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Paper No. 7
Entered: January 24, 2018

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

ADT LLC and THE ADT CORP.
Petitioner

v.

APPLIED CAPITAL, INC.
Patent Owner

Case IPR2017-01825
Patent No. 8,378,817 B2

Before JONI Y. CHANG, GEORGIANNA W. BRADEN, and MICHAEL J. ENGLE, *Administrative Patent Judges.*

ENGLE, *Administrative Patent Judge*.

DECISION
Denying Institution of *Inter Partes* Review
37 C.F.R. § 42.108

I. INTRODUCTION

A. Background

ADT LLC and The ADT Corporation (collectively, "Petitioner") filed a Petition (Paper 1, "Pet.") under 35 U.S.C. § 311 to institute an *inter partes* review of claims 1–4 and 6–16 ("challenged claims") of U.S. Patent No. 8,378,817 B2 ("'817 patent").

Applied Capital, Inc. ("Patent Owner") timely filed a Preliminary Response (Paper 6, "Prelim. Resp."), which does not address the merits of the Petition but instead requests the Board wait the entire statutorily allowed period before issuing a decision regarding institution of an *inter partes* review.

Upon consideration of the Petition and submitted evidence, we conclude that Petitioner has not satisfied its burden to show under 35 U.S.C. § 314(a) that the information presented in the Petition shows there is a reasonable likelihood that Petitioner would prevail with respect to at least one challenged claim.

B. Related Proceedings

Patent Owner asserts infringement of the '817 patent in *Applied Capital, Inc. v. The ADT Corp.*, No. 16-cv-00815 (D.N.M.). Pet. 1; Prelim. Resp. 2; Ex. 1006 (Complaint). According to Patent Owner, the district court stayed litigation pending this Petition. Prelim. Resp. 2.

C. Asserted Grounds of Unpatentability

Petitioner contends the challenged claims are unpatentable under 35 U.S.C. § 103 based on the following references and grounds. Pet. 16.

Inventor/Author	**Number/Title**	**Date**	**Exhibit**
Saylor	US 6,661,340 B1	Dec. 9, 2003	1002
Davis	US 6,552,732 B1	Apr. 22, 2003	1003
GE Security	*Concord User Instructions* (466-1513-01 Rev F)	June 2004	1004

Inventor/Author	Number/Title	Date	Exhibit
The Interactive Technologies, Inc.	*SX-V Security System Reference and Installation Manual*	May 5, 1993	1005

Ground	References	Basis	Claims challenged
#1	Saylor and Davis	§ 103	1–4 and 6–16
#2	Saylor, Davis, Concord User Instructions, and SX-V Manual	§ 103	2

D. The ’817 Patent

The ’817 patent generally relates to “a premise monitoring system.” Ex. 1001, 1:15. The patent discloses that in the event an alarm condition changes (e.g., a fire alarm goes off), the system can provide “enhanced information” based upon the alarm, such as emailing a first responder with a “floor plan highlighting the particular fire alarm device[and] showing access paths and stairwells related to the particular fire alarm device.” *Id.* at 2:40–55. The enhanced information can vary based on the alarm device identifier and condition, such as sending different information for a different fire alarm or a carbon monoxide alarm. *Id.* at Fig. 2. Similarly, who to notify and how to notify them may vary depending upon the alarm device identifier and condition, such as emailing the owner for one alarm and calling a first responder for a different alarm. *Id.* at 9:41–54.

The ’817 patent includes 16 claims, and all except claim 5 are challenged in the Petition. Ex. 1001, 18:45–20:49; *see* Pet. 16. Claim 1 is the only independent claim, is representative of the challenged claims, and is reproduced below:

> 1. A method comprising:
>
> receiving one or more signals containing a device identifier and a device condition from one or more remote alarm monitoring systems;
>
> retrieving enhanced information based on the device identifier and the device condition;

> determining one or more communication methods and communication destinations based on the device identifier and the device condition; and
>
> dispatching the enhanced information to the one or more communication destinations using the one or more communication methods; and
>
> wherein the retrieving enhanced information based on the device identifier and the device condition comprises retrieving images based on the device identifier and the device condition, the images comprising all of the members selected from the group consisting of superimposed visual indicators, hierarchically organized graphical images, and vector-based graphical images.

Ex. 1001, 18:45–63.

E. Prosecution History of the ’817 Patent

During prosecution of the ’817 patent, the Examiner rejected the original claims as obvious. Ex. 1008, 325–63 (Office Action (May 18, 2012)). The applicants cancelled original claims 4–7 and collectively incorporated all their limitations into independent claim 1. *Id.* at 390–92, 396 (Amendment (Sept. 25, 2012)). Cancelled claims 5–7 had depended directly from claim 4 and each required only one specific type of enhanced information (i.e., “superimposed . . . visual indicators”; “hierarchically organized graphical images”; or “vector-based graphical images”) (*id.* at 271), whereas amended claim 1 required “all” three types of enhanced information (*id.* at 391). The amendment also argued long-felt but unresolved need. *Id.* at 396–98. The Examiner then allowed the claims after an examiner’s amendment changed multiple instances of “and/or” to just “and” (e.g., “based on the device identifier [[and/or]] <u>and</u> the device condition”). *Id.* at 408–15 (Notice of Allowability (Dec. 11, 2012)). “Authorization for this examiner’s amendment was given over telephone from applicant’s representative

Jeffrey D. Myers on 11/21/2012." *Id.* at 408. The Examiner stated that "Applicant's arguments filed on September 25, 2012 have been fully considered and they are persuasive." *Id.* The '817 patent then issued with sixteen claims. Ex. 1001.

F. Level of Ordinary Skill

In determining whether an invention would have been obvious at the time it was made, we consider the level of ordinary skill in the pertinent art at the time of the invention. *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966). "The importance of resolving the level of ordinary skill in the art lies in the necessity of maintaining objectivity in the obviousness inquiry." *Ryko Mfg. Co. v. Nu-Star, Inc.*, 950 F.2d 714, 718 (Fed. Cir. 1991).

"Petitioner submits that a person of ordinary skill in the art of the '817 Patent as of January 28, 2009 (the earliest possible priority date of the '817 Patent) would have had a bachelor's degree in computer science, electrical engineering, or a similar field, and would have at least two years industry experience in networking or security systems." Pet. 6 (citing Ex. 1009 ¶ 12). At this stage of the proceeding, Patent Owner does not contest Petitioner's definition of a person of ordinary skill in the art. *See generally* Prelim. Resp.

Based on our review of the '817 patent, the types of problems and solutions described in the '817 patent and cited prior art, and the testimony of Petitioner's declarant, Mr. Joel Christianson, for purposes of this Decision we adopt and apply Petitioner's definition of a person of ordinary skill in the art.

G. Claim Construction

As a step in our analysis for determining whether to institute a trial, we determine the meaning of the claims. In an *inter partes* review, claim terms in an unexpired patent are interpreted according to their broadest reasonable construction

in light of the specification of the patent in which they appear. 37 C.F.R. § 42.100(b); *see Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144–46 (2016) ("We conclude that the regulation represents a reasonable exercise of the rulemaking authority that Congress delegated to the Patent Office."). Under that standard, and absent any special definitions, we give claim terms their ordinary and customary meaning, as would be understood by one of ordinary skill in the art at the time of the invention. *In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007).

Petitioner submits proposed constructions for several claim terms. Pet. 7–12. Yet "we need only construe terms that are in controversy, and only to the extent necessary to resolve the controversy." *Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co.*, 868 F.3d 1013, 1017 (Fed. Cir. 2017) (quotation omitted). Because we resolve the Petition based on other dispositive limitations, we need not address Petitioner's proposed claim constructions.

H. Principles of Law

Obviousness under § 103 "forbids issuance of a patent when 'the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.'" *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007) (quoting 35 U.S.C. § 103(a)). "Under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved." *Graham*, 383 U.S. at 17. "Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc." also "may have relevancy" as "indicia of obviousness or nonobviousness." *Id.* at 17–18.

"The ultimate judgment of obviousness is a legal determination." *KSR*, 550 U.S. at 427. The additional factors set forth in *Graham*, however, are "factual inquiries." *Graham*, 383 U.S. at 17.

The Supreme Court has explained that "a patent composed of several elements is not proved obvious merely by demonstrating that each of its elements was, independently, known in the prior art." *KSR*, 550 U.S. at 418. Instead,

> it can be important to identify a reason that would have prompted a person of ordinary skill in the relevant field to combine the elements in the way the claimed new invention does. This is so because inventions in most, if not all, instances rely upon building blocks long since uncovered, and claimed discoveries almost of necessity will be combinations of what, in some sense, is already known.

Id. at 418–19. The reason to combine or modify the prior art need not come from "precise teachings" in the references themselves and instead involves a "flexible approach" that can take into account any "inferences and creative steps that a person of ordinary skill in the art would employ," including based on "the background knowledge possessed by a person having ordinary skill in the art"; "the effects of demands known to the design community or present in the marketplace"; "design incentives and other market forces [that] prompt variations"; "simple substitution of one known element for another"; "the mere application of a known technique to a piece of prior art ready for the improvement"; "interrelated teachings of multiple patents"; and "common sense." *Id.* at 417–18, 415, 421. "[T]his analysis should be made explicit." *Id.* at 418.

Institution of an *inter partes* review is governed by statute:

> The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 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.

35 U.S.C. § 314(a).

"In an IPR [*inter partes* review], the petitioner has the burden from the onset to show with particularity why the patent it challenges is unpatentable." *Harmonic Inc. v. Avid Tech., Inc.*, 815 F.3d 1356, 1363 (Fed. Cir. 2016) (citing 35 U.S.C. § 312(a)(3) as requiring *inter partes* review petitions to identify "with particularity . . . the evidence that supports the grounds for the challenge to each claim"). This burden of persuasion never shifts to the patent owner. *See Dynamic Drinkware, LLC v. Nat'l Graphics, Inc.*, 800 F.3d 1375, 1378–79 (Fed. Cir. 2015) (discussing the burden of proof in *inter partes* review). "To satisfy its burden of proving obviousness, a petitioner cannot employ mere conclusory statements. The petitioner must instead articulate specific reasoning, based on evidence of record, to support the legal conclusion of obviousness." *In re Magnum Oil Tools Int'l, Ltd.*, 829 F.3d 1364, 1380 (Fed. Cir. 2016).

Thus, to prevail in an *inter partes* review, Petitioner must explain how the proposed combinations of prior art would have rendered the challenged claims unpatentable. At this preliminary stage, we determine whether the information presented in the Petition shows there is a reasonable likelihood that Petitioner would prevail in establishing that at least one of the challenged claims would have been obvious over the proposed combinations of prior art. We analyze the challenges presented in the Petition in accordance with the above-stated principles.

II. ANALYSIS

A. Alleged Obviousness of Claims 1–4 and 6–16 over Saylor and Davis

Petitioner asserts that claims 1–4 and 6–16 of the '817 patent are obvious in view of Saylor and Davis. Pet. 16. Petitioner relies on Davis only for teaching

"vector-based graphical images." *See id.* at 25–27. For all other portions of independent claim 1, which is the only independent claim, the only prior art reference relied upon by Petitioner is Saylor. *Id.* at 16–25. Because Petitioner relies exclusively on Saylor for the dispositive limitations, we address only Saylor below.

B. Overview of Saylor

1. Saylor's Notification Preferences

Saylor discloses a "security network" that can "alert the individual when an alert situation occurs." Ex. 1002, Abstract. For each type of event (e.g., smoke alarm), the user can specify "a list of individuals and/or entities to be notified" (e.g., the owner or fire department), "the order of notification" (e.g., "first contact the user's home" but "[i]f no one is home . . . contact a local fire department"), and "the method of notifications desired" (e.g., phone or email). *Id.* at 9:5–57, 10:23–65. The user can set these notification preferences on a web site. *Id.* at 4:13–17.

2. Saylor's Current Status Report Website

Separately, Saylor teaches that a "current status report . . . may be viewed from a web site." Ex. 1002, 11:28–30. Figure 7 of Saylor illustrates an "example of a current status report" and is reproduced below. *Id.* at 11:28–29.

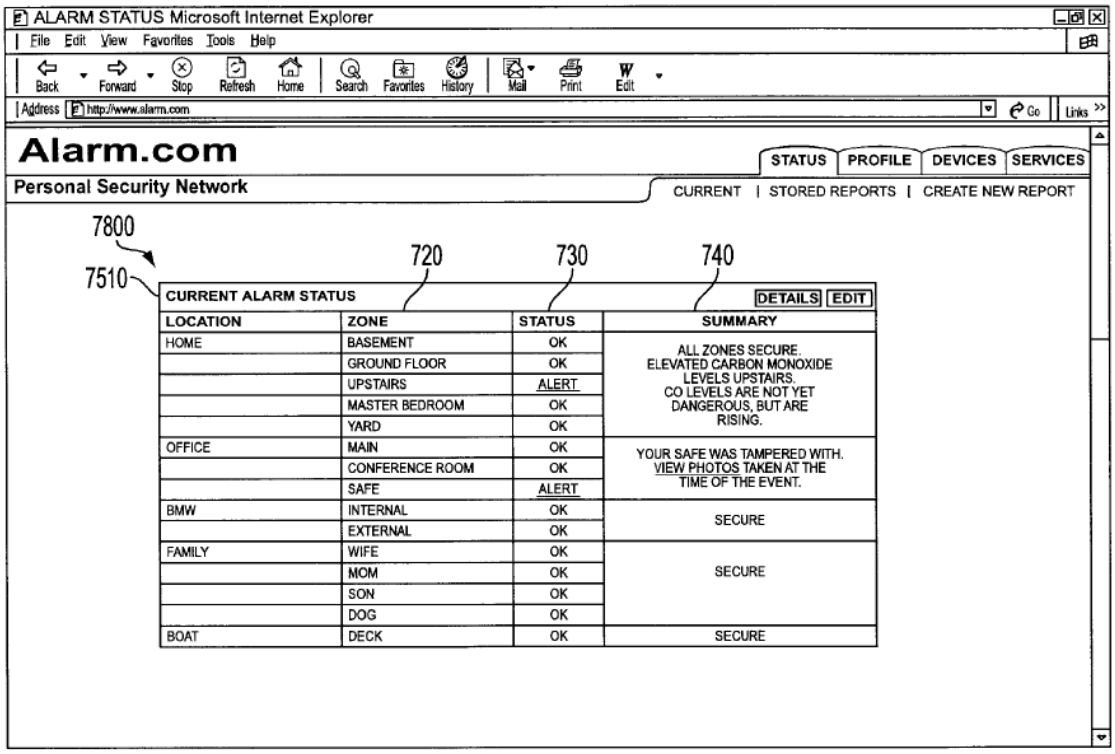

FIG. 7

Figure 7 of Saylor depicts a "CURRENT ALARM STATUS" website in Microsoft Internet Explorer. The website shows the current "STATUS" for a variety of monitored locations (e.g., "BASEMENT"), objects (e.g., a "SAFE" in the office), and individuals (e.g., "WIFE"). Ex. 1002, 11:28–29, 11:33–12:25. "[W]hen an alert situation is detected, ... the term 'ALERT' may be displayed. By clicking on . . . the alert notification . . . , the user may receive details regarding the alert," such as "the option to view photographs and/or video clips at the time of the alarm incident." *Id.* at 11:66–12:8.

3. Saylor's Personal Reports Website

Saylor also teaches that on the website, the user's "personal status page may include . . . personal reports module 620," which "enable[s] a user . . . to generate reports based on current and historical security information from one or more

entities registered with the central security network." Ex. 1002, 11:7–10, 12:45–49. Figure 8 shows an example of a report website and is reproduced below.

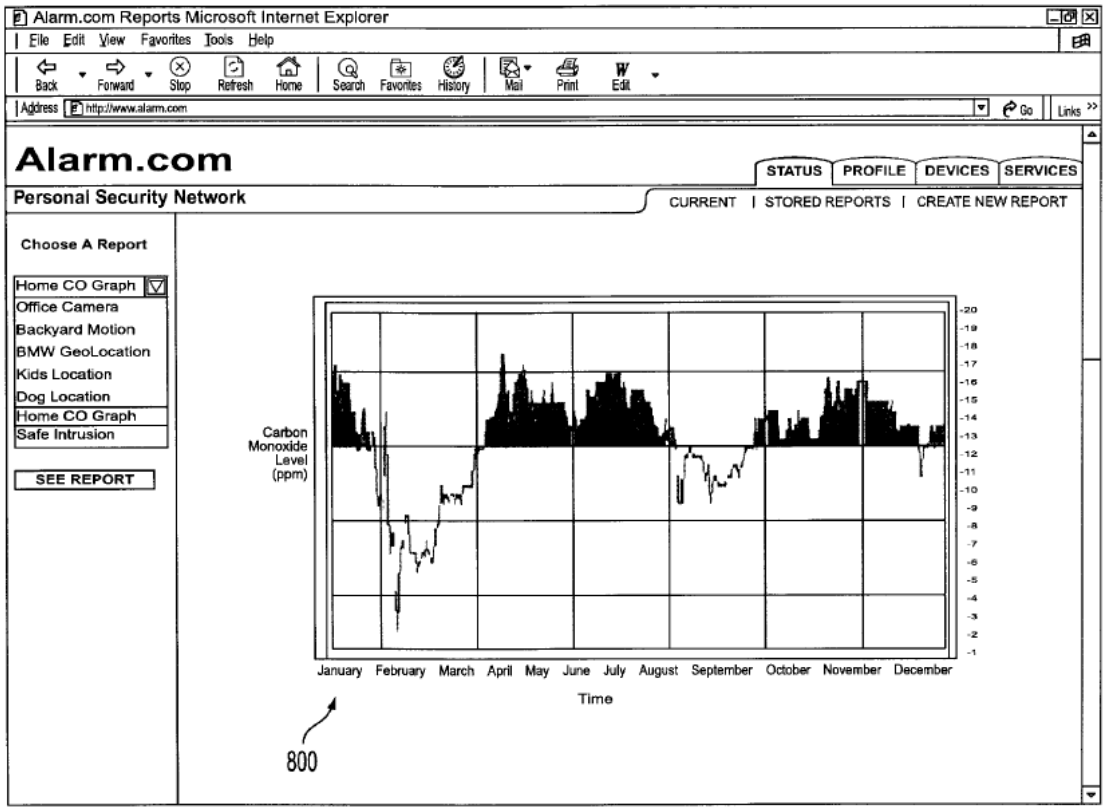

FIG. 8

"FIG. 8 is an example of a personal report based on current, historical and other data" showing "a home CO graph" in Microsoft Internet Explorer. Ex. 1002, 13:21–26.

Another "example of a network-dependent report may include a map . . . showing all of the burglaries that have taken place within 10 miles . . . of the user's home . . . within the last six months" or alternately "a fire icon may represent a fire accident within a user defined location." Ex. 1002, 12:62–13:3. "Further details regarding the exact location of the fire, when the event occurred, police reports and other relevant data may be presented." *Id.* at 13:3–5.

A user may request reports be generated "at pre-determined intervals, such as every week," or alternately "at the occurrence of a triggering event, such as an alarm situation. For example, at the occurrence of a police response to an alarm, the system may generate an updated report including the most recent police response or other identified trigger within the user's defined area of interest." Ex. 1002, 13:32–41.

C. Analysis of the Alleged Obviousness Based on Saylor & Davis

Claim 1 of the '817 patent recites "dispatching the enhanced information to the one or more communication destinations using the one or more communication methods." Ex. 1001, 18:53–56. For this step, Petitioner relies on Saylor's personal report functionality. Specifically, Petitioner asserts (1) "the enhanced information is an image on a map representing alarms within a specific geographic range, i.e., a fire icon"; (2) "the communication method is sending information via a hosted web site"; and (3) "the communication destination is a user's personal computer." Pet. 23.

Claim 1 of the '817 patent further recites "determining one or more communication methods and communication destinations based on the device identifier and the device condition." Ex. 1001, 18:51–53. This "determining" step provides the antecedent basis for the "dispatching" step's reference to "the one or more communication destinations" and "the one or more communication methods." Thus, the "destination" and "method" in the dispatching step must be the same "destination" and "method" in the determining step. *See Microprocessor Enhancement Corp. v. Texas Instruments Inc.*, 520 F.3d 1367, 1379 n.8 (Fed. Cir. 2008) (noting the definite article "the" is a word of limitation, particularizing the subject which it precedes). In this regard, Petitioner asserts "Saylor discloses the

'communication destination' of the user's personal computer when communicating 'via web.'" Pet. 21 (citing Ex. 1002, 5:65–6:1, Fig. 2, 3:61–65).

The "determining" step, however, further requires that the claimed communication methods and communication destinations both must be determined "based on the device identifier and the device condition." For this, Petitioner asserts that

> a user may identify notification specifics for each alarm or group of alarms. Ex. 1002, 9:27-51. These notification specifics include "methods of notification desired, the order of notification, a list of individuals and/or entities to be notified and other notification information." *Id.* Therefore, the user determines one or more communication methods, i.e. the "methods of notification," based on device identifier, i.e. the "identification code" and the device condition, i.e. the alarm situations assigned to each device, by assigning notification specifics to alarms, which are in turn assigned to specific devices.

Pet. 21–22. We find Petitioner's arguments unpersuasive for the following three reasons.

First, Petitioner's argument addresses only whether the "communication *method*" is based on the device identifier and condition. *See* Pet. 22 ("Therefore, the user determines one or more communication methods"). Petitioner's argument and Mr. Christianson's testimony (Ex. 1009 ¶¶ 20, 25) are silent regarding whether the "communication *destination*" is based on the device identifier and condition. This fails to address sufficiently the limitation in claim 1 for "determining one or more . . . communication destinations based on the device identifier and the device condition." Petitioner has not explained why this limitation should not be given patentable weight.[1] Nor does Petitioner explain why we should construe "and" as

[1] *See also* Ex. 1008, 408–09 (Notice of Allowability (Dec. 11, 2012)) (showing an examiner amendment for "determining one or more communication methods

"or" in the claim language "communication methods and communication destinations." *See Medgraph, Inc. v. Medtronic, Inc.*, 843 F.3d 942, 950 (Fed. Cir. 2016) ("Because the written description does not compel a disjunctive construction for 'and,' the claim term should be given its plain and ordinary meaning."); *SuperGuide Corp. v. DirecTV Enters., Inc.*, 358 F.3d 870, 886 (Fed. Cir. 2004) (construing the similar limitation "at least one of A <u>and</u> B" to mean "at least one of A <u>and</u> at least one of B").

Although Petitioner identifies personal computer 242 as the claimed "one or more . . . communication destinations," Petitioner does not address the entire limitation, which requires the communication destinations be "based on the device identifier and the device condition." Pet. 21, 23; Ex. 1009 ¶¶ 20, 25.

Second, Petitioner's argument conflates two separate functionalities of Saylor. For the "dispatching" step, Petitioner relies on Saylor's "personal report" functionality, which allows the user at any time to log into a website to create and view reports. Pet. 23 (citing Ex. 1002, 13:34–41). For the relevant portion of the "determining" step, however, Petitioner relies on Saylor's "notification" functionality, which allows the user to decide who gets notified (e.g., the owner or fire department) and how (e.g., phone or email) when an alarm event occurs. *Id.* at 21–22 (citing Ex. 1002, 9:27–51). Petitioner has not explained sufficiently whether and why it would have been obvious to combine Saylor's personal reports functionality with its notification functionality.

Saylor's only discussion of personal computer 242—shown in Figure 2 and relied upon by Petitioner as the claimed "communication destination"—illustrates Saylor's two distinct functionalities:

[[and/or]] <u>and</u> communication destinations based on the device identifier [[and/or]] <u>and</u> the device condition").

> For example, alerts may be transmitted to the user via email or other form of electronic communication to a personal computer 242 or other device. In addition, users may check status and other data via mobile device 240, computer 242 and other devices.

Ex. 1002, 5:65–6:3. The first sentence relates to Saylor's notification functionality and gives an example of emailing the user when an alert occurs. The second sentence relates to the user at their leisure checking the current status or personal reports on a website from any machine, including computer 242 but also included mobile device 240 or other devices. The second sentence is consistent with Saylor's disclosure that "[t]he user may be informed of an alarm situation and/or alarm worthy situations via web" (e.g., a user at their leisure checking the current status website becomes informed of an alarm). Ex. 1002, 3:61–62. Saylor's current status and personal reports websites also are consistent with Figure 2 showing that personal computer 242 communicates with central security server 130 via "http." Pet. 21 ("One of ordinary skill in the art would understand that the 'http' in Figure 2 indicates that [] personal computer 242 is interfacing with a web server.") (citing Ex. 1009 ¶ 25). Neither the Petition nor Mr. Christianson's testimony (Ex. 1009 ¶¶ 20, 25) explains whether and why it would have been obvious to modify Saylor's notification functionality (e.g., the cited 9:27–51 in Ex. 1002) to allow the user to set a preference to be notified via the web. To the contrary, expressly setting a preference to be notified of a *particular* alarm via a website appears to be unnecessary given Saylor's independent teaching of a website for checking the current status or reports of *all* alarms (e.g., Figure 7 or the cited 13:34–41 in Ex. 1002). Thus, Petitioner's mixing and matching of two distinct functionalities in Saylor lacks sufficient support in the record, and it is unpersuasive as to whether it would have been obvious to a person of ordinary skill in the art to combine the two at the time of the invention. *See KSR*, 550 U.S. at

418 ("a patent composed of several elements is not proved obvious merely by demonstrating that each of its elements was, independently, known in the prior art").

Third, even assuming a person of ordinary skill in the art would have understood Saylor to teach or suggest a notification preference to notify "via web" as Petitioner contends, Pet. 20–23, Petitioner still fails to explain sufficiently whether Saylor would have taught or suggested "determining one or more . . . communication *destinations* <u>based on the device identifier and the device condition</u>." Saylor's personal reports website can be accessed by any computer, not just personal computer 242. *See* Ex. 1002, 6:1–3 ("users may check status and other data via mobile device 240, computer 242 and other devices"). At best, personal computer 242 is determined to be the communication destination based on the user logging into the website from that particular computer, not "based on the device identifier and the device condition" (e.g., the alarm identifier and condition) as required by claim 1. *See* Ex. 1002, 8:6 ("The user may select a login and password").

For the reasons stated above, the Petition does not show sufficiently that Saylor teaches or suggests the claimed combination of the "dispatching" step and the "determining" step, as recited in claim 1. Petitioner does not contend that any other reference—Davis, Concord User Instructions, or SX-V Manual—cures this deficiency. Given the information presented in the Petition and supporting evidence, we determine that Petitioner has not shown a reasonable likelihood that Petitioner will prevail with respect to claim 1. All other challenged claims of the '817 patent ultimately depend from claim 1. The Petition's second ground asserts that only dependent claim 2 is unpatentable, relying on Concord User Instructions and SX-V Manual to account for additional limitations recited in claim 2.

Accordingly, Petitioner also has not shown a reasonable likelihood that Petitioner will prevail with respect to dependent claims 2−4 and 6−16.

III. CONCLUSION

For the foregoing reasons, we determine Petitioner has failed to establish a reasonable likelihood of prevailing in challenging claims 1–4 and 6–16 of the ’817 patent based on the grounds and information set forth in the Petition and supporting evidence.

IV. ORDER

For the reasons given, it is

ORDERED that the Petition is *denied* as to all grounds and no trial is instituted.

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