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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 ON PETITIONER'S REQUEST FOR REHEARING
37 C.F.R. § 42.71

I. INTRODUCTION

Petitioner, collectively Facebook, Inc. and Instagram, LLC, requests rehearing (Paper 10, "Reh'g Req." or "Rehearing Request"), under 37 C.F.R. § 42.71(c) of our Decision Denying Institution (Paper 9, "Dec. Den'g Inst.") denying its Petition (Paper 1, "Pet."). We denied institution on the sole ground that the U.S. Patent No. 9,219,810 B2 (Ex. 1001, the "'810 patent") was not eligible for CBM patent review because the challenged claims existing at the time of the Decision Denying Institution did not require a financial activity. Dec. Den'g Inst. 15.

Upon reconsideration of the record, we maintain our determination that the '810 patent is not a covered business method patent. Accordingly, we deny the Rehearing Request to the extent it seeks a modification of our Decision Denying Institution.

Prior to its Rehearing Request, Petitioner filed a Petition (Paper 2, "Pet.") requesting covered business method ("CBM") patent review of claims 1–7 of 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").

II. ANALYSIS

A. Standard of Review

When rehearing a decision on petition, the Board will review the decision for an abuse of discretion. 37 C.F.R. § 42.71(c). "An abuse of discretion occurs if a decision is based on an erroneous interpretation of law, if a factual finding is not supported by substantial evidence, or if the decision represents an unreasonable judgment in weighing relevant factors." *Arnold P'ship v. Dudas*, 362 F.3d 1338, 1340 (Fed. Cir. 2004). The party requesting rehearing bears the burden of showing an abuse of discretion, and "[t]he request must specifically identify all matters the party believes the Board misapprehended or overlooked." 37 C.F.R. § 42.71(d).

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.

C. A Covered Business Method (CBM) 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).

D. Discussion

Petitioner refers the panel to a related CBM proceeding that also involved a disclaimer of claims, *Facebook, Inc. v. Skky, LLC*, Case CBM2016-00091 (PTAB) ("'091 CBM"). *See* Reh'g Req.1. In deciding a rehearing request in the '091 CBM proceeding, the Chief Judge expanded the panel "to provide guidance regarding the effect of . . . disclaimers on CBM patent review eligibility." '091 CBM, Paper 12, 3 (rehearing decision). In that case, the expanded panel denied petitioner's request for rehearing, holding that "CBM patent review eligibility is determined based on the claims of the challenged patent *as they exist at the time of the decision whether to institute*, and statutorily disclaimed claims must be treated as if they never existed." '091 CBM, Paper 12, 11 (emphasis added). The instant Rehearing Decision tracks the reasoning and holding of the '091 CBM rehearing decision.

Similar to petitioner's arguments in the '091 CBM proceeding, Petitioner argues "a Patent Owner filing a statutory disclaimer of certain claims after the filing of the CBM petition does not extinguish the right of accused infringers (Petitioners here) to challenge the patent in CBM review and should not unilaterally strip the Board of its authority to institute CBM review." Reh'g Req. 1–2. Citing *Rembrandt Wireless Techs., LP v.*

Samsung Elecs. Co., 853 F.3d 1370, 2017 (Fed. Cir. Apr. 17, 2017), Petitioner contends that the decision "clarifies the impact of post-filing statutory disclaimers and underscores the points Petitioners previously explained in their preliminary reply." *Id.* at 3. Namely, Petitioner explains federal courts apply a "time-of-filing" rule for determining federal court jurisdiction, and argues that the Board should use the same rule. *Id.* at 4–9.

Although federal courts apply the rule that "the jurisdiction of the court depends upon the state of things at the time of the action brought," *Grupo Dataflux v. Atlas Global Grp., L.P.*, 541 U.S. 567, 570 (2004) (quoting *Mollan v. Torrance*, 22 U.S. 537, 539 (1824)) (citation omitted), as an administrative agency, the Board has limited authority defined by statute, *see Kilip v. Office of Personnel Mgmt.*, 991 F.2d 1564, 1569 (Fed. Cir. 1993) ("An agency is but a creature of statute. Any and all authority pursuant to which an agency may act ultimately must be grounded in an express grant from Congress.").

The Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) ("AIA") created a transitional program for the Board to conduct post-grant reviews of a limited set of patents designated as "covered business method patents." AIA § 18(a). The AIA defines a "covered business method patent" as "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." *Id.* § 18(d)(1). Thus, in order to institute a CBM review proceeding, the statute requires a patent that *claims* a particular type of method or apparatus. *See Secure Axcess, LLC v. PNC Bank Nat'l Ass'n*, 848 F.3d 1370, 1381 (Fed. Cir. 2017) ("Necessarily, the statutory definition of a CBM patent

requires that the patent *have a claim* that contains, however phrased, a financial activity element." (emphasis added)); *Unwired Planet, LLC v. Google Inc.*, 841 F.3d 1376, 1382 (Fed. Cir. 2016) (CBM patents "are limited to those with *claims* that are directed to methods and apparatuses of *particular types and with particular uses* 'in the practice, administration, or management of a financial product or service'" (emphasis added)); *Blue Calypso, LLC v. Groupon, Inc.*, 815 F.3d 1331, 1340 (Fed. Cir. 2016) (citing previous Board decisions that "properly focuse[d] on the *claim* language at issue" (emphasis added)).

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." (Emphases added). In other words, the decision *at the time of institution* is based upon on what "*is a covered business* method patent," *id.* (emphasis added), instead of what *was* "a covered business method patent" prior to the disclaimer. *See also* AIA § 18(d)(1) (using the present tense "claims"); 37 C.F.R. § 42.207(e) (when a patent owner files a statutory disclaimer, "[n]o post-grant review will be instituted based on disclaimed claims"). Petitioner's proposed rule would require the Director to institute a CBM patent review "for a patent that is [not] a covered business method patent," contrary to AIA § 18(a)(1)(E).

Petitioner's "time-of-filing" rule also would require the Board to ignore 35 U.S.C. § 253(a) and its effect, as interpreted by the Federal Circuit. 35 U.S.C. § 253(a) authorizes statutory disclaimer of claims as follows:

> A patentee, whether of the whole or any sectional interest therein, may, on payment of the fee required by law, make disclaimer of any complete claim, stating therein the extent of his interest in

> such patent. Such disclaimer shall be in writing, and recorded in the Patent and Trademark Office; and it shall thereafter be considered as part of the original patent to the extent of the interest possessed by the disclaimant and by those claiming under him.

The Federal Circuit has held consistently that claims disclaimed under § 253(a) should be treated as though they 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."); *see also 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 required "the existence of an interference, and a claim that 'never existed' [due to a statutory disclaimer] cannot form the basis for an interference").

According to Petitioner, *Rembrandt* clarifies that disclaimers under 35 U.S.C. § 253(a) extinguish only a patent owner's legal rights—not the rights of others—with regard to the disclaimed claims, pointing to the following language in the decision:

> [W]hile we have held that a disclaimer relinquishes the rights of the patent owner, we have never held that the patent owner's disclaimer relinquishes the rights of the public. Indeed, our precedent and that of other courts have not readily extended the effects of disclaimer to situations where others besides the patentee have an interest that relates to the relinquished claims.

Reh'g Req. 3–4 (quoting *Rembrandt*, 853 F.3d at 1383–84 (emphases by Petitioner)). Petitioner argues that the principle annunciated in *Rembrandt* "squarely applies to the rights Congress and the PTO granted to accused infringers under the Covered Business Method patent review program." *Id.* at 4.

Contrary to Petitioner's arguments, *Rembrandt* does not address the AIA § 18(a)(1)(E) provision requiring CBM institution to be based on what "is a covered business method patent." Rather, it involves the patent marking statute, which pertains to giving "notice to the public" that an article is patented. *See* 35 U.S.C. § 287(a); *Rembrandt*, 853 F.3d at 1382–84. In *Rembrandt*, the plaintiff disclaimed claims to avoid a limitation on damages due to a failure to mark in accordance with the marking statute. 853 F.3d at 1382–84. The Federal Circuit vacated and remanded the district court's denial of the defendant's motion to bar recovery of pre-notice damages based on the disclaimer, emphasizing the purpose of the marking statute—to protect the public from liability for unknown infringement. *Id.* Because the purpose of marking is to provide public notice, the court reasoned that it was "irreconcilable" for a disclaimer to extinguish the right of the public to utilize unmarked features of a product until receiving notice. *Id.* Protecting the public's rights was central to the decision, as reflected in the court's narrow holding: "the marking statute's focus is not only the rights of the patentee, but the rights of the public . . . . Considering these rights held by the public, we hold that disclaimer cannot serve to retroactively dissolve the § 287(a) marking requirement for a patentee to collect pre-notice damages." *Id.* at 1384.

In contrast to the patent marking statute at issue in *Rembrandt*, which expressly pertains to rights of the "public," as well as a defendant's statutory right to patent infringement defenses and counterclaims, the public generally does not have an analogous right to institution of a CBM patent review.[1] *See Rembrandt*, 853 F.3d at 1383–84. Although certain individuals or entities who have standing and otherwise meet the statutory requirements may petition for CBM patent review, institution is discretionary, and in exercising this discretion, "[t]he Director may *institute* a transitional proceeding *only* for a patent *that is a covered business* method patent." *See* AIA § 18(a)(1) (emphases added); 35 U.S.C. § 324(a) ("The Director *may* not authorize a post-grant review to be instituted unless the Director determines that the information presented in the petition filed under section 321, if such information is not rebutted, would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable." (emphasis added)); AIA §§ 18(a)(1)(B), 18(d)(1) (standing—petitioner must be "charged with infringement"); 37 C.F.R. §§ 42.4(a) ("The Board institutes the trial on behalf of the Director."), 42.208(b) ("At any time prior to institution of post-grant review, the Board may deny some or all grounds for unpatentability for some or all of the challenged claims."), 42.208(b) (petitioner must be "charged with infringement").

[1] In *Secure Axcess, LLC v. PNC Bank Nat'l Ass'n*, 859 F.3d 998 (Fed. Cir. 2017), the court did not decide the issue controlling the outcome here (i.e., the effect of a pre-institution statutory disclaimer). *See* 859 F.3d 998 at 1003 n.5 (Taranto, J., concurring), 1005 (Lourie, J., dissenting).

Petitioner's arguments do not show that *Rembrandt* requires claims disclaimed prior to institution to be considered when determining whether a patent is eligible for CBM patent review at the time of institution.

Based on the foregoing discussion, Petitioner has not carried its burden of demonstrating that we abused our discretion in not considering disclaimed claim 5 and denying institution in this proceeding.

III. ORDER

It is ORDERED that Petitioner's Rehearing Request is *denied*.

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