

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SNAP INC.,
Petitioner,

v.

SANDERLING MANAGEMENT LTD.,
Patent Owner.

IPR2021-00779
Patent 9,639,866 B2

Before TIMOTHY J. GOODSON, ERIC C. JESCHKE, and
RICHARD H. MARSCHALL, *Administrative Patent Judges*.

JESCHKE, *Administrative Patent Judge*.

DECISION
Granting Institution of *Inter Partes* Review
35 U.S.C. § 314

I. BACKGROUND

Petitioner, Snap Inc., filed a Petition to institute an *inter partes* review of claims 1–11 (the “challenged claims”) of U.S. Patent No. 9,639,866 B2 (Ex. 1001, “the ’866 patent”). Paper 2 (“Pet.”). Patent Owner, Sanderling Management Ltd. filed a Preliminary Response. Paper 15 (“Prelim. Resp.”). With our authorization (Paper 16; Ex. 3001 (modifying original briefing topics)), Petitioner filed a Reply to Patent Owner’s Preliminary Response (Paper 17, “Prelim. Reply”) and Patent Owner filed a Sur-reply to Petitioner’s Preliminary Reply (Paper 19, “Prelim. Sur-reply”).

We have authority to determine whether to institute an *inter partes* review. *See* 35 U.S.C. § 314 (2018); 37 C.F.R. § 42.4(a) (2020) (“The Board institutes the trial on behalf of the Director.”). Section 314(a) of Title 35 of the United States Code provides that an *inter partes* review may not be instituted “unless . . . the information presented in the petition . . . shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” Upon consideration of the evidence and arguments in the briefing thus far, for the reasons below, we determine that the information presented shows a reasonable likelihood that Petitioner would prevail with respect to at least one of the challenged claims. We thus institute *inter partes* review on all challenged claims on all asserted grounds. *See SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1354, 1359–60 (2018); PTAB Rules of Practice for Instituting on All Challenged Patent Claims and All Grounds and Eliminating the Presumption at Institution Favoring Petitioner as to Testimonial Evidence (“PTAB Rules”), 85 Fed. Reg. 79,120, 79,120 (Dec. 9, 2020) (to be codified at 37 C.F.R. pt. 42) (“[T]he Board will either institute review on all of the

challenged claims and grounds of unpatentability presented in the petition or deny the petition.”).

A. Related Proceedings

The parties identify a proceeding in the U.S. District Court for the Central District of California (“the California District Court”) involving the ’866 patent: *Sanderling Management Ltd. v. Snap Inc.*, No. 2:21-cv-02324-GW-JC (C.D. Cal.), transferred from No. 1:20-cv-04627 (N.D. Ill.), filed August 6, 2020 (the “District Court Litigation”). Pet. 80; Paper 5 (Patent Owner Mandatory Notices) at 2. The District Court Litigation entered final judgment against Patent Owner on July 21, 2021. *See* Paper 11 (Petitioner’s Updated Mandatory Notices) at 1. Patent Owner has filed a notice of appeal to the United States Court of Appeals for the Federal Circuit. *See id.*

Petitioner also filed petitions for *inter partes* review of (1) claims 1–12 of the U.S. Patent No. 9,355,412 B2 (“the ’412 patent”) in IPR2021-00778, (2) claims 1, 2, 4–6, 8–16, 18, 19, 21–23, and 25–33 of U.S. Patent No. 10,108,986 B2 (“the ’986 patent”) in IPR2021-00780, and (3) claims 1, 3, 7, 17, 18, 20, 24, and 34 of the ’986 patent in IPR2021-00781. *See* IPR2021-00778, Paper 2; IPR2021-00780, Paper 2; IPR2021-00781, Paper 2. Concurrent with this Decision, the Board institutes *inter partes* review in all three related proceedings.

B. The ’866 Patent

The ’866 patent “relates to promotional content distribution and, more specifically, but not exclusively, to systems, methods and a computer program product for dynamic promotional layout and image processing

functions management and/or distribution.” Ex. 1001, 1:22–26. Figure 7 is reproduced below:

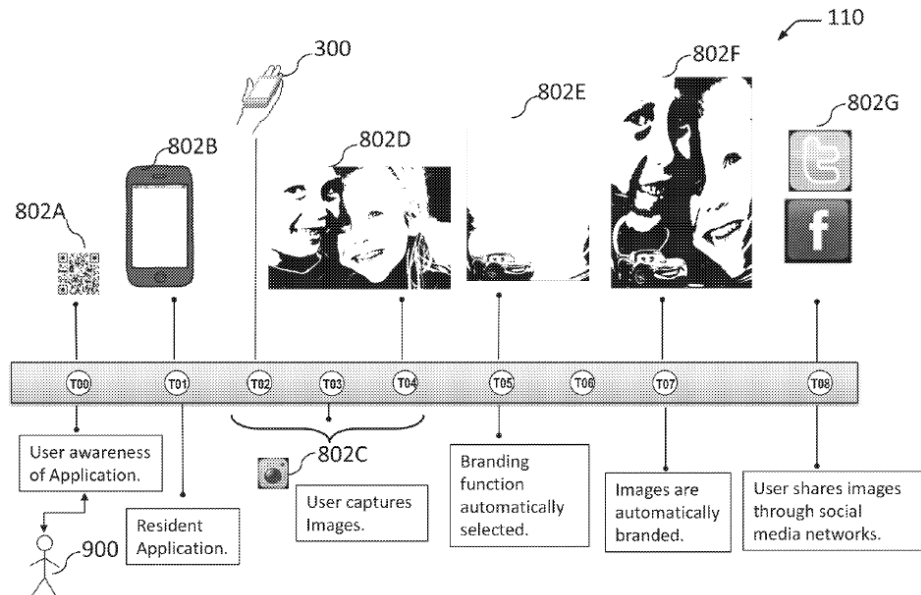


FIG. 7

Figure 7 is a “flowchart illustrating an exemplary sequence of events occurring during a creation of a branded digital image on a client terminal.” Ex. 1001, 5:29–32. At T00, on the left, end user 900 becomes aware of a resident application via quick response (“QR”) code 802A. *See id.* at 15:31–35. Then, at T01, end user 900 downloads the resident application to a client terminal 300. *Id.* at 15:36–37. Next, at T02 through T04, end user 900 uses client terminal 300 and integrated image sensor 802C to capture one or more digital images 802D. *See id.* at 15:38–40.

At T05, branding function 802E is selected, and then, at T07, the digital images are branded to create branded images 802F. *See* Ex. 1001, 15:41–46. One example of a branding function is adding an icon or altering the digital image layout. *See id.* at 6:7–11. Finally, at T08, end user 900 may share the branded images on social networks 802G. *See id.* at 15:47–51. In addition to branding, other image processing functions may be

selected to “improve the digital image sharpness, lighting, contrast and/or improve focus of one or more subjects,” or provide “de blurring, color correction, auto focus, fill flash, cropping, de motion blurring, black and white, sepia, antique, overlay, pinch, zoom, Gaussian smoothing, rotation and/or the like.” *Id.* at 16:47–17:3.

Figure 8 is reproduced below:

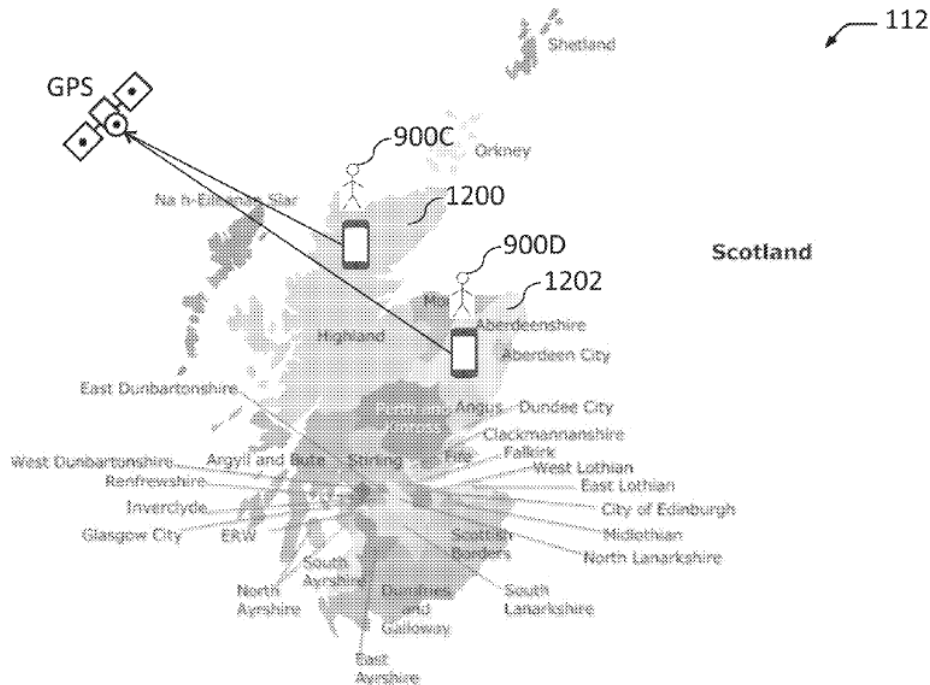


FIG. 8

Figure 8 “illustrates how end user information, such as a location, may be used in order to distribute a personalized branded image function.” Ex. 1001, 5:33–36. The disclosed system “may utilize geo-localized information in order to manage a campaign that targets end users based on their location.” *Id.* at 15:56–58. For instance, with reference to Figure 8, the ’866 patent discloses that system 100 “determines that a first end user 900C

is located at Highland 1200 in Scotland and that a second end user 900[D] is located at Aberdeenshire 1202 also in Scotland.”¹ *Id.* at 15:66–16:2.

C. Challenged Claims

Petitioner challenges claims 1–11, of which only claim 1 is independent. Independent claim 1 is reproduced below, with bracketed numbers and letters added to identify each clause and with emphasis added to language particularly relevant to the discussion below:

1. [1a] A computerized method of distributing a digital image processing function, said computerized method comprising:

[1b] using by at least one server having at least one hardware processor one or more digital image processing functions, each of said digital image processing functions associated with a geographic location;

[1c] receiving, over a network, a Global Positioning System (GPS[]) location indication from each of a plurality of mobile devices, each said GPS location indication is determined according to a GPS module executed by one of said plurality of mobile devices; and

[1d] *automatically forwarding, over said network at least one of said digital image processing functions to at least one of said plurality of mobile devices*, based on a match between the geographical location associated with said at least one digital image processing function and the GPS location indication of said at least one mobile device;

[1e] wherein said at least one image processing function is set to be used by an application executed on said at least one

¹ Throughout this Decision, we omit any bold emphasis of reference numerals and claim numbers in quotations from the ’866 patent and from prior art references.

mobile device to process a digital image designated at said at least one mobile device to create an output digital image.

Ex. 1001, 23:43–24:12 (brackets and emphasis added).²

D. Asserted Grounds of Unpatentability

Petitioner challenges claims 1–11 on the following grounds:

Claim(s) Challenged	35 U.S.C. § ³	Reference(s)/Basis
1, 2, 4–10	103(a)	Hogeg ⁴
3	103(a)	Hogeg, Arujunan ⁵
11	103(a)	Hogeg, Svendsen ⁶

² We adopt Petitioner’s designations for the elements of the challenged claims. *See* Pet. 82 (showing numerical designations for the language in the challenged claims). We apply these designations below.

³ The Leahy-Smith America Invents Act (“AIA”) included revisions to 35 U.S.C. § 103 that became effective on March 16, 2013. Pub. L. No. 112-29, §§ 3(c), 3(n)(1), 125 Stat. 284, 287, 293 (2011). Because Petitioner appears to contend that the challenged claims of the ’866 patent have an effective filing date before March 16, 2013, we apply the pre-AIA version of this statute. *See* Pet. 13 n.1 (“Pre-AIA 35 U.S.C. §102 applies. MPEP §2159.02.”). We would reach the same outcome, however, under the AIA version of the statute.

⁴ US 2014/0173424 A1, published June 19, 2014 (Ex. 1004, “Hogeg”). Petitioner assert that Hogeg is prior art to the ’866 patent under pre-AIA 35 U.S.C. § 102(e)(1). *See* Pet. 13, 77–78. Patent Owner does not dispute this position. We determine that Petitioner has made an adequate showing, at this stage of the proceeding, that Hogeg is prior art.

⁵ US 2012/0327265 A1, published December 27, 2012 (Ex. 1005, “Arujunan”).

⁶ US 2012/0123830 A1, published May 17, 2012 (Ex. 1006, “Svendsen”).

Petitioner supports its challenges with a declaration from Mr. Kenneth Parulski. Ex. 1003 (“the Parulski Declaration” or “Parulski Decl.”).

II. DISCUSSION

A. *Discretion Under 35 U.S.C. § 314(a)*

1. *Factual and Procedural Background*

The parties’ dispute over the ’866 patent arrived in the district court on August 6, 2020, when Patent Owner filed suit against Petitioner in the U.S. District Court for the Northern District of Illinois (“the Illinois District Court”), alleging infringement of the ’412 patent, the ’866 patent, and the ’986 patent. Prelim. Resp. 3; Ex. 2002 at 4. On October 13, 2020, Petitioner filed two motions: a motion to transfer venue to the Central District of California, and a motion to dismiss arguing that the patents-in-suit claimed ineligible subject matter under 35 U.S.C. § 101. Prelim. Resp. 3; Ex. 2002, 5. On March 5, 2021, the Illinois District Court granted the motion to transfer, and “le[ft] it to the transferee court to consider the merits of Defendant’s motion to dismiss.” Ex. 2002 at 11.

On April 30, 2021, Petitioner filed its petitions in this proceeding as well as in IPR2021-00778, IPR2021-00780, and IPR2021-00781. Prelim. Resp. 3–4. Meanwhile, the California District Court held a hearing on the motion to dismiss on May 13, 2021. Ex. 2002 at 15–17. On May 18, 2021, the California District Court granted the motion to dismiss, finding the asserted claims⁷ of the ’412 patent, the ’866 patent, and the ’986 patent to be

⁷ The District Court’s order defined the asserted claims as claims 1–12 of the ’412 patent, claims 1–11 of the ’866 patent, and claims 1–34 of the ’986 patent. Ex. 3002 at 4. Thus, the district court’s order encompassed every claim in the ’866 patent. See Ex. 1001, 23:43–24:52.

patent ineligible under § 101. Prelim. Resp. 4; Ex. 2002 at 17; Ex. 3002 at 15. Patent Owner requested reconsideration, but the District Court denied that motion entering final judgment on July 21, 2021. Prelim. Resp. 4; Ex. 2006; Ex. 2002 at 17–18. On July 26, 2021, Patent Owner appealed the judgment to the Federal Circuit. Prelim. Resp. 4; Ex. 2004 at 4.

2. *Parties’ Arguments Concerning Previous Board Decisions*

Patent Owner argues that “the Board has found that an invalidity decision under § 101 in district court litigation significantly favors discretionary denial under § 314(a).” Prelim. Resp. 6 (citing *Snap Inc. v. Blackberry Ltd.*, IPR2020-000391, Paper 8 at 17 (PTAB July 13, 2020) (“*Blackberry*”). According to Patent Owner, *Blackberry* shows that the *Fintiv* factors⁸ counsel in favor of discretionary denial when the challenged claims have already been adjudicated by a district court. *Id.* at 6–13.

Petitioner responds that Patent Owner’s reliance on *Blackberry* is inapposite because that decision addressed “a follow-on, second, Petition . . . , not an initial Petition as here.” Prelim. Reply 1. Petitioner argues that in cases addressing the “exact circumstances” of this proceeding, the Board has granted institution. *Id.* (emphasis omitted) (citing *Wyze Labs, Inc. v. Sensormatic Elecs., LLC*, IPR2020-01486, Paper 14 at 6–20 (PTAB Apr. 6, 2021) (“*Wyze*”); *Stripe, Inc. v. Boom! Payments, Inc.*, CBM2020-00002, Paper 22 (PTAB May 19, 2020) (“*Stripe*”). Petitioner further argues that Patent Owner’s *Fintiv* analysis is based on faulty premises, and that a “proper application” of the *Fintiv* factors favors institution. *Id.* at 1–2.

⁸ The *Fintiv* factors are introduced and listed below. *See infra* § II.A.3.

Before discussing the parties' arguments on the individual *Fintiv* factors, we consider the Board decisions the parties cite that address how a district court's determination of invalidity under § 101 affects the Board's decision whether to institute. The *Fintiv* framework is generally geared toward evaluating the impact of an ongoing district court proceeding that is progressing in parallel with a Board proceeding.⁹ Accordingly, it is an uneasy fit for the situation where, before the Board's institution decision, the district court has entered judgment at the pleading stage based on patent-ineligibility.¹⁰ We find it helpful to look to how the Board has handled that circumstance in previous decisions on institution.

In *Blackberry*, the decision on which Patent Owner primarily relies, Snap had filed a first petition, which the Board denied on the merits. *Blackberry*, Paper 8 at 10. On the same day that the Board denied institution of Snap's first petition, in a parallel district court proceeding, the court held certain claims in the patent invalid under § 101. *Id.* at 11. Two months later, the Board granted institution of a petition filed by a different petitioner, Facebook, which asserted different obviousness theories than in Snap's first petition. *Id.* Soon after institution of the Facebook petition, Snap filed a second petition presenting the same challenges as in the

⁹ *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 at 5 (PTAB Mar. 20, 2020) (precedential) (listing "Factors Related to a Parallel, Co-Pending Proceeding in Determining Whether to Exercise Discretionary Institution or Denial").

¹⁰ *See, e.g., Blackberry*, Paper 8 at 12 (noting that "the unique background of this case does not fit squarely into a typical situation" because "the *Fintiv* factors examine whether we should deny institution based on the advanced status of an underlying district court case. In this instance, the district court case has concluded.").

Facebook petition, along with a motion for joinder with the Facebook IPR. *Id.* at 11–12.

The Board exercised discretion to deny institution of Snap’s second petition. The Board noted that “[a]t the point when [Snap’s second] Petition was filed, all of the challenged claims had either been disclaimed or found to be unpatentable subject matter in a final district court decision.” *Blackberry*, Paper 8 at 13. The Board also found that some of the *Fintiv* factors supported discretionary denial, while other of the factors weighed against. *Id.* at 13–14. And the Board found that the *General Plastic*¹¹ factors, which address discretionary denial in the context of a patent subjected to serial challenges at the Board, also favored discretionary denial. *Id.* at 14–17.

As Petitioner points out, this Petition does not implicate the same *General Plastic* concerns as in *Blackberry* because it is not a follow-on petition filed after an earlier attempt was denied on the merits. *See* Prelim. Reply 1, 4. Although Patent Owner is correct that *Blackberry* weighed the district court’s determination of invalidity under § 101 as favoring discretionary denial (*see* Prelim. Resp. 6–7), *Blackberry*’s outcome was not dictated by that circumstance alone. *See Wyze*, Paper 14 at 17 (observing that “[t]he *General Plastic* factors . . . figured heavily into [*Blackberry*]’s reasoning”). Indeed, *Blackberry* suggests the insufficiency of that circumstance as a basis for discretionary denial, insofar as the Board granted

¹¹ *See General Plastic Indus. Co. v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19 (PTAB Sept. 6, 2017) (precedential).

institution of the Facebook petition after the district court's § 101 ruling. *Blackberry*, Paper 8 at 11.¹²

We also find that the decisions cited by Petitioner, in which the Board declined to deny institution on the basis of a district court's determination of invalidity under § 101, have facts more closely aligned with the present proceeding. In *Wyze*, after the petition was filed, a district court granted a motion for judgment on the pleadings that the claims were invalid under § 101. *Wyze*, Paper 14 at 7–8. The Board weighed the *Fintiv* factors and determined that they did not weigh in favor of discretionary denial. *Id.* at 9–20. The Board reasoned that the district court's § 101 ruling had no overlap with the challenges in the IPR, which eliminated concerns of duplication of effort or risk of inconsistent outcomes. *Id.* *Wyze* also cited two other Board decisions that employed similar reasoning in granting institution even though the challenged claims had already been found patent-ineligible by a district court. *Id.* (citing *Stripe*, Paper 22 at 6–10; *Chegg, Inc. v. NetSoc, LLC*, IPR2019-01165, Paper 14 at 10–13 (PTAB Dec. 5, 2019)). *Wyze* and *Stripe* are more analogous to the present case than *Blackberry* because they do not have the additional, confounding factor of a follow-on petition.

¹² The Board's institution decision in the Facebook IPR recognized that the district court had entered final judgment, and invited the patentee to file a request for rehearing if it contended that the district court's judgment impacted the discretionary denial analysis. *See Facebook, Inc. v. Blackberry Ltd.*, IPR2019-00941, Paper 11 at 16 (PTAB Dec. 4, 2019). The patentee did file a request for rehearing of the institution decision, which the Board denied. *See Facebook, Inc. v. Blackberry Ltd.*, IPR2019-00941, Paper 25 (PTAB Mar. 30, 2020). Ultimately, the Board proceeded to a Final Written Decision in the Facebook IPR. *See Facebook, Inc. v. Blackberry Ltd.*, IPR2019-00941, Paper 48 (PTAB Dec. 1, 2020).

Based on the authorities the parties have cited in their briefing, we agree with Petitioner that the Board’s previous decisions have not found a district court’s determination of invalidity under § 101 to be a sufficient basis for discretionary denial of institution. We turn now to a discussion of the *Fintiv* factors.

3. *Legal Framework*

In deciding whether to exercise discretion under § 314(a), the Board may consider “events in other proceedings related to the same patent, either at the Office, in district courts, or the ITC.” Consolidated Trial Practice Guide 58 (Nov. 2019), <https://www.uspto.gov/TrialPracticeGuide> Consolidated. The precedential order in *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) (“*Fintiv*, Paper 11”), identifies factors to consider when a patent owner raises an argument for discretionary denial due to the advanced state of a parallel proceeding:

1. whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted;
2. proximity of the court’s trial date to the Board’s projected statutory deadline for a final written decision;
3. investment in the parallel proceeding by the court and the parties;
4. overlap between issues raised in the petition and in the parallel proceeding;
5. whether the petitioner and the defendant in the parallel proceeding are the same party; and
6. other circumstances that impact the Board’s exercise of discretion, including the merits.

Fintiv, Paper 11 at 5–6. “These factors relate to whether efficiency, fairness, and the merits support the exercise of authority to deny institution in view of

an earlier trial date in the parallel proceeding.” *Id.* at 6. There is some overlap among these factors and some facts may be relevant to more than one factor. *Id.* In evaluating the factors, the Board takes a holistic view of whether efficiency and integrity of the system are best served by denying or instituting review. *Id.*

4. *Analysis*

Patent Owner argues that we should exercise our discretion to deny institution under 35 U.S.C. § 314(a) based on the District Court Litigation. Prelim. Resp. 4–13. Petitioner opposes. *See* Pet. 22–23; Prelim. Reply 1–4. For the reasons below, we are not persuaded that we should exercise discretion to deny institution under 35 U.S.C. § 314(a) based on the parallel litigation. We discuss each *Fintiv* factor in turn below.

a. Factor 1: whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted

The first *Fintiv* factor requires consideration of whether the district court has stayed or may stay the proceeding pending *inter partes* review. “A district court stay of the litigation pending resolution of the PTAB trial allays concerns about inefficiency and duplication efforts.” *See Fintiv*, Paper 11 at 6.

Patent Owner argues that this factor favors denial because “having obtained a favorable result [on its motion to dismiss], Petitioner cannot seek a stay—the district court case is closed pending an appeal in the Federal Circuit.” Prelim. Resp. 7–8. Petitioner counters that “the appeal of the § 101 issues effectively stayed the district court case as to the § 103 issues relevant here.” Prelim. Reply 2.

We agree with Petitioner that this factor weighs against discretionary denial. As *Wyze* explained, the reason a stay favors institution is

because it “allays concerns about inefficiency and duplication of efforts.” *Fintiv*, Paper 11 at 6. Because the [district] court decided an issue that does not overlap with those presented in this proceeding, and the [district] court is not likely to address the obviousness issues before our final written decision (if it addresses the issues at all), the [district] court’s ruling has allayed any concerns about inefficiency and duplication of efforts between us and the [district] court.

Wyze, Paper 14 at 10. The same reasoning applies here. The district court’s judgment of invalidity under § 101 and Patent Owner’s appeal of that judgment virtually assures that the district court will not be considering the same obviousness issues presented in this Petition during the course of this proceeding.

b. Factor 2: proximity of the court’s trial date to the Board’s projected statutory deadline for a final written decision

Under the second *Fintiv* factor, “[i]f the [district] court’s trial date is earlier than the projected statutory deadline, the Board generally has weighed this fact in favor of exercising authority to deny institution.” *See Fintiv*, Paper 11 at 9.

The parties take opposite views on how to weigh this factor in the circumstances of this case. Patent Owner argues that “[i]f proximity to trial (i.e., final adjudication of the merits) counsels against instituting review, then a fortiori[i], passage of that ‘trial’ should militate against instituting a new, costly proceeding to review a patent already adjudicated invalid.” Prelim. Resp. 8. Petitioner counters that “no trial date is scheduled in

district court, and any theoretical remand trial date is unlikely to occur before a FWD.” Prelim. Reply 2.

We agree with Petitioner that this factor weighs against discretionary denial. As in *Wyze* and *Stripe*, the district court’s judgment at the pleading stage “does not implicate concerns of inefficient duplication or potentially inconsistent results because the . . . court’s ruling decided whether the claims were patent eligible under § 101, not whether the claims would have been obvious under § 103, which Petitioner argues before us.” *Wyze*, Paper 14 at 12; *see also Stripe*, Paper 22 at 9 (noting that the district court had “resolved only the § 101 issues and should the Federal Circuit vacate or reverse the district court’s judgment, . . . it is unlikely that any district court trial on any § 103 issues would occur prior to our issuing a final written decision”).

c. Factor 3: investment in the parallel proceeding by the court and the parties

The third *Fintiv* factor considers “the amount and type of work already completed in the parallel litigation by the [district] court and the parties at the time of the institution decision. Specifically, if at the time of the institution decision, the district court has issued substantive orders related to the patent at issue in the petition, this fact favors denial.” *See Fintiv*, Paper 11 at 9–10. Thus, the more advanced the parallel proceeding, the less likely we are to institute an *inter partes* review. *Id.* at 10.

Patent Owner notes that this factor seeks to “minimize the duplication of work by two tribunals to resolve the same issue,” Prelim. Resp. 9 (quoting *Intel Corp. v. VLSI Tech. LLC*, IPR2019-01192, Paper 15 at 11 (Jan. 9, 2020)), but Patent Owner does not identify any specific issues on which the district court’s efforts would be duplicated if we grant institution. Petitioner asserts that before the California District Court’s § 101 ruling, the parties

had exchanged contentions, but there had been scant discovery efforts and no claim construction briefs had been filed. Pet. 22; Prelim. Reply 2–3.

Because the California District Court entered judgment at an early stage based on an issue unrelated to the patentability challenges presented in the Petition, we find that this factor weighs against discretionary denial. That finding is consistent with *Wyze* and *Stripe*, which addressed similar circumstances. *Wyze*, Paper 14 at 12–15; *Stripe*, Paper 22 at 8–9. Patent Owner does not point to any claim construction or obviousness-related issues litigated in the District Court that would overlap with or be duplicative of issues to be decided in this proceeding.

Patent Owner also argues, in connection with this factor, that granting institution would be inefficient and would unfairly burden Patent Owner because the challenged claims have already been declared invalid. Prelim. Resp. 9–11. Yet Patent Owner is appealing the district court’s judgment. *Id.* at 4; Ex. 2004. In the event that Patent Owner’s appeal is successful, a discretionary denial here would bar Petitioner from pursuing IPR due to the statutory time bar for filing a petition. *See* 35 U.S.C. § 315(b); Prelim. Reply 3 (arguing that “while denying institution would benefit [Patent Owner], it would greatly prejudice Petitioner, whose bar date has now passed”). Thus, while we recognize the burden on Patent Owner of defending against the obviousness challenges in this IPR when the claims have already been held patent-ineligible, we also take account of the countervailing prejudice that discretionary denial would impose on Petitioner—namely, permanently preventing Petitioner from utilizing the IPR regime to challenge the claims of the ’866 patent based on a ruling that Patent Owner is seeking to overturn on appeal.

In evaluating this factor, we also take into consideration how promptly Petitioner filed its Petition. *Fintiv*, Paper 11 at 11–12. Patent Owner argues that Petitioner did not file promptly because it waited almost nine months after it was served with an infringement complaint. *See* Prelim. Resp. 12. Petitioner responds that it filed its Petition three months before the statutory bar date and “only three months after completion of contentions (Jan. 29, 2021).” Prelim. Reply 4. We are not persuaded that the timing of the Petition constitutes delay that weighs in favor of discretionary denial. *Fintiv* explains that “it is often reasonable for a petitioner to wait to file its petition until it learns which claims are being asserted against it in the parallel proceeding.” *Fintiv*, Paper 11 at 11. In addition, this Petition was one of four petitions that Petitioner filed on the same day to challenge all of the patents that were asserted in the district court. The Board’s assessment of whether a petitioner filed expeditiously takes account of whether the petitioner was simultaneously preparing other related petitions. *See Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020-01019, Paper 12 at 17 (PTAB Dec. 1, 2020) (precedential) (“[W]e find that Petitioner’s explanation for the timing of the Petition is reasonable, notwithstanding the closeness to the statutory deadline, particularly in view of the large number of patents and claims challenged in this and Petitioner’s other related petitions for *inter partes* review . . .”). For the foregoing reasons, we find that *Fintiv* factor 3 weighs against exercising discretion to deny institution.

d. Factor 4: overlap between issues raised in the petition and in the parallel proceeding

The fourth *Fintiv* factor requires consideration of “inefficiency and the possibility of conflicting decisions.” *See Fintiv*, Paper 11 at 12. Therefore, “if the petition includes the same or substantially the same

claims, grounds, arguments, and evidence, as presented in the parallel proceeding, this fact has favored denial.” *Id.* The *Fintiv* panel stated that “the degree of overlap is highly fact dependent” and encouraged the parties “to indicate whether all or some of the claims challenged in the petition are also at issue in the district court.” *Id.* at 13.

Petitioner contends that this factor “weighs heavily in favor of institution because the Petition presents § 103 issues wholly different from the § 101 issues” that were the basis for the district court’s judgment.

Prelim. Reply 3. Patent Owner argues that

[a]lthough the [P]etition here raises a § 103 challenge not resolved in the [D]istrict [C]ourt [L]itigation, . . . this one factor of six should not stop the Board from exercising its discretion to deny review here, particularly since the same patent claims of the ’866 Patent are at issue in both proceedings.

Prelim. Resp. 11. The parties agree, and the record supports, that the issues in this Petition do not overlap with the issue that was dispositive in the District Court’s judgment. This factor, therefore, weighs against discretionary denial.

e. Factor 5: whether the petitioner and the defendant in the parallel proceeding are the same party

Under the fifth *Fintiv* factor, “[i]f a petitioner is unrelated to a defendant in an earlier [district] court proceeding, the Board has weighed this fact against exercising discretion to deny institution.” *See Fintiv*, Paper 11 at 13–14. “Even when a petitioner is unrelated to a defendant, however, if the issues are the same as, or substantially similar to, those already or about to be litigated, or other circumstances weigh against redoing the work of another tribunal, the Board may, nevertheless, exercise the authority to deny institution.” *Id.* at 14.

The parties in this proceeding are the same as in the district court proceeding. Pet. 23; Prelim. Resp. 11. Nonetheless, because the Board will decide the obviousness issues first for these same parties, this factor weighs against discretionary denial.

f. Factor 6: other circumstances that impact the Board's exercise of discretion, including the merits

In an analysis based on district court litigation, “all relevant circumstances,” including the merits, are considered in assessing whether to exercise discretion to deny institution of *inter partes* review. *Fintiv*, Paper 11 at 14.

Patent Owner first argues that Hogege fails to disclose one claim limitation of the independent claim. *See* Prelim. Resp. 12. For the reasons discussed below (*see supra* § II.E), we determine, based on the current record, that the Petition shows a reasonable likelihood that Petitioner would prevail in demonstrating that claim 1 would have been obvious based on Hogege.

Second, Patent Owner argues that Petitioner delayed in filing its Petition, thus supporting discretionary denial. *See* Prelim. Resp. 12–13. We address this argument in context of *Fintiv* factor 3.

Third, Patent Owner argues that “a patent already declared invalid under § 101 would flout the bedrock principle of law that adjudicatory bodies should resolve ‘concrete’ disputes, and not offer advisory opinions.” Prelim. Resp. 13. The claims of the ’866 patent have not yet been finally “declared invalid” as argued by Patent Owner (*id.*) because the decision of the California District Court on the patent-eligibility issue is currently on appeal. Prelim. Resp. 4; Ex. 2004 at 4. Thus, a final written decision in this

proceeding would not be an advisory opinion. For these reasons, we find that *Fintiv* factor 6 is neutral.

5. Conclusion

We have considered the circumstances and facts presented to us in view of the *Fintiv* factors. We evaluate these factors with “a holistic view of whether efficiency and integrity of the system are best served by denying or instituting review.” *Fintiv*, Paper 11 at 6. Considering the *Fintiv* factors with that holistic view, we determine that the facts of this case do not warrant discretionary denial.

B. Discretion Under 35 U.S.C. § 325(d)

Patent Owner argues that we should exercise discretion to deny institution under 35 U.S.C. § 325(d). *See* Prelim. Resp. 14–17. Petitioner opposes. *See* Pet. 20–22.

1. Legal Framework

Section 325(d) provides that, in determining whether to institute an *inter partes* review, “the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office.” The Board uses a two-part framework in determining whether to exercise its discretion under § 325(d): (1) determining whether the same or substantially the same art previously was presented to the Office or whether the same or substantially the same arguments previously were presented to the Office; and (2) if either condition of the first part of the framework is satisfied, determining whether the petitioner has demonstrated that the Office erred in a manner material to the patentability of challenged claims. *See Advanced Bionics, LLC v. Med-El Elektromedizinische Geräte GmbH*, IPR2019-01469, Paper 6 at 8 (PTAB

Feb. 13, 2020) (precedential). In applying this framework, we consider several non-exclusive factors, including:

(a) the similarities and material differences between the asserted art and the prior art involved during examination; (b) the cumulative nature of the asserted art and the prior art evaluated during examination; (c) the extent to which the asserted art was evaluated during examination, including whether the prior art was the basis for rejection; (d) the extent of the overlap between the arguments made during examination and the manner in which Petitioner relies on the prior art or Patent Owner distinguishes the prior art; (e) whether Petitioner has pointed out sufficiently how the Examiner erred in its evaluation of the asserted prior art; and (f) the extent to which additional evidence and facts presented in the Petition warrant reconsideration of the prior art or arguments.

Becton, Dickinson & Co. v. B. Braun Melsungen AG, IPR2017-01586, Paper 8 at 17–18 (PTAB Dec. 15, 2017) (precedential as to Section III.C.5, first paragraph). If, after review of factors (a), (b), and (d), we determine that the same or substantially the same art or arguments previously were presented to the Office, then factors (c), (e), and (f) relate to whether the petitioner demonstrates that the Office erred in a manner material to the patentability of the challenged claims. *Advanced Bionics*, Paper 6 at 10.

2. Summary of the Prosecution History

The Examiner rejected the challenged claims during prosecution of the '866 patent based on nonstatutory double patenting and under 35 U.S.C. § 101, § 112, and § 103. Ex. 1002 at 81–103. The applicant amended the claims by adding several limitations, and the Examiner allowed the claims following the amendment. *Id.* at 36–49 (Response with amendments), 8–16 (Notice of Allowance and Notice of Allowability). During prosecution, the applicant identified Hogege to the Examiner via an Information Disclosure

Statement. *Id.* at 135 (line 5). The Examiner indicated that Hogege was considered along with the other references identified on the IDS, but the Examiner did not apply or discuss Hogege at any point during prosecution. *See id.* at 132. Neither Svendsen nor Arujunan was of record during prosecution of the '866 patent.

3. *Analysis*

a. *Whether the Same or Substantially the Same Art or Arguments Were Presented to the Office*

Petitioner argues that “[t]his isn’t a case where ‘the same or substantially the same prior art or arguments previously were presented to the Office’ during examination.” Pet. 20. Patent Owner argues that the same or substantially the same art or arguments were previously considered by the Examiner because the Examiner specifically considered the primary prior art relied on in the Petition (Hogege) prior to allowing the claims of the '866 patent. Prelim. Resp. 14–15 (citing Ex. 1002 at 96–102). Patent Owner also argues that Hogege was considered by other Examiners during prosecution of related patents involving similar claims. *Id.* at 14–17.

We agree with Patent Owner that the same or substantially the same art or arguments were previously considered by the Examiner during prosecution of the '866 patent. There is no dispute that Hogege was at least considered by the Examiner, even if the Examiner never discussed Hogege or relied on it in any manner. *See* Ex. 1002 at 132. Although Petitioner correctly points out that neither Svendsen nor Arujunan was of record during prosecution of the '866 patent, Petitioner only relies on those references for its challenges to dependent claims 3 and 11. *See* Pet. 63–77. Petitioner relies on Hogege alone for its challenge to claims 1, 2, and 4–10. *See* Pet. 27–63. Under these circumstances, we find the first part of the *Advanced*

Bionics satisfied because the prior art before the Examiner was substantially the same as the prior art relied on in the Petition.

b. Whether Petitioner Sufficiently Demonstrates that the Office Erred

Petitioner argues that factors (c), (e), and (f) from *Becton, Dickinson*—dealing with examiner error—all favor institution. *See* Pet. 21–22. According to Petitioner, “[t]he Petition presents extensive additional evidence and facts, including the Parulski Declaration (EX1003) and supporting references, which warrant reconsideration” in that “[t]he Parulski Declaration explains in detail how *Hogeg*, or *Hogeg/Arujunan* and *Hogeg/Svendson*, teaches the challenged claims.” Pet. 21. Petitioner also argues that “[i]f the Examiner had relied on *Hogeg*’s teachings, the challenged claims would not have issued.” *Id.* To support its allegation of error, Petitioner states, “[a]s the EPO recognized, *Hogeg* explicitly teaches the features [Patent Owner] argued were missing from the prior art.” *Id.*

Patent Owner argues that prosecution of related applications before different Examiners resulted in allowance of allegedly “similar” claims. Prelim. Resp. 14–17. In one instance, according to Patent Owner, the Examiner allowed similar claims after also considering the Petition in this proceeding and the EPO report rejecting certain claims based on *Hogeg*. *Id.* at 15–16 (citing Ex. 1012 at 36; Ex. 2007; Ex. 2008). Patent Owner argues that the Examiners did not even consider *Hogeg* the closest prior art of record and that Petitioner asks the Board to second-guess the Office’s previous decision addressing the same issues. *Id.* at 17.

Based on our review of the current record, we find that Petitioner has shown that the Examiner erred in failing to find at least claim 1 of the ’866 patent unpatentable based on *Hogeg*. Specifically, for the reasons provided

in the discussion of the merits below, we determine on the current record that Petitioner establishes a reasonable likelihood that Petitioner would prevail in demonstrating that claim 1 would have been obvious based on Hoge. We also find Petitioner's showing sufficient to establish that the Examiner erred. For example, the Examiner found that the prior art in general failed to disclose several limitations of claim 1 and in doing so overlooked aspects of Hoge that disclose those limitations. *See* Ex. 1002 at 14–15 (finding that the prior art failed to disclose aspects of elements 1(b) through 1(e) as identified above); Pet. 32–53 (explaining why Hoge discloses the limitations the Examiner found missing from the prior art).

The parties' reliance on the prosecution of related patents involving allegedly similar claims does not impact the outcome of our analysis. *See* Pet. 21–22 (addressing EPO rejection of claims); Prelim. Resp. 16–17 (addressing allowance of claims over Hoge and other material). Because we find that Petitioner made a sufficient showing of Examiner error without relying on the EPO rejection of allegedly similar claims, we need not assess the probative value of the EPO's rejection. *See* Ex. 1013 at 214–215. As to Patent Owner's reliance on the prosecution history of related claims before different Examiners that considered Hoge and related materials, those arguments do not undermine Petitioner's showing of Examiner error. First, Patent Owner acknowledges that although the Examiners considered Hoge, "neither [E]xaminer specifically discussed *Hoge* in allowing the claims" at issue. Prelim. Resp. 17. Second, even if the claims in the related applications are "similar" to the challenged claims, Patent Owner's briefing does not provide any detailed analysis of the related claims sufficient to determine how the claims in later applications differ from the challenged

claims here, and whether those differences are material. *See id.* at 14–17. Based on the foregoing, we cannot conclude that the Examiners’ allowance of the claims in later applications over Hogege amounted to a finding that Hogege fails to disclose one of the limitations in the challenged claims here. Further, even if we agreed that such an implicit finding was made during later prosecution, Petitioner’s challenge based on Hogege in the Petition provides more compelling evidence of Examiner error than the prosecution of related claims that lack any direct discussion of Hogege.

4. *Conclusion*

Based on our review of the current record, we determine that Petitioner has demonstrated that the Examiner erred in a manner material to the patentability of challenged claims and that the second part of the *Advanced Bionics* framework is not satisfied. Accordingly, we decline to exercise our discretion to deny institution pursuant to 35 U.S.C. §325(d).

C. *The Level of Ordinary Skill in the Art*

The level of ordinary skill in the art is “a prism or lens” through which we view the prior art and the claimed invention. *Okajima v. Bourdeau*, 261 F.3d 1350, 1355 (Fed. Cir. 2001). The person of ordinary skill in the art is a hypothetical person presumed to have known the relevant art at the time of the invention. *In re GPAC Inc.*, 57 F.3d 1573, 1579 (Fed. Cir. 1995). In determining the level of ordinary skill in the art, we may consider certain factors, including the “type of problems encountered in the art; prior art solutions to those problems; rapidity with which innovations are made; sophistication of the technology; and educational level of active workers in the field.” *Id.*

Petitioner contends, with accompanying declaration testimony, that a person having ordinary skill in the art “at the time of the alleged invention would have had at least a bachelor’s degree, or the equivalent, in electrical engineering, computer science, or a related field, and 2–3 years of experience in research, design, or development of mobile imaging systems and related hardware, software, and firmware, or equivalent experience.” Pet. 23–24. According to Petitioner, “[a] person with less education but more relevant practical experience, or more education and less experience, may also meet this standard.” Pet. 24 (citing Parulski Decl. ¶¶ 186–187).

Patent Owner does not dispute Petitioner’s proposed definition of the level of ordinary skill in the art, which appears consistent with the record at this stage of the proceeding, including the prior art. *See GPAC Inc.*, 57 F.3d at 1579. For purposes of this Decision, we adopt the definition of the level of ordinary skill in the art proposed by Petitioner.

D. Claim Construction

In *inter partes* reviews, the Board interprets claim language using the same claim construction standard that would be used in a civil action under 35 U.S.C. § 282(b), as described in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc). *See* 37 C.F.R. § 42.100(b). Under that standard, we generally give claim terms their ordinary and customary meaning, as would be understood by a person of ordinary skill in the art at the time of the invention, in light of the language of the claims, the specification, and the prosecution history. *See Phillips*, 415 F.3d at 1313–14. Although extrinsic evidence, when available, may also be useful when construing claim terms under this standard, extrinsic evidence should be considered in the context of the intrinsic evidence. *See id.* at 1317–19.

Petitioner discusses the claim term “image processing function” in claim 1 but states that “the Board needn’t construe ‘image processing function’ to determine patentability here.” Pet. 27. Patent Owner does not discuss any claim terms in a separate claim construction section of the Preliminary Response.

At this stage of the proceeding and based on the current record, we do not discern a need to construe explicitly “image processing function” or any other claim terms because doing so would not change the outcome of the analysis below. *See Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co.*, 868 F.3d 1013, 1017 (Fed. Cir. 2017) (stating that “we need only construe terms ‘that are in controversy, and only to the extent necessary to resolve the controversy’” (quoting *Vivid Techs., Inc. v. Am. Sci. & Eng’g, Inc.*, 200 F.3d 795, 803 (Fed. Cir. 1999))).¹³

E. Asserted Obviousness of Claims 1, 2, and 4–10 Based on Hoge

Petitioner asserts that claims 1, 2, and 4–10 of the ’866 patent would have been obvious under 35 U.S.C. § 103(a) based on Hoge. Pet. 11, 27–63; Prelim. Reply 4–6. Patent Owner provides arguments specifically addressing this asserted ground. Prelim. Resp. 19–30. We first summarize aspects of Hoge.

1. Hoge

Hoge “relates to image processing” and to “systems and methods of selectively adjusting visual content on client terminals.” Ex. 1004 ¶ 1.

¹³ Claim construction, in general, is an issue that may be addressed further at trial. Claim construction will be determined at the close of all the evidence and after any hearing. The parties are expected to assert all of their claim construction arguments and evidence in the remaining briefing during trial, as permitted by our rules.

Figure 1 of Hoge is reproduced below:

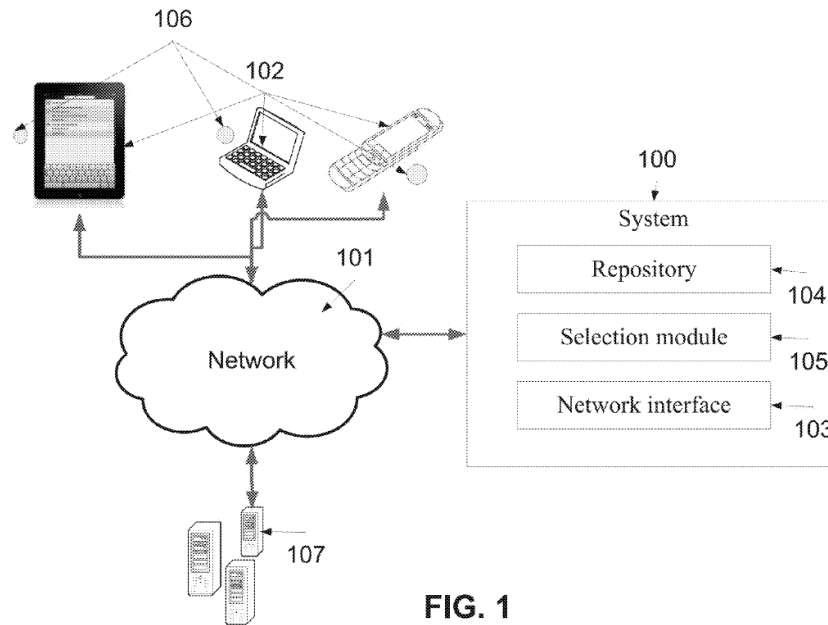


FIG. 1

Figure 1 is “a schematic illustration of a system, which is connected via a communication network, to client terminals and provides thereto a list of functions for editing visual content.” Ex. 1004 ¶ 33. As shown in Figure 1, system 100 is connected, via communication network 101 (such as the Internet) to various client terminals 102, each of which host a local module 106. *Id.* ¶¶ 40, 44. Hoge discloses that system 100 may provide client terminals 102 with “a list of functions for editing visual content, such [as] one or more images or video files.” *Id.* ¶ 40. Using a graphical user interface (GUI), a user can edit images or video on client terminal 102 using the functions provided. *Id.* ¶¶ 40, 41, 44.

Figures 2A and 2B are reproduced below:



FIG. 2A



FIG. 2B

Figures 2A and 2B “are sets of images where each set includes an original image, a color filtered image, and a color filtered image with an overlay addition of the Nike™ logo.” Ex. 1004 ¶ 34. Hoge discloses possible characteristics of the functions using these Figures:

The generated functions may be customized overlays with selected graphic, color filter with selected colors, and/or any other filters which are planned by the user. For example, each one of FIGS. 2A and 2B depicts a set of images the first, marked with (1) is the original, the second, marked with (2) is when a color filter is applied, and the third, marked with (3) is when a color filter is applied with an overlay addition of the Nike™ logo.

Ex. 1004 ¶ 45.

Figure 3 is reproduced below:

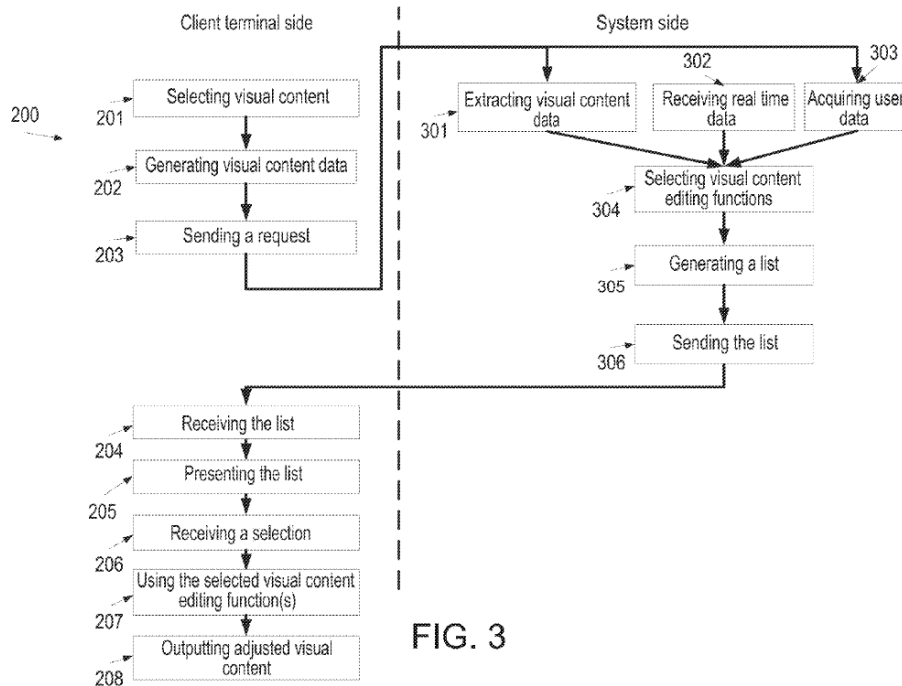


Figure 3 is “a flowchart of a method for processing visual content using one or more visual content editing functions.” Ex. 1004 ¶ 35. After a user selects visual content on the client terminal side (at step 201), the visual content, which may include GPS data from the terminal, is generated (at step 202). *Id.* ¶¶ 47–49. A request is then sent from the client terminal side (on the left of the dotted vertical line) to the system side (on the right of the dotted vertical line) (at step 203), which culminates in the selection of various “visual content editing functions” (at step 304), and the generation and sending of a list of those functions back to the client terminal (at steps 305 and 306). *Id.* ¶¶ 53–54, 75. If the visual content includes location data, the visual content editing functions selected may be based on the location data. *Id.* ¶¶ 55–63, 73, 74. For example, “if the positional data is indicative that the visual content was captured in Australia, a visual content editing function which provides an overlay of the Australian flag and/or a sound

overlay of the Australian anthem and/or Australian popular music may be selected.” *Id.* ¶ 58. After the client terminal receives and presents the list of visual content editing functions (at steps 204 and 205), a user selects and adjusts the content with the editing function (at steps 206 and 207) before outputting the adjusted content (at step 208). *Id.* ¶¶ 40, 76–79.

2. *Analysis*

a. *Independent Claim 1*

For independent claim 1, Petitioner contends that Hoge, when modified as proposed, satisfies each limitation. Pet. 28–53. To support its arguments, Petitioner identifies certain passages in Hoge and explains the significance of each passage with respect to the corresponding claim limitation. *Id.* Petitioner also articulates reasons to modify the relied-upon aspects of Hoge. *Id.* at 39–53. Patent Owner argues that Hoge, as modified, does not satisfy the requirement for “automatically forwarding, over said network at least one of said digital image processing functions to at least one of said plurality of mobile devices” in clause 1d of claim 1 (the “‘automatically forwarding’ limitation”). *See* Prelim. Resp. 19–30; Prelim. Sur-reply. We have reviewed Petitioner’s contentions with respect to claim 1, and for the reasons below, we determine that the Petition shows a reasonable likelihood that Petitioner would prevail in demonstrating that claim 1 would have been obvious based on Hoge. Pet. 28–53. We address in turn below each of Patent Owner’s arguments.

(1) *The “Automatically Forwarding” Limitation*

As to the “automatically forwarding” limitation, Petitioner first states that Hoge “teaches systems and methods implemented over a computer network 101 between servers and client terminals 102” as discussed as to

clause 1c. Pet. 43 (citing Parulski Decl. ¶ 252). Second, Petitioner states that Hoge “teaches system 100 forwards a selected list of visual content editing functions (and the functions) corresponding to a requesting client terminal 102’s location to that client terminal 102 via network 101.”

Pet. 43–44 (citing Ex. 1004 ¶¶ 43, 53, 75; Parulski Decl. ¶ 253). Third, Petitioner asserts that Hoge “teaches its visual content editing functions are ‘digital image processing functions’” as discussed as to clauses 1a and 1e.

Pet. 44 (citing Parulski Decl. ¶ 254). And fourth, referencing the discussion of clause 1b, Petitioner contends that Hoge “teaches its system ‘automatically’ selects a subset of stored visual content editing functions in response to a client request and returns the selected functions to client terminal 102.” Pet. 44–45 (citing Ex. 1004 ¶¶ 6, 8, 9, 19, 26, 37, 40, 43, 48, 49, 54–57, 62, 63, 74–77; Parulski Decl. ¶ 255). According to Petitioner, one of ordinary skill in the art “would have understood these portions of Hoge to teach automatically forwarding its visual content editing functions in response to a user request.” Pet. 45 (emphasis omitted). In the alternative, Petitioner also states that one of ordinary skill in the art “would have found it obvious based on Hoge’s teachings to implement such automatic forwarding to provide an immediate response to a user request” because “[a]utomation and improvement of response time is a well-known goal of computer systems, and is taught throughout the references discussed” in the Background section of the Petition. Pet. 45 (emphasis omitted) (citing Ex. 1041 ¶¶ 16, 50; Ex. 1006 ¶¶ 37, 94; Ex. 1042 ¶¶ 5, 42; Parulski Decl. ¶ 256).

Patent Owner presents three arguments as to why Hoge, alone or modified as proposed, does not satisfy the “automatically forwarding”

limitation. *See* Prelim. Resp. 19–30; Prelim. Sur-reply 1–2. For the reasons below, we determine, at this stage of the proceeding and on the current record, that Petitioner has made a sufficient showing that Hoge satisfies the “automatically forwarding” limitation.

First, Patent Owner contends that the “user-initiated process of Hoge and the automatic process claimed in the ’866 [p]atent operate in different ways to achieve different benefits.” Prelim. Resp. 19 (emphasis omitted); *see also id.* at 19–25 (entirety of argument). As to the different processes, Patent Owner argues that “[t]he process and logic (temporal) flow of Hoge starts with and depends on user designation of content” and that “all steps of Hoge for identifying and providing editing functions must be performed each time the user selects an image or other content,” whereas, the ’866 patent “claims a method of using a distribution rule to automatically distribute image processing functions to end users based on their present GPS location” that “can be used to automatically distribute branding functions to a target audience based on their location at, for example, a promotional event.” Prelim. Resp. 20–21 (emphasis omitted). As to the benefits, Patent Owner argues that Hoge “is simply not a workable solution for large-scale marketing and promotional campaigns” and that, “[i]nstead of providing a tailored list of visual content editing functions to a user only after content is selected, as in Hoge, the ’866 Patent is designed so that a brand manager, for example, can distribute promotional content to a targeted group of users based on their location before digital images are selected or even created.” Prelim. Resp. 22–23 (emphasis omitted) (citing Ex. 1001, 5:65–6:22, 6:50–58, 11:42–51). According to Patent Owner, the method in the ’866 patent “allows for a quicker and more efficient method to send, for

example, promotional vodka content to club-goers, as it does not require a user to select visual content to initiate the process and does not require the process to repeat itself for each selected image.” *Id.* at 24–25 (citing Ex. 1001, 11:38–48).

Patent Owner’s first argument does not show a deficiency in the position set forth by Petitioner. As to the alleged differences in the processes, Patent Owner has not adequately explained, at this stage of the proceeding, why the fact that Hoge’s process includes a user selecting visual content *before* providing the editing functions means that the process falls outside the scope of claim 1. Indeed, as noted by Petitioner, Figure 7 of ’866 patent appears to “show a user taking photos *before* functions are matched to the user’s received GPS location and automatically forwarded.” Prelim. Reply 6. As to the alleged differences in benefits, at this stage of the proceeding, we agree with Petitioner that these arguments by Patent Owner are based on unclaimed features. *See id.* (arguing that Patent Owner’s “lengthy comparison of efficiencies of the embodiments of Hoge and the ’866 patent, even if true, is irrelevant to the *claimed* method”); *see also In re Self*, 671 F.2d 1344, 1348 (CCPA 1982) (rejecting arguments “not based on limitations appearing in the claims”).

Second, Patent Owner asserts that “for a system to be ‘automatic,’ it must be able to operate without user input” and that Hoge “is not automatic because it requires ‘selecting visual content on a client terminal,’ and ‘extracting visual content data pertaining to the visual content,’ before ‘receiving, in response to the request, a list of a plurality of visual content editing functions.’” Prelim. Resp. 26 (quoting Ex. 1004 ¶ 19; citing Pet. 51–

52); *see also id.* at 26–27 (entire argument); Prelim. Sur-reply 1 (arguing that “*a prerequisite user-initiated step is the exact opposite of automatic*”).

As an initial point, Patent Owner’s argument appears to be based on its interpretation of the claim term “automatically,” but as noted above, Patent Owner has not proposed an express construction of any term. To the extent the parties have different understandings of the term “automatically,” they should propose express constructions for that term, with support in the intrinsic and extrinsic record for their proposals. In any event, we are not persuaded, at this stage of the proceeding, to adopt Patent Owner’s implicit construction of the “automatically forwarding” limitation as precluding *any* prior user input in the overall process—i.e., even as to steps other than the “forwarding” of a “digital image processing function[.]” Although Patent Owner asserts that claim 1 requires the “*system*” to be “automatic” (Prelim. Resp. 26 (emphasis added)), as argued by Petitioner, claim 1 recites that only the step in clause 1d is performed “automatically.” Ex. 1001, 24:1–7; *see also* Prelim. Reply 6 (arguing that Patent Owner “strains even further and argues [1d]’s ‘automatic forwarding’ means the *entire system* must ‘operate without user input’” but that “this reads limitations into the claims that are neither present nor supported by the intrinsic record” as “‘automatically’ is recited only in relation to forwarding the image processing function”).

Setting aside the distinction between the “system” and the step in clause 1d, Patent Owner and Petitioner appear to generally agree, at this stage of the proceeding, that “automatically” at the beginning of the “automatically forwarding” limitation means *that step* is performed without a *separate* user input (i.e., immediately preceding that step). *See* Prelim.

Resp. 26 (stating that “automatic” means “able to operate without user input”); Prelim. Reply 5 (arguing that the “automatically forwarding” limitation means that “there is no manual forwarding, matching, or confirming step before forwarding”); *see also* Prelim. Sur-reply 1 (stating that Petitioner “appears to agree” with Patent Owner’s construction of “automatically”). The parties should develop this issue at trial.

At this stage, the parties’ understanding of “automatically” appears to be supported by the Specification, which, as noted by Petitioner, uses the term “in the most general manner without explaining any special meaning.” Prelim. Reply 5 (citing Ex. 1001, 11:59–62, 14:56–59, 15:41–46, 17:9–15, 21:4–6). As to the prosecution history, although Petitioner is correct that applicant stated that “[t]he claimed invention is directed to automatically transmitting from server(s) an image processing function in response to a GPS location indication received from a client terminal” (Ex. 1002 at 44–45, *cited at* Prelim. Resp. 5), that statement does not provide additional clarity as to the meaning of “automatically,” and instead essentially restates clause 1d. Further, the extrinsic evidence supports the parties’ understanding as well, with Patent Owner’s definition of “automatically” from dictionary.com including a “process requiring no human intervention.”¹⁴ Prelim. Sur-reply 1.

Applying this preliminary construction of “automatically”—i.e., performing the forwarding without a separate user input immediately before forwarding—we view Petitioner as adequately showing, at this stage of the proceeding, that one of ordinary skill in the art would have understood the

¹⁴ Again, the “process” in the context of this dictionary definition is only the step in clause 1d rather than the entire method recited in claim 1.

relied-upon portions of Hoge as disclosing the “automatically forwarding” limitation. *See* Pet. 45 (stating that one of ordinary skill in the art “would have understood these portions of Hoge to teach automatically forwarding its visual content editing functions in response to a user request, based on the matching functionality discussed below” (emphasis omitted)). Specifically, as summarized in the second and fourth statements by Petitioner above, although each instance of Hoge’s process includes selection of visual content, at this stage of the proceeding, there does not appear to be an *additional user input* immediately prior to the “forwarding” step expressly disclosed in Hoge. *See, e.g.*, Ex. 1004 ¶ 75 (discussing Figure 3 of Hoge: “Now, as shown at 305, a list which includes the selected visual content editing functions and/or indications of the selected visual content editing functions, for example exemplary thumbnails, is generated and forwarded to the client terminal, as shown at 306.”), *cited at* Pet. 43–44. For example, Hoge discloses that “system 100”—and, more specifically, selection module 105, rather than a user—“select[s] and/or adapt[s] visual content editing functions” before a list of the functions is generated and then sent (i.e., “forwarded”) to the client terminal. Ex. 1004 ¶ 53 (discussing step 304 in Figure 3), ¶ 75 (discussing steps 305 and 306 in Figure 3), *both cited at* Pet. 43–44 (citing Parulski Decl. ¶ 253).

Third, and finally, Patent Owner asserts error in Petitioner’s *alternative* position that one of ordinary skill in the art “would have found it obvious based on Hoge’s teachings to implement such automatic forwarding to provide an immediate response to a user request” because “[a]utomation and improvement of response time is a well-known goal of computer systems, and is taught throughout the references discussed” in the

Background section of the Petition. Pet. 45 (emphasis omitted) (citing Ex. 1041 ¶¶ 16, 50; Ex. 1006 ¶¶ 37, 94; Ex. 1042 ¶¶ 5, 42; Parulski Decl. ¶ 256), *discussed at* Prelim. Resp. 27–30. According to Patent Owner, Petitioner “provides no support for this conclusory statement [in the prior sentence] other than a string cite to three references (one of which, i.e., Ex. 1006, isn’t even cited in [the Background section] of the Petition), as well as an expert declaration” and “Petitioner does not attempt to combine any secondary reference to address the deficiency.” Prelim. Resp. 27 (citations omitted). Patent Owner contends that Petitioner’s alternative position is “unsupported and unexplained” and that “Petitioner has failed to set forth a *prima facie* case of obviousness based on this limitation.” *Id.* at 28. Further, Patent Owner argues that Mr. Parulski “merely parrots the language in the Petition” and “provides no supported or clearly articulated reasoning as to why a person of ordinary skill in the art would actually be motivated to modify *Hogeg* to yield the claimed invention.” *Id.* at 28, 29 (emphasis omitted).

We first provide our current understanding of Petitioner’s alternative position. At this stage of the proceeding, we understand Petitioner to propose modifying *Hogeg* to include “automatic forwarding” to the extent the expressly disclosed “forwarding” in *Hogeg* (*see, e.g.*, Ex. 1004 ¶ 75) is not “automatic,” and we understand Petitioner to assert that the alleged reason for, or benefit from, the proposed modification—“[a]utomation and improvement of response time”—is expressly disclosed in Svendsen (Ex. 1006), Squilla (Ex. 1041), and Salmi (Ex. 1042).¹⁵ Pet. 45.

¹⁵ “Squilla” is U.S. Patent Application Publication No. 2008/0174676 A1. “Salmi” is U.S. Patent Application Publication No. 2015/0178968 A1.

Applying that understanding here, we agree with Patent Owner that, in the context of this alternative position, Petitioner appears to assume that the “forwarding” in Hoge is not “automatically” performed (as that term is used in clause 1d). *See* Prelim. Resp. 27. Petitioner does not, however, identify another *specific* prior art reference that allegedly discloses the ostensibly missing aspect of the “automatically forwarding” limitation in the context of this alternative position, but rather, appears to be relying on “general knowledge” in the art as evidenced by the background references cited. The parties should address at trial whether Petitioner’s apparent reliance on general knowledge is proper as to the ostensibly missing aspect of the “automatically forwarding” limitation. *See, e.g., Koninklijke Philips N.V. v. Google LLC*, 948 F.3d 1330, 1337–39 (Fed. Cir. 2020) (discussing reliance on “general knowledge” as to a missing claim limitation in the context of an *inter partes* review). At this stage of the proceeding, we question the sufficiency of Petitioner’s discussion of the alternative position regarding the “automatically forwarding” limitation. The parties should also develop this issue at trial.

For these reasons, at this stage of the proceeding and on the current record, we determine that Petitioner has made a sufficient showing that Hoge discloses the “automatically forwarding” limitation.

(2) The Remaining Limitations

Patent Owner does not offer any arguments specifically addressing the remaining limitations of claim 1 or Petitioner’s reasons to modify Hoge as proposed. *See* Prelim. Resp. 19–30; Prelim. Sur-reply. We have reviewed these aspects of Petitioner’s contentions, and determine that the Petition provides a sufficient showing, at this stage of the proceeding, that Hoge,

when modified as proposed, satisfies each limitation and that one of ordinary skill in the art would have had reason to modify Hoge as proposed.

For the reasons above, we determine, based on the current record, that the Petition shows a reasonable likelihood that Petitioner would prevail in demonstrating that claim 1 would have been obvious based on Hoge.

b. Claims 2 and 4–10

Claims 2 and 4–10 all depend from claim 1. Patent Owner does not present any arguments specifically addressing claims 2 and 4–10. *See* Prelim. Resp.; Prelim. Sur-reply. We include claims 2 and 4–10 in the context of this asserted ground in the instituted *inter partes* review. *See SAS*, 138 S. Ct. at 1354, 1359–60; PTAB Rules, 85 Fed. Reg. at 79,120 (“[T]he Board will either institute review on all of the challenged claims and grounds of unpatentability presented in the petition or deny the petition.”).

F. Asserted Obviousness of Claim 3 Based on Hoge and Arujunan

Petitioner asserts that claim 3 of the ’866 patent would have been obvious under 35 U.S.C. § 103(a) based on Hoge and Arujunan. Pet. 11, 63–69. Patent Owner does not provide arguments specifically addressing this asserted ground. We first summarize aspects of Arujunan.

1. Arujunan

In this asserted ground, Petitioner relies on Arujunan, in addition to Hoge (summarized above (*see* § II.E.1)). Arujunan “relates to image capture devices which provide guidance for capturing images at different locations.” Ex. 1005 ¶ 3. Arujunan teaches capturing digital images and processing the images “to provide a different image appearance.” *Id.* ¶ 51. Arujunan discloses processing the captured images, for example, (1) “so that the newly captured images appear to be older photographs, such as

daguerreotypes” (*id.*), (2) “to provide an image having a different color tint, contrast, or external shape, so that it has a more suitable appearance when positioned in a photo product as part of an advertisement for a product or service” (*id.*), and (3) to convert a face of a person “from a color to a monochrome image, and composite the image of the face into one of a plurality of prestored newspaper templates, so that the newly captured images appears to be a photograph in a historic newspaper related to a historic site which serves as the theme of the experience” (*id.* ¶ 92). *See also id.* ¶ 50 (“In some embodiments, the processor 292 in the computer system 286 modifies the appearance of one or more of the captured digital images, so that it has a more suitable appearance when incorporated into the photo product.”).

2. *Analysis*

For dependent claim 3, Petitioner contends that the proposed combination of Hogege and Arujunan discloses each of the limitations. Pet. 63–69. Petitioner also discusses alleged reasons to combine Hogege and Arujunan as proposed and why the alleged combination would have had a reasonable expectation of success. Pet. 64–68. Patent Owner does not present arguments specifically addressing these contentions.

Because the Petition shows a reasonable likelihood that Petitioner would prevail with respect to at least one of the challenged claims based on at least one of the asserted grounds (*see infra* § II.E.2), we include this asserted ground in the instituted *inter partes* review. *See SAS*, 138 S. Ct. at 1354, 1359–60; PTAB Rules, 85 Fed. Reg. at 79,120 (“[T]he Board will either institute review on all of the challenged claims and grounds of unpatentability presented in the petition or deny the petition.”).

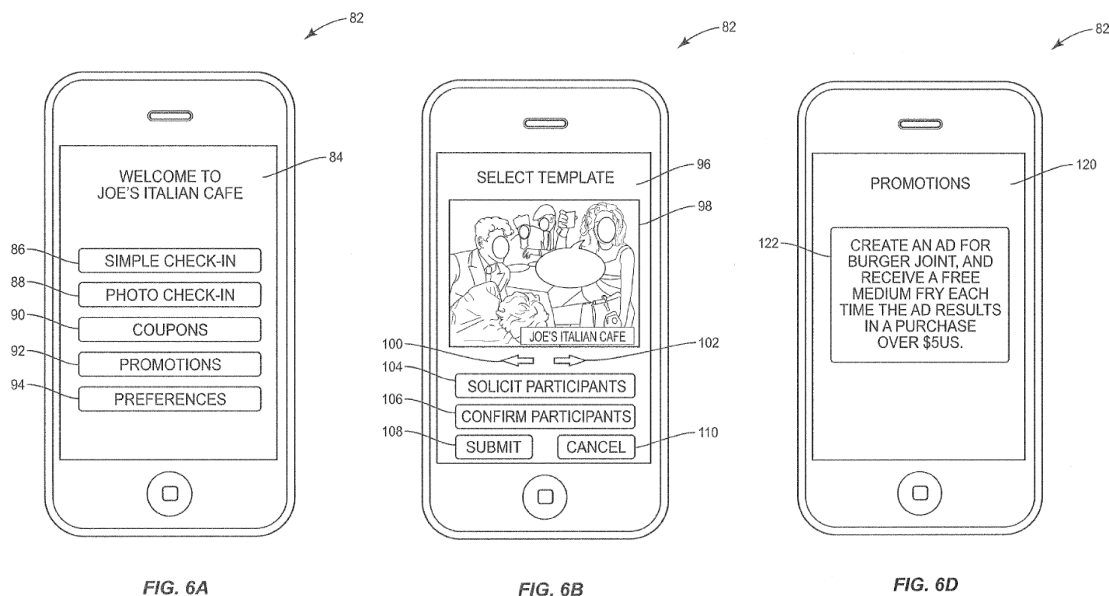
G. Asserted Obviousness of Claim 11 Based on Hoge and Svendsen

Petitioner asserts that claim 11 of the '866 patent would have been obvious under 35 U.S.C. § 103(a) based on Hoge and Svendsen. Pet. 11, 69–77. Patent Owner does not provide arguments specifically addressing this asserted ground. We first summarize aspects of Svendsen.

1. Svendsen

In this asserted ground, Petitioner relies on Svendsen, in addition to Hoge (summarized above (*see* § II.E.1)). Svendsen discloses “[s]ystems and methods are disclosed for generating and utilizing photo advertisements (‘ads’).” Ex. 1006 ¶ 5.

Figures 6A, 6B, and 6D are reproduced below:



Figures 6A, 6B, and 6D “illustrate an exemplary Graphical User Interface (GUI) that may be provided to enable a user to create a photo advertisement.” Ex. 1006 ¶ 16. In Figure 6D, Svendsen teaches “a promotions screen 120 that is presented to the user 18 in response to selecting the promotions button 92” (in Figure 6A), in which “promotion 122 is being offered to the user 18.” *Id.* ¶ 83. In Figure 6D, Svendsen

indicates that a “free medium fry” is provided to a “Burger Joint” ad creator “each time the ad results in a purchase over \$5US.” *Id.*

Figure 14 of Svendsen is reproduced below:

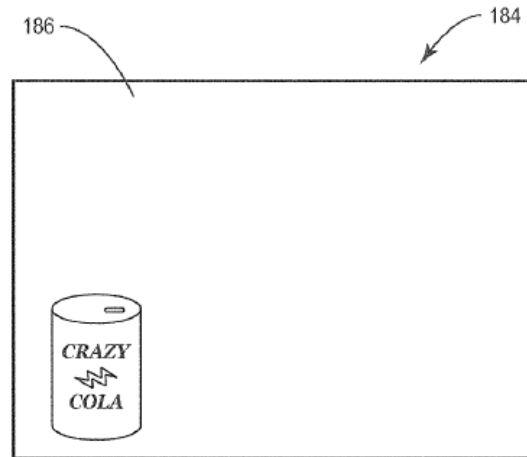


FIG. 14

Figure 14 depicts an additional embodiment of a photo ad template. Ex. 1006 ¶ 20. More specifically, Figure 14 “illustrates a photo ad template 184 for Crazy Cola” in which “template 184 includes a photo well 186 for a picture.” Ex. 1006 ¶ 97.

2. Analysis

For dependent claim 11, Petitioner contends that the proposed combination of Hoge and Svendsen discloses each of the limitations. Pet. 69–77. Petitioner also discusses alleged reasons to combine Hoge and Svendsen as proposed and why the alleged combination would have had a reasonable expectation of success. Pet. 70–73. Patent Owner does not present arguments specifically addressing these contentions.

Because the Petition shows a reasonable likelihood that Petitioner would prevail with respect to at least one of the challenged claims based on at least one of the asserted grounds (*see infra* § II.E.2), we include this

asserted ground in the instituted *inter partes* review. *See SAS*, 138 S. Ct. at 1354, 1359–60; PTAB Rules, 85 Fed. Reg. at 79,120 (“[T]he Board will either institute review on all of the challenged claims and grounds of unpatentability presented in the petition or deny the petition.”).

III. CONCLUSION

For the reasons above, we determine that the Petition shows a reasonable likelihood that Petitioner would prevail with respect to at least one of challenged claims 1–11 of the ’866 patent. At this stage of the proceeding, no final determination has yet been made with regard to the patentability of any of the challenged claims or any underlying factual or legal issues, including the construction of claim terms. The final determination will be based on the record as developed during the *inter partes* review.

IV. ORDER

Accordingly, it is hereby:

ORDERED that, pursuant to 35 U.S.C. § 314(a), an *inter partes* review is hereby instituted as to claims 1–11 of the ’866 patent on all asserted grounds; and

FURTHER ORDERED that pursuant to 35 U.S.C. § 314(c) and 37 C.F.R. § 42.4, *inter partes* review shall commence on the entry date of this Decision, with notice hereby given of the institution of a trial.

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