not the Board grants institution in any particular case such as this one. *See id.*

Again, the starting point is Congress’ mandate that the Director “*shall* prescribe regulations ... setting forth the standards for the showing of sufficient grounds to institute a review” and “establishing and governing [a] review under this chapter and the relationship of such review to other proceedings under this title.” 35 U.S.C. §§ 316(a) and 326(a) (emphasis added). Nothing in the language of §325(d), which says “the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or argument were

²⁶ *Beckton, Dickson and Co. v. B. Braun Melsungen AG*, IPR2017-01586, Paper 8 (Dec. 15, 2017); *Advanced Bionics, LLC v. MED-EL Elektromedizinische Geräte GmbH*, IPR2019-01469, Paper 6 (Feb. 13, 2020).

previously presented to audience” abrogates the PTO’s responsibility to “prescribe regulations” for denying a petition on those grounds.

V. THE PREPONDERANCE OF EVIDENCE STANDARD CONGRESS REQUIRED THE BOARD TO USE IN THIS PROCEEDING VIOLATES THE PATENT OWNER’S FIFTH AMENDMENT RIGHTS

A. The Presumption Of Validity And Its Associated Burden Of Proof Prescribe The Degree Of Confidence A Factfinder Must Have Before Invalidating An Issued Patent And Must Be Tribunal-Independent

It is black-letter law that issued patents are presumed valid. 35 U.S.C. § 282 (“A patent shall be presumed valid. ...The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.”) The Supreme Court reaffirmed that the presumption of validity means that such burden of establishing invalidity must be overcome under the “clear and convincing evidence” standard. *Microsoft Corp. v. i4i Ltd. Partnership*, 564 U.S. 91, 95 (2011).²⁷

This statutory presumption and its attached burden of proof with respect to any issued patent cannot, and does not, change merely because the PTO Director

²⁷ Neither 35 U.S.C §282 nor *i4i* limit are addressed to a particular type of tribunal—announcing instead the general *degree of certainty a factfinder must have* before invalidating an issued patent. The presumption of validity is inherent to the government-issued instrument under the patent bargain and, for reasons explained below, inextricably carries with it the heightened burden of proof for showing otherwise—a showing by clear and convincing evidence.

decides under 35 U.S.C. § 314 to institute a PTAB review of the patent under 35 U.S.C. § 316(c). This statutory separation ensures “that the threshold decision to institute neither pre-ordains nor prejudices the later decision on the merits.” Ethicon Endo-Surgery, Inc. v. Covidien LP, 826 F.3d 1366, 1368 (Fed. Cir. 2016) (Newman J., dissenting on other grounds). Stated differently, an IPR institution decision under § 314(a) that “there is a reasonable likelihood that the petitioner would prevail” cannot in any way attenuate the *required* degree of confidence the adjudicator must still have in finding an issued patent claim invalid.

However, Congress directed the PTO to apply the “preponderance of the evidence” standard in adjudicating the validity of issued patent claims in post grant proceedings. 35 U.S.C. § 316(e). In so doing, Congress’ enactment in the AIA contradicted 35 U.S.C. § 282.²⁸ While Congress may establish presumptions and rules respecting burden of proof, the Due Process Clause in Amendment V of the United States Constitution does not permit the deprivation of property upon application of a standard of proof too lax to make reasonable assurance of accurate fact-finding.

²⁸ It should be noted that the Supreme Court’s clarification in *i4i* on the burden of proof issued on June 9, 2011, after the AIA legislation was already reported out of Committee. See *America Invents Act*, H.R. Rep. 112–98(I) (June 1, 2011).

"The function of a standard of proof, as that concept is embodied in the Due Process Clause and in the realm of fact-finding, is to 'instruct the factfinder concerning the degree of confidence our society thinks he should have in the correctness of factual conclusions for a particular type of adjudication.'" *Addington v. Texas*, 441 U.S. 418, 423 (1979) (quoting *In re Winship*, 397 U.S. 358, 370 (1970) (Harlan J. concurring)). "*Addington* teaches us that, in any given proceeding, the minimum standard of proof tolerated by the due process requirement reflects not only the weight of the public and private interests affected, but also a societal judgment about how the risk of error should be distributed between the litigants." *Santosky v. Kramer*, 455 U.S. 745, 755 (1982).

Accordingly, in *Santosky*, the U.S. Supreme Court held unconstitutional a provision in the New York Family Court Act for the termination of parental rights based on a "fair preponderance of the evidence" standard because it denied due process to parent. *Id* at 757 (Review under the statute "cannot preserve fundamental fairness when a class of proceedings is governed by a *constitutionally defective evidentiary standard*." (Emphasis added).²⁹ As shown below, 35 U.S.C. § 316(e) is likewise "a constitutionally defective evidentiary standard."

²⁹ This provision was later reenacted with "supported by clear and convincing proof." N.Y. Fam. Ct. Act § 622.

B. Patents Are Property Subject To The Due Process Protections In Adjudicating Their Validity

The Fifth Amendment to the U.S. Constitution provides that no person shall be “deprived of ... property, without due process of law.” A patent confers the right to exclude, 35 U.S.C. § 154(a)(1)), and the “right to exclude” is a hallmark of private property, “universally held to be a fundamental element of the property right.” *Kaiser Aetna v. United States*, 444 U.S. 164, 179-80 (1979). The Patent Act explicitly recognizes as much. 35 U.S.C. § 261 (“[P]atents shall have the attributes of personal property.”) *Consol. Fruit-Jar Co. v. Wright*, 94 U.S. 92, 96 (1877) (“A patent for an invention is as much property as a patent for land.”) *See James v. Campbell*, 104 U.S. 356, 358 (1881) (“When [the government] grants a patent the grantee is entitled to it as a matter of right, and does not receive it ... as a matter of grace and favor”).

When the PTAB cancels claims of an issued patent, the Patent Owner is clearly “deprived of property.” The PTO has elsewhere argued that when the PTAB “finds claims unpatentable in an IPR, it does not effectuate a taking” of property as the patent owner “never had a valid property right because the patent was erroneously issued in the first instance.” *Celgene Corp. v. Peter*, 931 F.3d 1342, 1358 (Fed. Cir. 2019), *cert. denied*, 141 S. Ct. 132 (2020). This argument is facially false because whether or not patentable, the “subject matter disclosed” and the

“claimed invention” in an application are property subject to “ownership,” Post-AIA 35 U.S.C. §§ 102(c) and 122(a), as are trade secrets included therein. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1003 (1984) (Recognizing trade secrets as “property that extends beyond land and tangible goods and includes the products of an individual's labor and invention.”) Upon public disclosure and publication of the patent, the Patent Owner *exchanges* its property rights in such intangibles described above for the exclusive patent right. The PTAB’s cancellation of the patent right does not restore to the Patent Owner such intangible property but rather dedicates it to the public, depriving the Patent Owner of its property. See also *infra* note 31.

When the litigants’ risks are equal, that is, in a symmetric case where the consequences of an error in favor of one litigant are just as serious as the consequences of an error in favor of the other, the certainty level for the adjudicator must not favor one litigant over the other and it need only be a preponderance of the evidence that carries the day. *See id.* Even in certain civil cases—to say nothing of the “beyond a reasonable doubt” standard in criminal proceedings—the law requires a party to demonstrate certain facts to a higher degree of probability because the litigants’ risks in the event of an adjudication error against them are substantially asymmetric. For example, where the defendant is accused of civil fraud, a finding against him may do more than merely cost him restitution money. Since he loses reputation as well, the risk of an erroneous judgment against him is greater than that

of an erroneous judgment against the plaintiff; as a result, the plaintiff must prove his case to a higher probability—clear-and-convincing-evidence. *See* John W. Strong, 2 MCCORMICK ON EVIDENCE §§ 340, 443-444 (4th ed.1992) (collecting civil cases where the clear-and-convincing evidence standard applies including civil fraud, undue influence, special danger of deception, revocation of citizenship, or policy grounds).

C. The Litigants’ Countervailing Risks Of Adjudication Errors In IPRs Are Highly Asymmetric

The requirement for clear and convincing evidence to invalidate a presumptively valid patent pre-dates to before the PTO started examining patent applications on the merits in 1836.³⁰ Rather than reflecting any deference to the PTO’s examination process, the presumption of validity under the clear-and-convincing-evidence standard is an immutable adjudicatory standard matched to the large asymmetry in the countervailing *risks* to the litigants due to factfinder errors in patent validity adjudications.

In a patent infringement action, the litigants’ risks of fact-finding errors in determining *infringement* are symmetric, because each party has the same dollars at

³⁰ *See* Ron D. Katznelson, *Brief of Amicus Curiae in Support of Affirmance, Microsoft Corp. v. i4i et al.*, at 30-32, U.S. Supreme Court (March 18, 2011), available at <http://j.mp/MS-v-i4i-Brief> (Analyzing passages from Sen. Rep. Accompanying Senate Bill No. 239, 24th Cong., 1st Sess. (April 28, 1836) that endorse heightened standard of proof and the presumption of patent validity.

risk in the form of the damages the plaintiff seeks. This symmetry of specific monetary risks has long been recognized as requiring that *infringement* be proven by preponderance-of-the-evidence. *Bene v. Jeantet*, 129 U.S. 683, 688 (1889). Yet neither the asymmetry, nor that evidentiary standard, holds true for patent invalidity determinations. When the factfinder erroneously upholds an invalid patent, the defendant risks the unjust loss of damage award only for his own infringement; whereas when the factfinder erroneously finds a valid patent invalid, the patentee risks not only the unjust loss of his rights as to that defendant, but also the possibility of ever obtaining licensing fees or damage awards from *any* other infringers. Moreover, unlike the accused infringer, only the patentee's risk of error also includes the unjust enrichment of the public with a disclosure of the invention that could have been kept a trade secret but was published upon consummation of the patent bargain. That overall asymmetry arises immediately upon the grant of the exclusive patent right when the inventor discloses his invention to the public.³¹ The proper evidentiary standard for invalidating a patent must only depend on the parties'

³¹ That disclosure is irreversible—the patent-holder cannot “unring the bell” after the patent published. This is particularly stark where, as here, Patent Owner made this bargain of disclosure in return for exclusivity years before Congress retroactively changed the terms of the deal by directing the PTO to invalidate patents upon a mere preponderance of the evidence, instead of the elevated clear-and-convincing standard in place at the time Patent Owner received his patent and developed investment-backed expectations.

countervailing risks of adverse adjudication errors, and not on the particular tribunal adjudicating the validity of the patent holder’s property right.

Arguing that the standard of proof for IPR at the PTO should be as it is in other PTO proceedings—the preponderance of evidence—is tantamount to arguing that a district court should keep the preponderance of evidence standard it used in a civil case when it proceeds to adjudicate a criminal case. Unlike PTO’s role in pre-grant examination, or in the *ex parte* re-examinations—the PTAB panel does not represent the public in the proceeding, assuming instead the role of an impartial adjudicator between adverse litigants, who can, among other things, authorize a settlement narrowly tailored solely to the interests of the litigants. *See* 35 U.S.C. § 317.

In contrast, under the PTO’s *examinational* role, including in reexamination, “[t]he patent examiner and the applicant, in the give and take of rejection and response, work toward defining the metes and bounds of the invention to be patented.”³² In that setting, the applicant can amend the claims *successively* “in order to achieve a complete *exploration* of the applicant’s invention and its relation to the prior art.”³³ Congress recognized that this process is designed to help

³² *In re Buszard*, 504 F.3d 1364, 1366–67 (Fed. Cir. 2007).

³³ *In re Zletz*, 893 F.2d 319, 321-322 (Fed. Cir. 1989) (“When the applicant states the meaning that the claim terms are intended to have, the claims are examined with that meaning, *in order to achieve a complete exploration* of the applicant's invention

applicants obtain claims – not one to cancel them – and provided for continued examination of applications in 35 U.S.C. § 132(b) and permitting multiple opportunities to amend the claims,³⁴ including additional opportunities in reexamination to file Requests for Continued Reexamination (“RCR”).³⁵ Even at the last potential stage after examination or reexamination, if the PTO Board of Appeal issues a new rejection on appeal, prosecution is reopened with *full* rights to amend the claims again.³⁶ This process between the applicant and the PTO which represents the public, where the parties have symmetric opposing stakes, is radically different than an AIA trial on an issued patent.

An IPR is a “*party-directed*, adversarial process,” not an “agency-led, inquisitorial process.” *SAS Inst. Inc. v. Iancu*, 138 S.Ct. 1348, 1355 (2018) (emphasis added); *Abbott Labs. v. Cordis Corp.*, 710 F.3d 1318, 1326 (Fed.Cir.2013) (“The purpose of this [AIA] reform was to ‘convert[] inter partes reexamination from an

and its relation to the prior art. ... An essential purpose of patent examination is to fashion claims that are precise, clear, correct, and unambiguous. Only in this way can uncertainties of claim scope be removed, as much as possible, during the administrative process,”) (cleaned up); see *In re Prater*, 415 F.2d 1393, 1404-05 (CCPA 1969) (“[D]uring patent prosecution when claims *can be amended*, ambiguities should be recognized, *scope and breadth of language explored*, and clarification imposed.”) (Emphasis added)..

³⁴ Even after final rejection or action closing prosecution, claim amendments necessitated by the new rejection can be made. 37 C.F.R. § 1.116.

³⁵ MPEP § 2440(II), Second or Subsequent Request Filed During Reexamination.

³⁶ 37 C.F.R. §§ 41.50(a)(2)(i), 41.50(b)(1) and 41.77(b).

examinational to an *adjudicative* proceeding’ ”) (emphasis added); *Google, Inc. v. Jongerius Panoramic Techs., LLC*, IPR2013-00191, Paper No. 50, at 4 (PTAB Feb. 13, 2014) (IPR “is neither a patent examination nor a patent reexamination. Rather, it is a trial, *adjudicatory* in nature and constitutes litigation.”) (Emphasis added). Therefore, as in patent cases tried in district courts, the countervailing risks of error in IPR are vastly different for the patentee and the petitioner. Therefore, as in *Santosky*, the due process protection of the Fifth Amendment dictates that the clear and convincing evidence standard must apply in adjudicating the validity of patent claims, as it does in Article III courts.

Petitioner sprang into existence as soon as the AIA created this post grant review procedure. It has no stake in the outcome. It is the “NPE” of patent invalidation. It suffers no harm if patent claims erroneously survive. Whereas B# will suffer enormous harm if claims erroneously invalidated.³⁷

Finally, Patent Owner raises the violation of his property rights under the due process clause of the Fifth Amendment for the application of “a constitutionally

³⁷ In *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC*, the Supreme Court upheld the validity of the IPR process on two grounds only. 138 S.Ct. 1365 (2018). The PTO’s ability to strip an inventor of a presumptively valid patent in an adversarial adjudicatory process—as opposed to examinational one-- using only a preponderance of the evidence standard remains an open question. In fact, the Court in *Oil States* was clear: “our decision should not be misconstrued as suggesting that patents are not property for purposes of the Due Process Clause or the Takings Clause.” *Id.* at 1379.

defective evidentiary standard,” as opposed to the taking clause. The Federal Circuit has never considered the former but recently addressed the latter, finding that IPRs do not violate the takings clause even when applied retroactively to Pre-AIA patents. *Celgene*, 931 F.3d at 1361–62. Where the Federal Circuit has considered the presumption of validity under the due process clause, it did so in the context of *ex parte* reexaminations, and only with respect to whether the *retroactive application* of the reexamination statute *without* the presumption of validity violates the due process clause. The court found that it does not. *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 605 (Fed. Cir.), on reh'g, 771 F.2d 480 (Fed. Cir. 1985) (“We do not consider the section 282 presumption, which represents a procedure created by statute to govern litigation, to be a property right subject to the protection of the Constitution.”)

Patent Owner does not consider the presumption of validity *per se* as a property right, but rather that the application of a defective evidentiary standard to rebut the presumption violates the due process clause. Where, as here, the countervailing risks of error in adjudication are highly asymmetric, the Supreme Court has been clear that setting the proper standard of proof in civil cases is a constitutional protection matter: “To meet due process demands ... the standard of proof has to inform the factfinder that the proof must be greater than the ‘preponderance of the evidence’ standard applicable to other categories of civil

cases.” *Addington*, 441 US at 419. The presumption of validity with the clear-and-convincing-evidence standard is one of the indivisible “bundle” of rights that have been bargained for and come with an issued patent.

Also on due process grounds, Patent Owner submits that a decision on the merits in this proceeding by the same PTAB panel that decided to institute the instant IPR would violate the Patent Owner’s Constitutional Due Process rights under the Fifth Amendment of the U.S. Constitution for the reasons explained in detail by the Patent Owner in *New Vision Gaming v. SG Gaming, Inc.* (Fed. Cir. Case No: 20-1399). Patent Owner hereby requests that all APJs be replaced to form a new panel for any future actions on the merits in this proceeding.

VI. THIS IPR DEPENDS ON THE SUPREME COURT’S DECISION IN *UNITED STATES V. ARTHREX, INC.*

On March 1, 2021, the United States Supreme Court entertained oral argument in *United States of America v. Arthrex, Inc.*, Supreme Court Docket Nos. 19-1434, 19-1452, and 19-1458. The questions presented in that case are:

QUESTIONS PRESENTED

1. Whether, for purposes of the Appointments Clause, U.S. Const. art. II, § 2, cl. 2, administrative patent judges of the U.S. Patent and Trademark Office are principal officers who must be appointed by the President with the Senate’s advice and consent, or “inferior Officers” whose appointment Congress has permissibly vested in a department head.

2. Whether, if administrative patent judges are principal officers, the court of appeals properly cured any Appointments Clause defect in the current statutory scheme prospectively by severing the application of 5 U.S.C. § 7513(a) to those judges.

[EX 2044 (Arthrex Brief at (i)).]

B# attaches as EX 2044 and incorporates fully by reference here the brief of Arthrex to the Supreme Court. During oral argument, some justices were incredulous that APJs are vested with nearly unfettered authority to institute IPRs but are clearly inferior and not principal officers:

- Chief Justice Roberts said that relying on the Director’s authority to rehear decisions “would make something of a charade out of the adjudication” and that “doesn’t really sound like any kind of adjudication that we would accept under due process”
- Justice Kagan noted that in even such a rehearing where the Director sat on the panel, he would not have authority over the other two panel members
- Justice Gorsuch said the PTO’s position did not square with the Court’s 2020 decision in *Seila Law LLC v. Consumer Financial Protection Board*, because even the President cannot reverse and APJ’s decision;

- Justice Kavanaugh characterized the entire set-up as “a real break from tradition”;
- Justice Gorsuch called the lack of final review in the agency head “a rare bird” and “an unusual animal.”

Some justices suggested that, although they believe the appointment of APJs is likely unconstitutional, the Court could fashion a remedy itself, rather than deferring to Congress to do so:

- Justice Barret noted that the parties seemed to be giving the Court itself “a lot of discretion . . . to shape a remedy here”:
- Justice Alito said the Court could re-write the statute by simply saying “This is what the Constitution requires”;
- Justice Kavanaugh said that the patent owner’s calls to “take down the whole system” has been repeatedly frowned upon by the Court.

One such remedy some justice suggested was to afford the Director the ability to review institution decisions of APJ upon petition for rehearing by patent owner, with Justice Kagan pressing counsel whether the proper standard of review required to invoke such review might be “clear error” or “egregious error.”

Should the Supreme Court decide that APJs are not Constitutionally appointed because they act as principal officers for whom the President has not

received advice and consent of the Senate, then the Board must vacate its institution decision. Should the Supreme Court fashion some remedy permitting patent owners to petition for rehearing of erroneously-entered institution decisions, B# reserves its right to petition for rehearing of the Board's erroneously-entered institution decision in this IPR, or any to avail itself of any other remedy the Supreme Court may fashion in its opinion in the *Arthrex v. Smith & Nephew* case.

Dated: March 3, 2021

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CERTIFICATE OF COMPLIANCE

Pursuant to 37 C.F.R. 42.24(d), the undersigned certifies that this PATENT OWNER'S RESPONSE TO THE PETITION complies with the type-volume limitation of 37 C.F.R. § 42.24(b)(2) as it contains fewer than the limit of 14,000 words, as determined by the word-processing program used to prepare the brief, excluding the parts of the brief exempted by 37 C.F.R. § 42.24(a)(1).

Dated: March 3, 2021

Respectfully submitted,

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CERTIFICATE OF SERVICE

Pursuant to 37 C.F.R. §§ 42.6(e)(4) and 42.205(b), the undersigned certifies that on March 3, 2021, an electronic copy of the foregoing PATENT OWNER'S RESPONSE TO THE PETITION, along with any accompanying exhibits, was served via email to Petitioner's counsel of record as follows:

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