UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

AMAZON.COM, INC., AMAZON.COM SERVICES LLC, and
AMAZON WEB SERVICES, INC,
Petitioner

v.

AUDIO POD IP, LLC,
Patent Owner

Case IPR2025-01041
U.S. Patent No. 10,735,488

PATENT OWNER'S REPLY BRIEF ON DISCRETIONARY DENIAL

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"The Director is permitted, but never compelled, to institute an IPR. And no petitioner has a right to such institution." *Mylan Lab'ys Ltd. v. Janssen Pharm., N.V.*, 989 F.3d 1375, 1382 (Fed. Cir. 2021); *see also* 35 U.S.C. § 314; *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 273 (2016). Contrary to Amazon's contentions otherwise, there are no Administrative Procedure Act (APA) or due process concerns implicated here by considering "settled expectations" in making a discretionary denial decision as set out in the Acting Director's Interim Processes for PTAB Workload Management ("Stewart Memo"). The Stewart Memo's instructions were provided under the Director's statutory authority "for providing policy direction … for the Office." 35 U.S.C. § 3(a)(2)(A). Indeed, Amazon had notice of the Stewart Memo and undeniably had an opportunity to brief its arguments regarding "settled expectations," and did so in its Opposition.

Further, the Acting Director recently confirmed that taking different claim construction positions, as Amazon does, can favor discretionary denial. As previously explained, a holistic assessment of *all* discretionary considerations supports denial here. *See* DD Br. (Paper 9); POPR (Paper 11).

I. THERE IS NO APA VIOLATION.

Amazon presents several arguments for its assertion that "apply[ing] the settled expectations analysis here … would violate the APA." Opp., 27-28. Amazon "had notice of the [settled expectations] issue and the opportunity to be

heard," so there is no APA violation. *TQ Delta, LLC v. DISH Network LLC*, 929 F.3d 1350, 1356 (Fed. Cir. 2019). And considering "settled expectations" is not an APA violation under any of Amazon's theories.

First, considering "settled expectations" in making discretionary denial determinations is consistent with precedent. Amazon incorrectly contends that the Decision conflicts with the Federal Circuit's determination in *Celgene Corp. v. Peter*, 931 F.3d 1342 (Fed. Cir. 2019*).* Opp., 28. According to Amazon, "[a]s a matter of law, *Celgene* held that patent owners have no expectation that their patents will be immune from challenges at the PTO." *Id.* (citing *Celgene*, 931 F.3d at 1361-62). In *Celgene*, the Federal Circuit determined only that a patent owner of a pre-AIA patent did not have an expectation that its patent would not be subject to an IPR. *Celgene*, 931 F.3d at 1361-63. In other words, patent owners do not have an unfettered expectation of immunity from IPR based on a patent's issue date—i.e., pre- or post-AIA. *Id. Celgene* did *not* hold that a *petitioner* has any expectation to be able to challenge any particular patent in an IPR. The Director retains broad authority to determine whether to institute an *inter partes* review.

Second, considering "settled expectations" here is not inconsistent with the AIA. According to Amazon, "[b]ecause the Director's settled expectations standard presumptively bars challenges to patents more than six years old, it is contrary to the AIA." Opp., 28. But there is no "presumptive[] bar[]" to

challenging patents more than six years old. Rather, in *Dabico Airport Sols. Inc. v. AXA Power ApS*, the Acting Director explicitly stated that "there *is no bright-line rule* on when expectations become settled." IPR2025-00408, Paper 21 at 3 (P.T.A.B. June 18, 2025) (emphasis added). Further, Amazon ignores that "[s]ettled expectations of the parties" is just *one of many* considerations relevant to the holistic assessment underlying the discretionary decision. *See* Stewart Memo, 2-3. This holistic assessment is not inconsistent with the AIA.

Third, considering "settled expectations" in making the discretionary denial determination was not arbitrary and capricious. According to Amazon, the "new settled-expectations standard relies on a six-year upper limit for the age of challenged patents." Opp., 29-30. As just explained, this is not accurate—there is no such "upper limit" on the age of challenged patents beyond which they are immunized from IPR. Rather, the age of a patent may be considered as part of a holistic assessment. Amazon also contends the agency has "'changed existing policy' without displaying 'awareness that it [was] changing position' or offering 'good reasons for the new policy,' including taking into account 'serious reliance interests' related to its prior policy." *Id.* at 30 (internal citations omitted). But the issuance of the Stewart Memo itself evinces the Acting Director's awareness that the implementation was a change in position and it provides reasons for the change. *See* Stewart Memo, 3. And because Amazon has no right to institution of

an IPR, there was no "serious reliance interest" here.

Fourth, Amazon's argument regarding notice-and-comment rulemaking also fails. The Stewart Memo explained that "[s]ettled expectations of the parties" was to be a consideration in determining whether to deny institution or refer a petition to the Board. *See* Stewart Memo, 2. The Supreme Court has stated that § 553(b)(A) of the APA "exempts 'general statements of policy,' which [the Court has] previously described as 'statements issued by an agency to advise the public prospectively of the manner in which the agency proposes to exercise a discretionary power.'" *Lincoln v. Vigil*, 508 U.S. 182, 197 (1993). The Stewart Memo advised the public on how the Acting Director proposed to exercise a discretionary power (granted pursuant to statutory authority). *Contra* Opp., 31.

II. THERE ARE NO DUE PROCESS CONCERNS.

Amazon argues that "[a]pplying the new settled expectations standard to deny institution of the Petition here would violate the Due Process Clause of the Fifth Amendment." Opp., 31-33. Because Amazon had no right to an IPR, its due process arguments fail under the threshold inquiry of "whether the plaintiff has been deprived of a protected interest in 'property' or 'liberty.'" *American Mfrs. Mut. Ins. Co. v. Sullivan*, 526 U.S. 40, 59 (1999); *see also Town of Castle Rock v. Gonzales*, 545 U.S. 748, 756 (2005) ("[A] benefit is not a protected entitlement if government officials may grant or deny it in their discretion."). Regardless,

Amazon had an opportunity to address "settled expectations" in its Opposition and upcoming Sur-reply. *See Alberico v. United States*, 783 F.2d 1024, 1027 (Fed. Cir. 1986) ("Once a property interest is shown, all due process requires is notice and an opportunity to be heard."). Thus, there are no due process concerns.

III. AMAZON'S INCONSISTENT CLAIM CONSTRUCTION POSITIONS FAVOR DENIAL.

Amazon improperly attempts to "apply[] a broader plain and ordinary meaning construction in this and related IPRs, while simultaneously proposing narrower constructions for several terms in the district court." *See* DD Br., 23. The Acting Director recently confirmed, in a decision issued after Audio Pod's discretionary denial brief, that "tak[ing] different claim construction positions in [the IPR] and the parallel district court proceeding," can favor discretionary denial. *Sun Pharma. v. Nivagen Pharma.*, IPR2025-00893, Paper 18 at 2 (P.T.A.B. Sept. 19, 2025). There, as here, the petitioner did not explain why it advocated for a narrower construction in the district court than in the IPR. *Id.* at 2-3. Amazon contends its positions are not inconsistent, Opp., 42-45, but does not dispute that its Petition did not acknowledge the different positions taken in the two forums.

IV. CONCLUSION

Under the holistic assessment of all discretionary considerations, including Audio Pod's settled expectations and the prior denial of six related IPRs, discretionary denial is appropriate here.

Respectfully submitted,

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CERTIFICATE OF SERVICE (37 C.F.R. § 42.6(e))

I certify that the above-captioned **PATENT OWNER'S REPLY BRIEF ON DISCRETIONARY DENIAL** was served in its entirety on September 26, 2025, upon the following parties via electronic mail:

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