

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

FACEBOOK, INC. and INSTAGRAM, LLC,
Petitioner,

v.

SKKY, LLC,
Patent Owner.

Case CBM2017-00003
Patent 9,219,810 B2

Before KARL D. EASTHOM, WILLIAM V. SAINDON, and
CHRISTOPHER G. PAULRAJ, *Administrative Patent Judges*.

EASTHOM, *Administrative Patent Judge*.

DECISION

Denying Institution of Covered Business Method Patent Review
37 C.F.R. § 42.208

I. INTRODUCTION

Petitioner, collectively Facebook, Inc. and Instagram, LLC, filed a Petition (Paper 2, “Pet.”) requesting covered business method (“CBM”) patent review of claims 1–7 of U.S. Patent No. 9,219,810 B2 (Ex. 1001, the “’810 patent”) under Section 18 of the Leahy-Smith America Invents Act, Pub. L. No. 112–29, 125 Stat. 284, 329 (2011) (“AIA”). Patent Owner, Skky, LLC, filed a Preliminary Response. Paper 6 (“Prelim. Resp.”). With its Preliminary Response, Patent Owner provided evidence (Ex. 2001) that it filed with the Office a statutory disclaimer of claim 5 of the ’810 patent pursuant to 37 C.F.R. § 1.321(a). Prelim. Resp. 2 (citing Ex. 2001). After the Preliminary Response, Petitioner filed a Preliminary Reply to Patent Owner’s Preliminary Response, as authorized by the panel pursuant an e-mail request by Petitioner, to address the consequences of Patent Owner’s disclaimer of claim 5. Paper 7 (“Pet. Prelim. Reply”). In response to the Preliminary Reply, Patent Owner filed a Preliminary Sur-Reply, also as authorized by the panel. Paper 8 (“PO Sur-Reply”).

We have jurisdiction under 35 U.S.C. § 324(a).

Section 18(a)(1) of the AIA provides that a covered business method patent review “shall be regarded as, and shall employ the standards and procedures of, a post-grant review” with certain exceptions not relevant here. Under 35 U.S.C. § 324(a), a post-grant review cannot be “instituted unless the Director determines that the information presented in the petition . . . would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”

Upon consideration of the record, we determine that the ’810 patent is not a covered business method patent and accordingly deny the Petition.

A. Related Matters

Petitioner states that Patent Owner asserted the '810 patent against Petitioner in pending litigation, namely *Skky, LLC v. Facebook, Inc.*, No. 16:cv-00094 (D. Minn.) (filed Jan. 15, 2016). *See* Pet. 3. Petitioner lists related PTAB proceedings as follows: CBM2016-00091 (challenging U.S. Pat. No. 9,037,502, a continuation of the same application to which the '810 patent also claims priority); and IPR2014-01236 (challenging U.S. Patent No. 7,548,875, the grandparent to the '810 patent). In addition to CBM2016-00091, Patent Owner lists several related PTAB proceedings and other related matters. *See* Paper 4, 2–3. Listed PTAB proceedings involving the instant parties include the following: CBM2017-00002; CBM2017-00006; CBM2017-00007; IPR2017-00088; IPR2017-00089; and IPR2017-00092; IPR2017-00097. *Id.* at 2.

B. The '801 Patent

The '801 patent describes a method for delivering audio and/or visual media files, including recordings of songs, musical compositions, ringtones, video, films, television shows, and personal recordings, wirelessly or non-wirelessly to devices for playback of the content, with or without an Internet connection. Ex. 1001, Abstract, 1:19–21.

Figure 5 of the '801 patent follows:

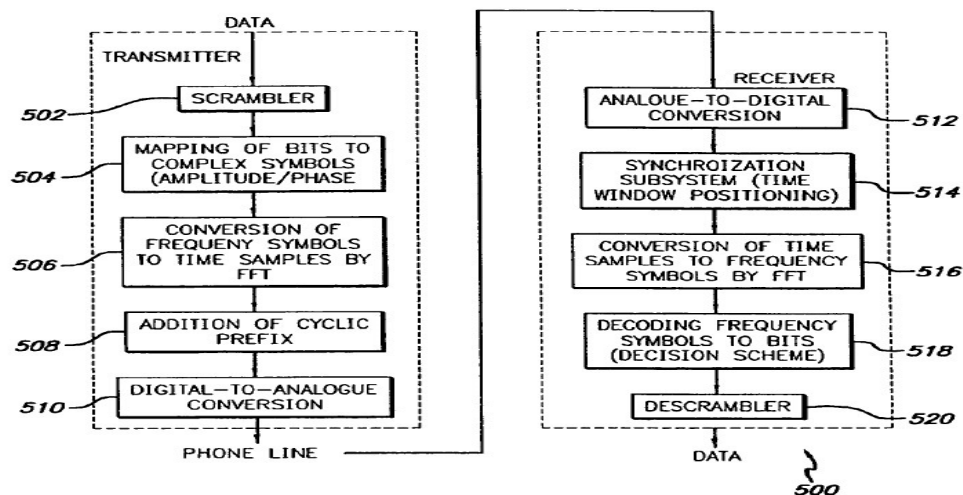


FIG. 5

According to the Specification, Figure 5 depicts a flow chart for delivering data content by transmitting data over an audio channel of a wireless telephone. See Ex. 1001, 16:29–34. Data transmission method 500 includes transferring data from a server by converting stored digital information to analog information (i.e., D/A conversion, step 510) wherein the server transmits the signal to a receiver using an orthogonal frequency-division multiplex scheme (OFDM). See *id.* at 16:29–17:46; Ex. 1002 ¶¶ 42–45, 93–95. Prior to the D/A conversion, the transmitter scrambles data representing a data file (502), maps that to complex frequency symbols (504), converts that to time samples using a Fast Fourier Transform (FFT) (506), and adds a cyclic prefix (508). Ex. 1001, 16:37–41. After the D/A conversion and OFDM modulation, a telephone receiver decodes the modulated symbols by a reverse conversion process (i.e., an analog to digital (A/D) conversion process) to recover the transmitted audio or video file to be stored as digital information (512–520). See *id.* at 16:41–46, 18:5–11.

C. Challenged Claim 1

Claim 1, the sole independent challenged claim of the '810 patent, follows:

1. A method of delivering a data file between one or more servers to a user's wireless device, the method comprising:
 - receiving the data file from the wireless device, the wireless device including a digital signal processor and a receiver configured for the handling of digital media transmitted by orthogonal frequency-division multiplex modulation, wherein the data file is routed through a cellular network;
 - storing the data file received from the wireless device in the user's virtual storage locker on the one or more servers;
 - receiving a request from the wireless device for the data file; and
 - providing for transmitting the data file to the wireless device using orthogonal frequency-division multiplex modulation based on the received request.

Ex. 1001, 32:63–33:11.

D. The Alleged Grounds of Unpatentability

The Petition asserts the unpatentability of claims 1–7 for failure to recite patent-eligible subject matter under 35 U.S.C. § 101, for failure to correspond in scope with that which the inventor regards as the invention under 35 U.S.C. § 112(b) (pre-AIA 35 U.S.C. § 112 ¶ 2), and for lack of written description under 35 U.S.C. § 112(a) (pre-AIA 35 U.S.C. § 112 ¶ 1). Pet. 30–31. Based on Patent Owner's disclaimer of claim 5, only challenges to claims 1–4, 6, and 7 remain. To support its challenges, Petitioner relies on the Declaration of William H. Beckmann, Ph.D. Ex. 1002.

II. ANALYSIS

A. *Grounds for Standing*

Section 18 of the AIA created a transitional program for persons who have been sued or charged with infringement of a “covered business method patent.” AIA §§ 18(a)(1)(B), 18(d)(1); *see* 37 C.F.R. § 42.302. As noted above, Petitioner represents that it has been sued for infringement of the ’502 patent in *Skky, LLC v. Facebook, Inc.*, No. 16:cv-00094 (D. Minn.) (filed Jan. 15, 2016). Pet. 3. We determine that the infringement suit confers standing on Petitioner. *See* AIA §§ 18(a)(1)(B), 18(d)(1); 37 C.F.R. § 42.302. Patent Owner does not dispute that Petitioner has standing. *See* Paper 4, 2–3.

B. *Covered Business Method Patent*

A “covered business method (CBM) patent” is “a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” AIA § 18(d)(1); 37 C.F.R. § 42.301(a). Under AIA § 18 (a)(1)(E), “[t]he Director may institute a transitional proceeding only for a patent that *is a covered business method patent.*” (Emphasis added). A patent is eligible for CBM review if it has at least one claim directed to a covered business method. Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,736 (Response to Comment 8).

Addressing the scope of CBM patents, *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1325 (Fed. Cir. 2015) (emphasis added), *cert. denied*, 136 S. Ct. 2510 (2016), explains that

as a matter of statutory construction, the definition of “covered business method patent” is not limited to products and services of only the financial industry, or to patents owned by or directly affecting the activities of financial institutions such as banks and brokerage houses. The plain text of the statutory definition contained in § 18(d)(1)—“performing . . . operations used in the practice, administration, or management of a financial product or service”—on its face covers a wide range of *finance-related activities*. The statutory definition makes no reference to financial institutions as such, and does not limit itself only to those institutions.

Stated differently, the scope of what constitutes a covered business method patent includes a broad array of “monetary matters.” *See SAP Am., Inc. v. Versata Dev. Grp., Inc.*, Case CBM2012-00001, slip op. at 23 (PTAB Jan. 9, 2013) (Paper 36) (“The term financial is an adjective that simply means relating to monetary matters.”).

In two recent cases, PTAB’s reviewing court clarified the scope of CBM review, and held that the Board’s reliance on phrases in the legislative history, i.e., whether the patent claims activities “incidental to” or “complementary to,” a financial activity as the legal standard to determine whether a patent is a CBM patent, was not in accordance with AIA § 18(d)(1). *Unwired Planet, LLC v. Google Inc.*, 841 F.3d 1376, 1379–82 (Fed. Cir. 2016); *Secure Axxess, LLC v. PNC Bank Nat’l Ass’n*, No. 2016-1353, -- F.3d --, 2017 WL 676601, at *8 (Fed. Cir. Feb. 21, 2017) (“Consistent with *Unwired Planet*, we hold that the emphasized phrase [i.e., ‘incidental to’ or ‘complementary to’ a financial activity (as set forth in the

legislative history)] is not a part of the statutory definition of what is a CBM patent, and, as we did in *Unwired Planet*, we conclude that such a definition of a CBM patent is beyond the scope of the statutory standard and thus ‘not in accordance with law.’”) (quoting *Unwired Planet*, 841 F.3d at 1382).

C. Analysis

As noted above, Patent Owner disclaimed claim 5. Prelim. Resp. 5 (citing Ex. 2001); Pet. Prelim. Reply (addressing the disclaimer); PO Sur-Reply (replying to Pet. Prelim. Reply). Patent Owner argues that for the purpose of determining whether or not to institute a CBM proceeding, the Board must treat disclaimed claims “as never having existed.” Prelim. Resp. 6 (citing *Great West Cas. Co. v. Intellectual Ventures II LLC*, Case CBM2015-00171, slip op. at 7 (PTAB Feb. 9, 2016) (Paper 10)).

Relying on 37 C.F.R. § 42.207 and non-precedential Board cases, Patent Owner contends that “[w]hen a patent owner files a statutory disclaimer with its preliminary response, ‘no post-grant review will be instituted based on disclaimed claims.’” *Id.* at 5 (quoting 37 C.F.R. § 42.207; citing, *e.g.*, *Google Inc. v. SimpleAir, Inc.*, Case CBM2015-00019, slip. op. at 5, (PTAB Aug. 19, 2015) (“Our rules permit a patent owner to file a statutory disclaimer with its preliminary response and no post-grant review will be instituted based on the disclaimed claims.”) (Paper 15, 5)). Patent Owner also contends that pursuant to the disclaimer, “only Petitioners’ arguments relating to claim 1 remain,” and claim 1 does not confer CBM status on the ’810 patent. *Id.* at 5, 5–8.

Although previous non-precedential PTAB decisions do not bind this panel, several panels confronted with the issue of alleged CBM eligibility on the basis of disclaimed claims have reached the conclusion that the

disclaimed claims should be disregarded, as Patent Owner argues. *See, e.g., CoreLogic, Inc. v. Boundary Solutions, Inc.*, Case CBM2016-00016, slip op. at 6–7 (PTAB May 24, 2016) (Paper 9) (“[T]he disclaimed claims should not be consulted when determining whether the patent is a covered business method patent.”); *AT&T Mobility LLC v. Intellectual Ventures II LLC*, Case CBM2015-00185, slip op. at 10 (PTAB May 4, 2016) (Paper 10) (“[W]e will not consider the now-statutorily disclaimed claims in our determination.”); *Great West Casualty Co. v. Intellectual Ventures II LLC*, Case CBM2015-00171, slip op. at 7 (PTAB Feb. 9, 2016) (Paper 10) (“[F]or the purposes of whether or not to institute a covered business method patent review, we treat [the disclaimed claims] as never having existed.”); *Google Inc. v. SimpleAir, Inc.*, Case CBM2015-00019, slip op. at 14–15 (PTAB May 19, 2014) (Paper 11) (“[W]e treat the [challenged] patent as though [the disclaimed claim] never existed.”).

On the other hand, other non-binding PTAB decisions have held that a disclaimed dependent claim that includes finance-related subject matter may be considered for purposes of CBM eligibility when assessing the scope of the claimed subject matter in the parent (non-disclaimed) independent claim. *See, e.g., J.P. Morgan Chase & Co. v. Intellectual Ventures II LLC*, Case CBM2014-00157, slip op. at 2–3 (PTAB Feb. 18, 2015) (Paper 11) (“[S]tanding for covered business method patent review remains at least because disclaimer of claim 12 does not change the scope of independent claim 1, from which it depends.”).

The majority of PTAB cases cited above track Federal Circuit precedents that treat disclaimed claims in non-CBM contexts as if those claims never existed. *See Vectra Fitness, Inc. v. TWNK Corp.*, 162 F.3d

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

Nevertheless, Petitioner contends that because Patent Owner disclaimed claim 5 *after* Petitioner filed its Petition, claim 5 must be considered in determining if the ’810 patent qualifies for CBM review. Pet. Prelim. Reply 2 (arguing that “the disclaimed claims, if considered, will amply qualify the ’310 patent for CBM patent review”). According to Petitioner, not considering claim 5 would violate “the time-of-filing rule,” a rule in federal court litigation that “serves the important policy of preventing a responding party from depriving a forum of its authority through post-filing manipulation of the facts under the responding party’s control.” *Id.* at 3. Petitioner also argues that 37 C.F.R. § 42.207 (upon which Patent Owner relies as noted above and further below), “only prevents the institution of CBM patent review against claims that have been disclaimed.” *Id.* at 5 (emphasis deleted).

Further addressing 37 C.F.R. § 42.207 in the context of the “time-of-filing” rule, Petitioner explains that

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

Pet. Prelim. Reply 6.

Petitioner makes additional related arguments urging the adoption of the “time-of-filing” rule. *See id.* at 1–7. Petitioner’s arguments are not persuasive. Claim 1, on its face, does not recite any financial activity. If anything, considering disclaimed claim 5, as Petitioner urges, further shows that claim 1 does not *require* a financial activity, as explained further below. Moreover, as Patent Owner persuasively argues, “[w]hen a patent owner files a statutory disclaimer with its preliminary response, ‘no post-grant review will be instituted based on disclaimed claims.’” Prelim. Resp. 5

(quoting 37 C.F.R. § 42.207). Supporting Patent Owner, AIA § 18 (a)(1)(E) states that “[t]he Director may institute a transitional proceeding only for a patent that *is a covered business method patent.*” (Emphasis added).

Adopting the “time-of-filing” rule, as advanced by Petitioner, would require determining if the ’810 patent *was* a CBM at the time of filing of the Petition, instead of what “*is a covered business method patent,*” AIA § 18 (a)(1)(E), i.e., what *is* a CBM patent *at the time of institution*. Adopting the “time-of-filing” rule also appears to violate 37 C.F.R. § 42.207, which prohibits *instituting* a CBM “*based on disclaimed claims.*” *Id.* (emphasis added). Consistent with the view that a CBM institution determination must focus on the challenged claims existing at least as of the time of institution, *Secure Axxess* requires a challenged patent to “*have a claim that contains . . . a financial activity element,*” 2017 WL 676601, at *8, and *Vectra Fitness, Inc.*, 162 F.3d at 1383, *Guinn*, 96 F.3d at 1422, and *Genetics Inst.*, 655 F.3d at 1299, require treating disclaimed claims as though they never existed. See PO Sur-Reply 2 (“relevant case law directly contradicts Petitioners’ arguments”) (citing *Secure Axxess* and *Unwired Planet*); see also *Blue Calypso, LLC v. Groupon, Inc.*, 815 F.3d 1331, 1348 (Fed. Cir. 2016) (approving of prior Board decisions that “properly focuse[d] on the claim language at issue and, finding nothing explicitly or inherently financial in the construed claim language, decline[d] to institute CBM review,” and finding that the challenged patent was eligible for review because the claims recited “an express financial component in the form of a subsidy” that was “central to the operation of the claimed invention”).

Notwithstanding that the focus must be on the challenged claims, Petitioner also contends that the Specification shows that the claimed

transmitting step has a financial purpose. For example, Petitioner argues that “the delivery method of the ’810 patent comprises ‘[c]onducting an online purchasing transaction and charging the consumer for the download.’” Pet. 6 (quoting Ex. 1001, 31:54–56). Petitioner quotes the ’810 patent Specification as follows:

[T]he unique delivery method provides a seller or service provider with a convenient and more efficient way of promoting and selling entire sound and image files which include downloadable music, movies, films, shows, and items such as records, cassette tapes, CDs, videos, and DVDs.

Pet. 6 (quoting Ex. 1001, 2:13–17) (emphasis by Petitioner). According to Petitioner, “[c]laim 1 (the sole independent claim) and dependent claim 5 specifically cover this allegedly unique delivery method.” *Id.*

Despite Petitioner’s citations to the Specification, claim 1 does not *require* any financial activity as part of the data delivery method. Rather, claim 1 recites a method for delivering a data file to a user’s device from one or more servers using a specific type of modulation, OFDM. The discussion of Figure 5 above shows that important aspects of the disclosed and claimed transmission method highlight the OFDM scheme, without focusing on, let alone requiring, any financial activity. *See supra* Section 1.B. Although the Specification describes providing a method of purchasing as part of downloading digital content as Petitioner argues, it also implies that any such purchasing constitutes merely an optional part of the invention:

The accessing of sound and/or image files by other electronic devices, such as home phones, computers, pagers, doorbells, alarms, palm pilots, watches, clocks, PDAs etc., for either allowing the consumer to browse, download, hear, view, *and/or purchase* sound recordings, image files, or associated items, or to use sound and/or image clips as alerts is also part of

the invention and not limited to solely telephones. *New electronic devices, whose independent purpose is to allow the user to browse, receive, store and play sound and image files, including clips, according to the present invention are also described.*

Ex. 1001, 3:11–21 (emphasis added). The Specification also generally touts the invention’s ability to download content “without the need for hand wired plug-in devices or a computer connection to the Internet” as follows:

Furthermore, the delivery of files including clips is not limited to web based applications. Unlike conventional methods which require computer plug-in devices for delivering and transferring digital music, the current invention may use a delivery method which allows the user to browse, download, and listen to or watch sound or image files without the need for hand wired plug-in devices or a computer connection to the Internet.

Id. at 3:54–61.

Nevertheless, Petitioner contends for other reasons that the final limitation of claim 1, “providing for transmitting the data file to the wireless device using orthogonal frequency-division multiplex modulation based on the received request,” renders the ’810 patent CBM eligible. Pet. 7. For example, Petitioner contends that “the recitation of ‘transmitting the data file’ in claim 1 is financial in nature because, as *confirmed* by claim 5, the claimed transmission *contemplates* financial activity in the form of a charged fee.” *Id.* (emphases added).

Petitioner’s arguments show that *contemplating* charging a fee and *requiring* charging a fee represent distinct attributes respectively of claim 1 and disclaimed claim 5. In other words, Petitioner’s characterization of claim 1 as *contemplating* a fee shows that that claim 1 does not *require* charging a fee. The Specification, as described above, supports this

understanding, because it shows that charging a fee or any financial activity at most constitutes an optional part of transmitting the data file.

In summary, claim 1 does not require any financial activity, let alone such activity that would confer CBM patent status to the '810 patent. Petitioner's arguments based on the Specification and disclaimed claim 5 do not account for the thrust and holdings of *Secure Axxess* and *Unwired Planet* and other precedent collectively indicating a general requirement for treating disclaimed claims as never having existed for purposes related to jurisdiction, and the language of AIA § 18 and 37 C.F.R. § 42.207. Otherwise including disclaimed claim 5 as an aid for determining the scope of claim 1, as Petitioner urges (*see* Pet. Prelim. Reply 6), does not help Petitioner, because claim 5 supports the determination that claim 1 does not require a financial activity, as discussed above.

Petitioner, at best, establishes that the existing challenged claims encompass methods that may include potential financial activity such as a sale. Petitioner's showing is not sufficient, because "[a]ll patents, at some level, relate to potential sale of a good or service." *See Unwired Planet*, 2016 WL 6832978, at *5. As Patent Owner argues, "[i]t is not enough that a sale has occurred or may occur, or even that the specification speculates such a potential sale might occur." Prelim. Resp. 9 (quoting *Unwired Planet*, 2016 WL 6832978, at *8).

Based on the foregoing discussion, Petitioner fails to meet its burden of showing that the '810 patent is eligible for the transitional covered business method patent review program.

III. ORDER

In consideration of the foregoing, it is hereby
ORDERED that pursuant to 35 U.S.C. § 324(a), a covered business
method patent review is not instituted as to any claim of the '810 patent.

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