

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SONOS, INC.,
Petitioner,

v.

D&M HOLDINGS INC.,
Patent Owner.

Case IPR2017-01045
Patent 7,987,294 B2

Before JONI Y. CHANG, JENNIFER S. BISK, and
JON M. JURGOVAN, *Administrative Patent Judges*.

JURGOVAN, *Administrative Patent Judge*.

DECISION
Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71(d)

I. INTRODUCTION

On March 7, 2017, Petitioner, Sonos, Inc., filed a Petition (Paper 1, “Pet.”) requesting an *inter partes* review of claims 1–20 and 25–27 of U.S. Patent No. 7,987,294 B2 (Ex. 1001, “the ’294 patent”). On July 6, 2017, Patent Owner, D&M Holdings Inc., filed a Preliminary Response (Paper 7, “Prelim. Resp.”). After consideration of the Petition and Preliminary Response, on October 4, 2017, we entered a Decision granting institution of *inter partes* review (Paper 8, “Dec.”). On October 19, 2017, Patent Owner filed a Request for Rehearing (Paper 11, “Req. Reh’g.”) regarding our Decision.

For the reasons stated below, Patent Owner’s Request for Rehearing is denied.

II. ANALYSIS

Standard of Review

When reconsidering a decision on institution, we review the decision for an abuse of discretion. 37 C.F.R. § 42.71(c). An abuse of discretion may be determined 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. *Star Fruits S.N.C. v. United States*, 393 F.3d 1277, 1281 (Fed. Cir. 2005); *Arnold P’ship v. Dudas*, 362 F.3d 1338, 1340 (Fed. Cir. 2004); *In re Gartside*, 203 F.3d 1305, 1315–16 (Fed. Cir. 2000). The party requesting rehearing has the burden of showing the decision should be modified, which includes specifically identifying all matters the party believes we misapprehended or overlooked. 37 C.F.R. § 42.71(d).

Background

Petitioner challenged claims 1–4, 10–20, and 25–27 of the ’294 patent as obvious under 35 U.S.C. § 103(a) over U.S. Patent No. 8,243,395 to Millington

(Millington '395") (Ex. 1011) alone or in combination with U.S. 7,571,014 to Lambourne ("Lambourne '014") (Ex. 1012) and U.S. Patent No. 8,483,853 ("Lambourne '853") (Ex. 1013). Pet. 13–14. Also, Petitioner challenged claims 5–9 and 17 of the '294 patent as obvious under 35 U.S.C. § 103(a) over Millington '395 (Ex. 1011), Lambourne '014, Lambourne '853, and U.S. Patent Publication No. 2005/0014467 to Ishiwata ("Ishiwata '467") (Ex. 1016). *Id.* This panel instituted *inter partes* review of all challenged claims based on these grounds.

Burden of Persuasion and Burden of Production

In rendering our Decision, Patent Owner contends we overlooked or improperly shifted the burden of persuasion and burden of production to Patent Owner, contrary to *Dynamic Drinkware, LLC v. National Graphics, Inc.*, 800 F.3d 1375 (Fed. Cir. 2015) ("*Dynamic Drinkware*"). Req. Reh'g 1–2.

In *Dynamic Drinkware*, the petitioner Dynamic Drinkware, LLC ("Dynamic") challenged National Graphics, Inc.'s ("National Graphics") U.S. Patent 6,635,196 ("the '196 patent") as anticipated by U.S. Patent 7,153,555 to Raymond ("the Raymond patent") under 35 U.S.C. § 102(e) (2006). *Id.* at 1377. The Board instituted *inter partes* review and conducted a trial, and in its final written decision, found that National Graphics had shown that the '196 patent was reduced to practice by March 28, 2000, before the May 5, 2000 filing date of the Raymond patent, and that Dynamic had failed to show that the Raymond patent was entitled to the benefit of its provisional filing date of February 15, 2000. *Id.* Accordingly, the Board concluded that Dynamic failed to demonstrate by a preponderance of the evidence that claims 1 and 12 of the '196 patent were anticipated by Raymond under § 102(e). Dynamic appealed to the Court of Appeals for the Federal Circuit ("Federal Circuit").

On appeal, in affirming the Board’s decision, the Federal Circuit noted that there are two distinct burdens of proof: the burden of persuasion and the burden of production. *Id.* at 1378 (citing *Tech. Licensing Corp. v. Videotek, Inc.*, 545 F.3d 1316, 1326–27 (Fed. Cir. 2008) (“*Tech Licensing*”)).

The burden of persuasion “is the ultimate burden assigned to a party who must prove something to a specified degree of certainty,” such as by preponderance of the evidence or by clear and convincing evidence. In an *inter partes* review, the burden of persuasion is on the petitioner to prove “unpatentability by a preponderance of the evidence,” 35 U.S.C. § 316(e), and that burden never shifts to the patentee.

Id. “Failure to prove the matter as required by the applicable standard means that the party with the burden of persuasion loses on that point—thus, if the fact trier of the issue is left uncertain, the party with the burden loses.” *Id.* at 1378–79. In contrast, the burden of production is a shifting burden, “the allocation of which depends on where in the process of trial the issue arises.” *Id.* (citing *Tech Licensing*, 545 F.3d at 1327). “The burden of production may entail ‘producing additional evidence and presenting persuasive argument based on new evidence or evidence already of record.’” *Id.*

Applying these burdens to the present case, the ultimate burden of persuasion was on the Petitioner to show a reasonable likelihood that Petitioner would prevail with respect to at least 1 claim based on the information presented. 35 U.S.C. § 314(a). Petitioner also had the initial burden of production to provide argument and evidence to establish a reasonable likelihood of unpatentability for at least 1 claim, and chose to do so by relying on Lambourne ’853 in addition to other prior art references.

Petitioner demonstrated that Lambourne ’853 is an issued patent (Pet. 13) that has a filing date of September 11, 2007 (Pet. 14), which is before the October

16, 2007 filing date of the '294 patent (Ex. 1013). Thus, Petitioner established at least a prima facie case that Lambourne '853 is prior art under 35 U.S.C. § 102(e). At this point, the burden of production shifted to Patent Owner to show that the '294 patent is entitled to its provisional application's filing date of October 17, 2006. Patent Owner did not meet this burden of production, and accordingly, the burden of production never shifted back to the Petitioner to show Lambourne '853 was entitled to the benefit of the filing date of its provisional application, Lambourne '407. Thus, we deny Patent Owner's request for rehearing for this reason.

No Presumption of Entitlement to Benefit of Provisional Filing Date

Patent Owner's argument presumes that the '294 patent is entitled to the benefit of its provisional application filing date. Req. Reh'g 4, Prelim. Resp. 55. However, "the PTO does not examine provisional applications as a matter of course, [and] such a presumption is therefore not justified." *Dynamic Drinkware*, 800 F.3d at 1380. "[A] patentee bears the burden of establishing that its claimed invention is entitled to an earlier priority date than an asserted prior art reference." *In re Magnum Oil Tools Int'l, Ltd.*, 829 F.3d 1364, 1376 (Fed. Cir. 2016). Accordingly, the effective filing date of the '294 patent for purposes of our Decision to institute *inter partes* review is its actual filing date as Patent Owner did not show entitlement to the benefit of the filing date of its provisional application.

Waiver

Patent Owner argues Petitioner failed to establish that Lambourne '853 is entitled to the benefit of the filing date of its provisional application, Lambourne '407, because Petitioner did not show that the subject matter of the provisional application provides support under 35 U.S.C. § 112, first paragraph, for at least one claim of the nonprovisional application in the Petition or request the opportunity to

reply to the Preliminary Response to address this issue. Req. Reh’g 2, 8, 11. As support for its waiver proposition, Patent Owner cites *In re Giacomini*, 612 F.3d 1380 (Fed. Cir. 2010) (“*Giacomini*”). *Id.*

In *Giacomini*, the Federal Circuit determined that the appellants failed to argue that a prior art patent was not entitled to the priority of its provisional application under 35 U.S.C. § 119(e), which resulted in waiver of the issue on appeal. However, because the present case is proceeding to trial following our Decision to institute *inter partes* review, where Petitioner will have the opportunity to make such a showing, if necessary, any determination of waiver of the issue by this panel at this stage of the proceeding would be premature.

In addition, if we were to apply waiver to the issue of whether Lambourne ’853 is entitled to the benefit of the Lambourne ’407 filing date, then we would likewise apply waiver to the issue of whether the ’294 patent is entitled to the benefit of its earlier provisional filing date, thereby conclusively establishing that Lambourne ’853 is § 102(e) prior art as of its filing date.. Rather than foreclose the issue of whether Lambourne ’853 is § 102(e) prior art to the ’294 patent, we prefer to afford Patent Owner the opportunity to show at trial that the ’294 patent is entitled to the benefit of its earlier provisional filing date. Likewise, Petitioner will be afforded the opportunity at trial to show that Lambourne ’853 is entitled to the benefit of the filing date of Lambourne ’407.

Alleged Improper Burden Shifting and “Standing In Basis for Missing Limitations” of Claims 13 and 18

Petitioner argued in its Petition that, although claims 13 and 18 were not identical to claim 1, they substantively tracked its language and were obvious for the same reasons. Pet. 49–50, 52–53. Patent Owner contended that Petitioner overlooked certain limitations present in claims 13 and 18, but not present in claim 1. Prelim. Resp. 68, 70–71. Specifically, those limitations are “determining

whether the device is a group leader relative to the one or more complementary devices” and “determining whether the device is a zone leader relative to the one or more complementary devices and one or more further groups of complementary devices.” *Id.*

In our Decision instituting *inter partes* review, we acknowledged Petitioner did not explicitly address these limitations but nonetheless found them disclosed in Lambourne '014 and Lambourne '853, or its provisional Lambourne '407 (collectively, “the Lambourne references”), which mention applicability of their inventions to stereo systems, which may be considered “complementary devices” since stereos typically have right and left speakers and associated circuitry. Dec. 19–20; Ex. 1012, 5:28–32; Ex. 1013, 4:56–59. Patent Owner contends Petitioner bears the burden of proving unpatentability and the Board cannot “stand in basis for the missing limitations” of claims 13 and 18 or shift the burden to Patent Owner to prove patentability. Req. Reh’g 2, 11–13.

However, Petitioner’s citations to the Lambourne references concerning claim 1 repeatedly mention “zone players” (*see, e.g.*, Pet. 28–31; Ex. 1012, 4:11–26, 5:34–38, 11:53–12:9; Ex. 1015, 10:20–24). The Lambourne references explain that these “zone players,” numbered 102, 104, and 106, are multimedia players which may be audio devices installed or provided in one particular area or zone, and they are shown in Figure 1 of the references as stereo systems with right and left speaker pairs, i.e., “complementary devices” as claimed. Ex. 1012, 4:63–67; Ex. 1013, 4:24–28. In addition, as mentioned, the Lambourne references establish the zone players are used in a stereo system. Ex. 1012, 5:28–32; Ex. 1013, 4:56–59. Thus, Petitioner’s reliance on particular parts of the Lambourne references to teach “zone players” was sufficient in this case to link other parts of the Lambourne references describing “zone players” and their context for purposes of

determining whether a reasonable likelihood of unpatentability exists for claims 13 and 18.

Accordingly, after review of Patent Owner's arguments in the Request for Rehearing, we remain of the opinion that Petitioner provided sufficient evidence and explanation to establish a reasonable likelihood that the challenged claims are unpatentable, and thus we decline to change our Decision to institute *inter partes* review.

III. CONCLUSION

For the foregoing reasons, we conclude that Patent Owner has not met its burden of showing an abuse of discretion in our Decision. We, therefore, deny Patent Owner's request to reverse our determination to institute an *inter partes* review.

IV. ORDER

For the foregoing reasons, it is
ORDERED that Patent Owner's Request for Rehearing is denied.

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For PETITIONER:

George I. Lee
Sean M. Sullivan
Rory P. Shea
John Dan Smith III
LEE SULLIVAN SHEA & SMITH LLP
lee@ls3ip.com
sullivan@ls3ip.com
shea@ls3ip.com
smith@ls3ip.com

For PATENT OWNER:

Christopher J. Rourke
Wasif H. Qureshi
JACKSON WALKER L.L.P.
crourke@jw.com
wqureshi@jw.com