

Appeal Nos. 2018-2008, -2009, -2010, -2011 (consolidated)

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**UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT**

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**EVOLVED WIRELESS LLC,**

*Appellant,*

v.

**ZTE (USA) INC., HTC CORPORATION, HTC AMERICA, INC.,  
SAMSUNG ELECTRONICS CO., LTD, SAMSUNG ELECTRONICS  
AMERICA, INC., APPLE INC., MICROSOFT CORPORATION,  
MICROSOFT MOBILE OY, MICROSOFT MOBILE INC.,**

*Appellees,*

**UNITED STATES,**

*Intervenor.*

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Appeals from the United States Patent and Trademark Office, Patent Trial  
and Appeal Board in Nos. IPR2016-00757, IPR2016-01228,  
IPR2016-01229, and IPR2016-01345.

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**APPELLANT EVOLVED WIRELESS LLC'S REPLY BRIEF**

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Christopher K. Larus    Ryan M. Schultz  
Brenda L. Joly         Miles A. Finn  
ROBINS KAPLAN LLP  
800 LaSalle Avenue, Suite 2800  
Minneapolis, MN 55402  
Tel: (612) 349-8500

May 6, 2019

*Attorneys for Patent Owner-Appellant  
Evolved Wireless LLC*

## Certificate of Interest

Counsel for the Appellant Evolved Wireless LLC certifies the following:

1. The full name of every Party represented by me is:

Evolved Wireless LLC

2. The name of Real Party in interest (Please only include any real party in interest NOT identified in Question 3) represented by me is:

The party named above in (1) is the real party in interest.

3. Parent corporations and publicly held companies that own 10% or more of stock in the party:

None.

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court (and who have not or will not enter an appearance in this case) are:

Cyrus A. Morton, Robins Kaplan LLP

5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal. *See* Fed. Cir. R. 47.4(a)(5) and 47.5(b).

In addition to each IPR proceeding and appeal noted in the caption for these consolidated appeals, the following cases will be affected: Evolved Wireless, LLC v. Apple Inc., 15-cv-00542 (D. Del.); Evolved Wireless, LLC v. HTC Corp., 15-cv-00543 (D. Del.); Evolved Wireless, LLC v. Lenovo Grp. Ltd., 15-cv-00544 (D. Del.); Evolved Wireless, LLC v. Samsung Elecs. Co., 15-cv-00545 (D. Del.); Evolved Wireless,

LLC v. ZTE Corp., 15-cv-00546 (D. Del.); Evolved Wireless, LLC v. Microsoft Corp., 15-cv-00547 (D. Del.).

Dated: May 6, 2019

/s/Ryan M. Schultz

Ryan M. Schultz

*Attorney for Patent Owner-Appellant*

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## Summary of the Argument

Appellees argue that evidence that the prior art discloses Msg3 buffer data would be sent in response to a UL Grant in a RAR message when there is data in the buffer, and that new data would be sent after completion of a random access procedure, is sufficient to uphold the Board's decisions. But those disclosures are not the claim limitations as construed by the Board. None of the evidence they cite to discloses that in the prior art Msg3 buffer data would be sent *only* in response to a UL Grant in a RAR message, or that new data would be sent in response to a PDCCH UL Grant received during a random access procedure even when there is data in the Msg3 buffer. As described in the '236 specification and claimed, the novel aspect of the claimed invention is that Msg3 buffer data is *only* sent when the claimed conditions of the first transmitting limitation are true, and that new data is sent when either or both of those conditions are false, in other words whenever a converse condition of the second transmitting limitation is true. The evidence cited by the Appellees and the Board fails to disclose this novel aspect of the claims.

Appellees contend that the same evidence they argued below would teach the claims under the construction they urged – a construction of the



“if” terms of the transmitting limitations as requiring only sufficient conditions, such that Msg3 buffer data transmission “occurs in the presence of the condition, but possibly also at other times” – teaches the claims as construed. This ignores the actual construction of the claims. Indeed, Apple and Microsoft falsely contend here that “the claim[s] as construed do[ ]n’t require sending new data is[sic] in response to every non-random access response message. It requires simply that, when the phone does send new data, it *does* so in response to a non-random access response message.”

Apple Br. at 22. This is merely another iteration of the construction of the claims that the Petitions for unpatentability were based on, but that the Board *rejected* in the claim construction portion of its decisions.

No evidence, let alone substantial evidence, supports that the prior art discloses the transmitting limitations as properly construed by the Board. There is a complete lack of evidence that the prior art disclosed the key aspect of the invention to preclude transmission of Msg3 buffer data in response to errant non-RAR UL grants received during an ongoing random access procedure.

The Board’s refusal to consider the declarations from Evolved’s expert based on a technicality, objection to which Appellees technically

waived pursuant to the PTO's regulations, that the Board provided Evolved no opportunity to correct, was arbitrary, capricious, and an abuse of discretion. This unfair disregard of Evolved's evidence simply illustrates part of the Constitutional problems with retroactively depriving patentees of due process protections of Article III court proceedings for adversarial disputes regarding patent validity. However, even disregarding Evolved's declaration does not justify affirmance, or negate Appellees' failure to produce any evidence of prior art teaching of the key aspect of the claimed inventions. Appellees failed to meet their burden to prove unpatentability.

## Argument

**I. The prior art LTE specifications relied on by ZTE, HTC and Samsung provide no evidence of the transmitting behavior required by the '236 patent claims.**

The ZTE, HTC and Samsung Appellees repeat the same misleading arguments made below that try to distract from the fact that there is absolutely no prior art disclosure of a user equipment precluding transmission of Msg3 buffer data and instead requiring new data transmission in response to a PDCCH UL grant received during an ongoing random access procedure when there is Msg3 buffer data. Indeed, these Appellees attempt to confuse the issue by relying on disclosures regarding the transmission of message 3. That is not relevant to the challenged claims' requirements regarding when to transmit "msg3 buffer data" as opposed to "new data." They point to their arguments below and their expert's declaration, but a close reading of them shows that they entirely fail to address the key situation where the patent itself explains the claimed inventions differentiate themselves from the prior art.

ZTE, HTC and Samsung assert their expert Dr. Min "described three scenarios in which the 300 and 321 references taught the second 'transmitting' limitation." ZTE Br. at 32 (citing Appx227-230; Appx522-528,

Appx1452-1456). But their “three scenarios” simply indicate that in the prior art new data is sent 1) “during a random access procedure” when “there is *not* data in the message 3 buffer”; 2) “when there is *no ongoing random access procedure* and there is no data in the message 3 buffer”, and 3) when “*there is no ongoing random access procedure* and there is data in the message 3 buffer.” ZTE Br. at 20-21 (citing Appx229-230; Appx1453-1456, Appx1388-1389) (emphasis added).

As explained in the Opening Brief, this entirely fails to address the key situation of when there is a non-RAR UL grant (*e.g.* PDCCH UL Grant) received *during an ongoing random access procedure* and when there is data in the message 3 buffer. The latter “fourth” scenario or situation – ignored by the Appellees and their expert because they can point to no prior art disclosure helpful to them – is precisely what the invention of the claims addressed and where the differentiation from the prior art is seen. *See* Opening Br. at 33-34, 13-17. Evidence that the prior art contemplated sending new data when there is not an ongoing random access procedure or when there is no Msg3 buffer data, is not substantial evidence of either the first or second transmitting limitations of the asserted claims as construed. The second transmission limitation of the claims requires that

new data also must be sent in response to non-RAR UL Grants received during an ongoing random access procedure when there is Msg3 buffer data (*i.e.* in situation four). And conversely to evidence the required “only when” behavior of the first transmission limitation, the transmission of Msg3 buffer data must be precluded in that situation.

Appellees never presented any prior art teaching of the required behavior in this critical situation. *See* Opening Br. at 24, 42-43. They have identified no prior art user equipment that functioned as disclosed in the ‘236 patent to preclude transmission of Msg3 buffer data, and instead transmit new data, in response to non-RAR UL Grants even when there is data in the Msg3 buffer during an ongoing random access procedure. *See id.* at 15-17, 22, 32, 35-36. Indeed, ZTE, HTC and Samsung’s brief confirms that the relied on prior art LTE specification fails to teach this key aspect of the claimed inventions because it instead taught that the user equipment would send Msg3 buffer data whenever there was an “ongoing Random Access procedure” and data “in the Message3 buffer”. ZTE Br. at 34-35 (citing Appx28; Appx1388).

This prior art disclosure is the exact opposite of what the transmitting limitations of the claims as construed here require. ZTE, HTC, and

Samsung's reliance on *AC Techs. S.A. v. Amazon.com, Inc.*, 912 F.3d 1358 (Fed. Cir. 2019) and *Sud-Chemie, Inc. v. Multisorb Techs., Inc.*, 554 F.3d 1001 (Fed. Cir. 2009), ZTE Br. at 39-40, is thus misplaced. This case does not involve a matter of the prior art disclosing a negative limitation by omission. It involves the prior art disclosing the opposite of the claimed invention in the key situation.

Appellees do not dispute, because they cannot, that a Random Access Procedure is not the same thing as a Random Access Response (RAR) message, or that UL Grants not on RAR messages (*e.g.* a PDCCH UL Grant) can occur during a Random Access Procedure. See Opening Br. at 38, 41; ZTE Br., *e.g.* at 6-7, 16-17. ZTE, HTC, and Samsung instead argue that the prior art disclosed that “message 3 transmission should occur only if ‘there is an ongoing random access procedure and there is a MAC PDU in the [Message 3 [buffer]]’” and that “message 3 transmission requires a prior random access response grant” is “persuasive”, allegedly substantial, evidence of teaching of the claims at issue. ZTE Br. at 37-38; *see also id.* at 18. But this imprecise argument merely repeats the smoke and mirrors presented below to try to confuse the issues. The prior art may label as “message 3” a transmission responsive to a RAR UL Grant during a

random access procedure, but this alone does not tell one the source of or content in that message – such as Msg3 buffer data or new data. Nor does it tell one what data to transmit in response to receipt of a different UL Grant during an ongoing random access procedure, or even identify a label for such a transmission.

None of this evidences *preclusion* of Msg3 buffer data transmission in the key situation of receipt of a non-RAR UL Grant during an ongoing random access procedure after a prior RAR UL Grant, and prior “message 3”, and thus there is already data in the Msg3 buffer. To the contrary, if anything ZTE, HTC, and Samsung, appear to be equating “message 3” to transmission of Msg3 buffer data, thus acknowledging the prior art requires Msg3 buffer data transmission whenever it exists and “there is an ongoing random access *procedure*.” ZTE Br. at 37-38 (emphasis added). That is merely the flawed prior art procedure the ‘236 patent recognized, and improved upon by instead requiring new data transmission rather than Msg3 buffer data transmission whenever a non-RAR UL Grant is received (even if there is data in the Msg3 buffer because a random access procedure is ongoing). *See* Opening Br. at 6-7, 11-17.

Appellees are really arguing that they think it would have been obvious to *change* the teaching of the prior art LTE specifications on which they rely in order to create the transmission rules required by the '236 patent claims. But this is nothing more than an argument based on improper hindsight bias. *See* Opening Br. at 38-39. Moreover, it does not support affirming the Board's decision, which, based on Appellees' misleading arguments, mistakenly equated prior art disclosure of sending Msg3 buffer data during "an ongoing Random Access *procedure*" with disclosure of sending it only in response to a UL Grant signal "on the specific [random access response] *message*" when there was Msg3 buffer data. Appx20 (emphasis added); *see also* Appx22, Appx27, Appx28.

Because the Board falsely equated a Random Access Procedure with a RAR message, it did not even acknowledge that Petitioners were really arguing that limitations not disclosed in any prior art would have been obvious to come up with, and certainly did not provide any searching review and reasoned explanation for supplying limitations entirely missing from the prior art. *See id.* Therefore, its decision cannot stand. *See* Opening Br. at 45-47 (citing *Arendi S.A.R.L. v. Apple Inc.*, 832 F.3d 1355 (Fed. Cir. 2016); *DSS Tech. Mgmt., Inc. v Apple Inc.*, 885 F.3d 1367 (Fed. Cir. 2018)).



The fact that after LG, the original '236 patent assignee, disclosed its invention to WG2, another company quickly endorsed that the LTE specifications should be *changed* to reflect LG's invention refutes, instead of supports, that the prior art LTE specifications already taught the invention. *See* Opening Br. at 43-45. Furthermore, this post-invention activity is not necessarily "independent" of LG's prior disclosed invention, and it provides no substantial evidence that a person of ordinary skill in the art without information from the inventors would have understood the prior art LTE specifications to already teach the invention. *See Trustees of Columbia Univ. v. Illumina, Inc.*, 620 Fed. Appx. 916, 930 (Fed. Cir. 2015) ("The tendency of simultaneous invention to weigh in favor of obviousness would, of course, be negated if the purported simultaneous invention was not made independently of the claimed invention.") (non-precedential).

**II. The Kitazoe patent relied on by Apple and Microsoft likewise does not teach sending Msg3 buffer data *only* under the conditions claimed in the first transmitting limitation and conversely *always* sending new data under all conditions in the second transmitting limitation.**

Apple and Microsoft do not even rely on the prior art LTE specifications in regard to the key transmitting limitations, implicitly

acknowledging the prior art specifications' failure to teach the required transmission parameters of Msg3 buffer data versus new data. Instead, Apple and Microsoft argue the Kitazoe patent allegedly teaches the transmitting limitations. But Kitazoe also teaches the wrong type of transmission in the key fourth situation.

- A. A close reading of Apple and Microsoft's arguments show there is no evidence Kitazoe teaches the required transmitting behavior in the key situation of receipt of a non-RAR UL Grant during a random access procedure.**

Apple and Microsoft equate Kitazoe's encrypted data or "normal scheduled transmission" to the "new data" required by the second transmitting limitation of the claims at issue. Apple Br. at 9. But Kitazoe merely shows this encrypted data is the data that is contemplated to be sent *after* receipt of a contention resolution message, *i.e. after* completion of a random access procedure. See Apple Br. at 8. Just like the prior art LTE specification, it does *not* disclose new data should be sent in response to an errant PDCCH message received *during* an ongoing random access procedure, *i.e. before* a contention resolution message.

Apple and Microsoft state that their expert, Dr. Wells, testified that Kitazoe discloses transmitting "message3" only when "(1) there is data in

the appropriate buffer and (2) the Uplink Grant signal is a random access response message.” Apple Br. at 9-10 (citing Appx1660-1661); *see also id.* at 17. First, the sending of “message3” does not disclose what data is included in that message. Second, Kitazoe’s disclosure of sending a “message3” in response to the RAR UL Grant does not mean it discloses precluding sending Msg3 buffer data in response to another UL Grant received during an ongoing random access procedure – *e.g.* in what could be termed “message3.X” or a transmission subsequent to the “message 3” responding to a RAR message but before the “message 4” transmission of a contention resolution message during a particular random access procedure. Opening Br. at 52-55, 13-15. As noted in the Opening Brief, it is important to not get misled by the particular numerical message *labels* applied in the prior art to the *four required* transmissions during a random access procedure into thinking only four transmissions necessarily happen during all random access procedures. *See* Opening Br. at 41; *see also id.* at 13-14.

Contrary to what Apple and Microsoft state in their brief at page 9, the parties’ dispute does *not* focus “on whether Kitazoe discloses transmitting its unencrypted message 3 and its encrypted normal scheduled transmission only when the conditions recited in Evolved’s claims are

met.” Kitazoe’s “encrypted normal scheduled transmission,” as defined in Kitazoe, is merely transmission that occurs *after* completion of the entire random access procedure. See Apple Br. at 8 (showing Kitazoe’s Figure 4), 10 (“Kitazoe’s Figure 4 shows that the phone transmits the encrypted message *after* a connection has been completed with the fourth message (i.e., *the contention resolution message*).” (emphasis added)). Indeed, they obliquely acknowledge such encrypted normal scheduled transmission is merely “an *example* of what Evolved’s claims refer to as ‘new data.’” Apple Br. at 9 (emphasis added). And “message 3” is merely a label for a message sent in response to a RAR message.

The real dispute is whether Kitazoe requires *new data* be sent *during* an ongoing random access procedure in response to a non-RAR UL Grant, instead of sending Msg3 buffer data in such situation when there is data in that buffer. The real issue is what Kitazoe discloses upon receipt of a non-RAR UL Grant after what Kitazoe refers to as “message 3” has been sent but before receipt of a contention resolution message. Kitazoe provides no disclosure of the claimed invention, as the Board itself found in saying this situation the invention addresses “is not ... what a person of ordinary skill

in the art would understand from Kitazoe's teachings." Appx97; *see also* OpeningBr. at 52-53.

There is no evidence, let alone substantial evidence, that Kitazoe requires new data be sent in response to a PDCCH UL Grant received during an ongoing random access procedure instead of sending Msg3 buffer data in such situation. Evidence that Kitazoe contemplated sending "new data" *after* the completion of a random access procedure does not evidence the different claimed transmission parameters or conditions for transmission of new data. Importantly, the evidence cited by Appellees provides no evidence of new data being sent in response to the key situation of receipt of a PDCCH UL Grant *during* an ongoing random access procedure. *See* Apple Br. at 11 (citing Appx1663-1664, Appx1704-1705).

Indeed, Apple and Microsoft's brief shows the testimony of record actually evidences Kitazoe teaches away from the invention. They acknowledge "Dr. Wells thus concluded that 'Kitazoe teaches that the encrypted scheduled transmission message (*the 'new data'* as described above) is transmitted *only after* the random access procedure is completed ...." Apple Br. at 11 (quoting Appx1664) (emphasis added). Their brief

similarly acknowledges the Board found that in Kitazoe “the new data ‘is transmitted only after the random access procedure is complete’”. Apple Br. at 13 (quoting Appx82); *see also* Apple Br. at 15 (“Kitazoe’s purpose was to send the encrypted data (new data) only when the Random Access Procedure was complete”). Because Kitazoe teaches sending new data *only after* the random access procedure is complete, it teaches away from sending new data during an ongoing random access procedure in response to non-RAR UL Grants. The testimony of Dr. Wells, which Apple and Microsoft rely on as allegedly providing substantial evidence to support the Board’s decision, Apple Br. at 15, 16, thus fails to provide any evidence of the invention’s requirement that new data, instead of Msg3 buffer data, be sent in that key situation even if there is data in the Msg3 buffer during an ongoing random access procedure.

**B. Apple and Microsoft’s argument pretends the Board adopted its rejected claim construction.**

Apple and Microsoft also mischaracterize the Board’s decision on claim construction. First, they correctly acknowledge that the Board construed the claims to require “transmitting Msg3 Buffer Data only when (1) there is data stored in the Msg3 buffer when receiving the UL Grant

signal, and (2) the UL Grant signal is the random access response message.” Apple Br. at 12 (citing Appx61-66). They then say the “Board likewise required transmitting New Data *only when* (1) there is no data stored in the Msg3 buffer when receiving the UL Grant signal or (2) the UL Grant signal is not the random access response message.” *Id.*; *see also id.* at 17-18. However, the correct way to state the construction with regard to the “second” transmitting limitation would be that the claims require new data be sent *whenever or always when* either condition of that second transmitting limitation are met, which are the converse conditions of those required in the first transmitting limitation for transmission of Msg3 buffer data. In other words, new data must be sent whenever either condition of the first transmitting limitation is not met. As the Board recognized, the two transmitting limitations contain conditions that are “logical opposites” such that only one limitation can apply in any given situation. *See* Opening Br. at 20-21 (citing Appx11, Appx61).

Apple and Microsoft simply ignore the Board’s decision on claim construction that *rejected* their argument that the claims should be construed to allow for the transmission of Msg3 buffer to occur under the conditions stated in the first transmission limitation “but possibly also at

other times.” Appx61-62; *see also* Opening Br. at 19-20. Apple and Microsoft pretend here that their rejected claim construction was adopted by the Board by asserting a new iteration of that claim construction position: “[T]he claims as construed don’t require sending new data in response to every non-random access response message. It requires simply that, when the phone does send new data, it does so in response to a non-random access response message.” Apple Br. at 22.

The Board, however, rejected this construction of the claims. The Board found that the language and structure of the claims as a whole, as well as the specification’s description of the invention, require that new data be transmitted whenever one of the conditions stated in the *second* transmitting limitation *is* met, or whenever the conditions stated in the *first* transmitting limitation are *not* met. Conversely, the claims require transmission of data stored in the Msg3 buffer *only when* both conditions stated in the first transmitting limitation are satisfied, and *exclude* “the optional possibility of transmitting data stored in the Msg3 buffer even when both conditions are not satisfied.” Appx63; *see also* Opening Br. at 20-21; Appx12-15, Appx61-66, Appx111-116.



Testimony that Kitazoe discloses sending new data under some condition covered by the second transmission limitation, is *not* testimony that it discloses *always* sending new data under every condition required by the rule of the second transmitting limitation *or conversely* teaches sending Msg3 buffer data *only* under the opposite conditions of the first transmitting limitation. There is no evidence, let alone substantial evidence, that the prior art disclosed any user equipment that functioned as described in the '236 patent to require new data transmission in the key "fourth scenario" of receipt of a non-RAR UL Grant during an ongoing random access procedure and preclude Msg3 buffer data transmission in such situation as required by the transmitting limitations of claims 1 and 7. Petitioners and the Board cited absolutely no evidence that the prior art sent new data, instead of Msg3 buffer data, in the key situation of receipt of a non-RAR UL Grant during an ongoing random access procedure when there is data in the Msg3 buffer. The lack of any such evidence cannot be excused by pretending the Board adopted a claim construction position that it rejected.

Just like the other appellees, Apple and Microsoft also misguidedly rely on *AC Techs* and *SudChemie*. Apple Br. at 19. But neither case supports

affirming the Board's unpatentability decisions here. Kitazoe, like the prior art LTE specification the other appellees rely on, actually discloses the opposite of what the claims require in the key situation of receipt of a non-RAR UL Grant during an ongoing random access procedure. Because by Apple and Microsoft's own admission Kitazoe discloses sending new data only after a random access procedure is complete, *see pp. 14-15 supra*, it fails to disclose sending new data in this key situation.

This is not a case like *AC Techs* or *Sudchemie*, but rather a case like *In re Facebook*, where the prior art discloses a system that operates in accordance with a different rule than required by the claims. 743 Fed. Appx. 998 (Fed. Cir. 2018) (non-precedential); *see also* Opening Br. at 57. Instead of disclosing the claimed transmission conditions, Kitazoe only discloses that "new data" is sent only after completion of the random access procedure, which means new data would not be sent in the critical situation of receipt of a non-RAR UL Grant during a random access procedure when there is data in the Msg3 buffer. Thus, the obviousness conclusion should be reversed because there was no showing that the prior art taught a system operating according to the transmission conditions required by the claims. *See id.*

**III. The Board's refusal to consider the declaration by Evolved's expert without giving Evolved an opportunity to submit a corrected declaration was improper.**

Giving *no* evidentiary weight to filed exhibits is equivalent to excluding the evidence. The Board's action here with regard to the Cooklev declarations thus thwarted the purpose of its own rule requiring a timely motion to exclude presenting objections to any submitted evidence so that the "party relying on evidence to which an objection is timely served may respond to the objection by serving supplemental evidence[.]" 37 C.F.R. § 42.64. As Evolved indicated during the hearings below, had Petitioners followed the regulations and filed a timely motion to exclude, Evolved would have promptly submitted a new exhibit to address the inadvertent omission of the words "under the penalty of perjury" from the Cooklev declarations. Appx574-755, Appx908-909. Giving no weight or consideration to the declarations, which were in evidence given Appellees technically waived objection to their technical deficiency, without allowing Evolved any opportunity to address the improperly-raised objections, was arbitrary, capricious, and/or an abuse of discretion.

The Board's actions here certainly did not promote full and true disclosure of the facts, meaningful review of issues, or due process, and

should not be sanctioned. *Cf. Dell Inc. v. Accelaron, LLC*, 818 F.3d 1293, 1301 (Fed. Cir. 2016) (vacating a patent claim cancellation because the Board denied a patent owner its procedural rights by relying on assertions made after patent owner could meaningfully respond). However, regardless of whether Dr. Cooklev's declarations are considered or not, Petitioners failed to meet *their burdens* to produce evidence proving unpatentability of the claims.

#### **IV. The retroactive application of IPRs violates the Fifth Amendment.**

##### **A. The Constitutional issues have not been forfeited.**

The Constitutional issues raised are appropriately addressed here. First, Evolved did clearly raise in this appeal whether the retroactive *inter partes* review ("IPR") proceedings violated its Fifth Amendment Constitutional rights, so the issues have not been waived by failing to raise them in the Opening Brief. *See* Opening Br. at 3, 63-64. Second, it was not necessary to raise the Constitutional issues with the PTAB. An "established exception" to the doctrine of waiver permits parties to raise constitutional complaints for the first time in a reviewing court, even if they failed to raise those claims properly before the agency. *See Sims v. Apfel*, 530 U.S. 103, 115

(2000) (Breyer, J., joined by Rehnquist, C. J., Scalia and Kennedy, JJ., dissenting) (citing *Mathews v. Eldridge*, 424 U.S. 319, 329, n. 10 (1976)); see also *Ninestar Tech. Co. v. ITC*, 667 F.3d 1373, 1382 (Fed. Cir. 2012) (Even when “tardily raised, constitutional challenges should not be deemed waived when they relate to the foundations of governmental process.”).

Indeed, asking the PTAB to decide these issues would simply be an exercise in futility that is not necessary. See *Itochu Bldg. Prods. v. United States*, 733 F.3d 1140, 1146 (Fed. Cir. 2013) (“a party often is permitted to bypass an available avenue of administrative challenge if pursuing that route would clearly be futile, *i.e.* ... [there is no need] to go through obviously useless motions in order to preserve [rights]”). As even the United States’ brief indicates, the PTAB has previously rejected or refused to address similar constitutional challenges to its authority. See Intervenor Br. at 15; see also *Netflix, Inc. v. Affinity Labs of Tex., LLC*, IPR2016-01701, 2018 Pat. App. LEXIS 5153, at \*57-58 (PTAB Feb. 28, 2018) (refusing to address “Patent Owner’s constitutionality arguments” because “the Board lacks authority”).

The United States’ reliance on *In re DBC*, 545 F.3d 1373 (Fed. Cir. 2008), is misplaced because *DBC* did not challenge a statutory regime, but rather

challenged the appointments of specific administrative judges. Under those circumstances, presenting the argument to the agency would enable the agency “to consider and cure the alleged constitutional infirmity” by replacing the judges. *See id.* at 1378-79. By contrast, where the Board has no jurisdiction to hold its own enabling legislation unconstitutional, such as here, no potential curative benefit would result by requiring appellants to first raise a futile argument before the Board.

Forfeiture or waiver is simply not applicable here. *See Amgen Inc. v. Sandoz Inc.*, 877 F.3d 1315, 1324-25 (Fed. Cir. 2017) (finding that preemption argument was not waived because it presented “a significant question of general impact or of great public concern” (internal quotation omitted)). Even Intervenor United States implicitly acknowledges that the Court may address the issues here, and states that doing so may be in “the interests of justice.” Intervenor Br. at 16-17.

**B. The AIA clearly applies retroactively.**

Contrary to the United States’ argument, Intervenor Br. at 18, the AIA clearly applies new law creating *inter partes* reviews retroactively. The AIA says explicitly that its *inter partes* review provisions “shall apply to any patent issued *before*, on, or after” the effective date. Pub. L. No. 112-29, §

6(c)(2)(A), 125 Stat. 284, 304 (2011) (emphasis added). Given this plain language, it is unnecessary to analyze the “presumption against statutory retroactivity” interpretive canon of *Landgraf v. USI Film Products*, 511 U.S. 244, 286 (1994). The *Landgraf* factors do not apply where, as here, Congress has expressly answered the retroactivity question. *Id.* at 280 (statute determinative if clear).

Moreover, the AIA retroactively impairs “rights a party possessed when he acted” -*i.e.* rights a patentee had when he disclosed his invention as his part of the patent bargain. *Landgraf*, 511 U.S. at 280. Prior to the AIA, the only “adversarial process” that could invalidate a patent, as opposed to an “inquisitorial course led by the Patent Office” was one in an Article III court where a patentee’s right to a trial by jury and other due process rights are recognized. *See SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1352-54 (2018). The AIA eliminates rights of patentees. Constitutional rights, like the right to trial by jury on an adversary’s contentions, are fundamental “substantive” rights. Even if all the changes made through creation of IPR were termed “procedural,” *Landgraf* did *not* hold that “concerns about retroactivity have no application to procedural rules.” *Id.* at 275 n.29.

**C. Retroactively subjecting issued patents to IPR violates Due Process and allows for unconstitutional takings.**

A patent vests at the time of issuance and carries the interests and rights then in effect. What vests is not only the duration and character of the patent right, but also the statutory mechanisms for enforcement of or challenges to that right, which in either case may result in the holder's property being extinguished. See *Richmond Screw Anchor Co. v. United States*, 275 U.S. 331, 345-46 (1928). The Supreme Court has made clear that statutory enactments after a patent has issued "can have no effect to impair the right of property then existing in a patentee, or his assignee ... ." *McClurg v. Kingsland*, 42 U.S. 202, 206 (1843). Although Congress has broad powers under the Intellectual Property Clause, subsequent statutory changes may "not take away the rights of property in existing patents." *Id.*; see also *Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 51-52 (1989) (Congress "lacks the power to strip parties contesting matters of private right of their constitutional right to a trial by jury."). Patents are undisputedly property for purposes of the Due Process and Takings Clause of the Fifth Amendment. *Oil States Energy Servs., LLC v. Greene's Energy Group, LLC*, 138 S. Ct. 1365, 1379 (2018) (citing *Florida Prepaid Postsecondary Educ. Expense Bd.*



*v. College Sav. Bank*, 527 U.S. 627, 642 (1999); *James v. Campbell*, 104 U.S. 356, 358 (1882)).

The Supreme Court in *Oil States*, in finding no Article III or Seventh Amendment violation as argued in that case, noted that “[t]he Patent Act provides that ‘[s]ubject to the provisions of this title, patents shall have the attributes of personal property.’” 138 S. Ct. at 1375 (quoting 35 U.S.C. § 261). It then reasoned that the provisions of the Patent Act qualifying patent property rights “include inter partes review.” *Id.* But for patents that issued before the AIA, no IPR provisions were part of the Patent Act when the patent rights vested. And the Court in *Oil States* specifically noted it was not addressing or deciding that retroactive application of IPR comports with the Constitution, given that issue was not raised by the petition in that case. *Id.* at 1379.

The government’s assertion that “there are no meaningful expectation interests in the particular procedures used in a given patent proceeding”, Intervenor Br. at 30, is incorrect. The Due Process clause of the Constitution reflects the basic idea that procedures are important, and in the United States people cannot be deprived of their property without procedures that maintain fairness and order. And part of fundamental fairness is

maintaining procedures that were promised in order to induce action from a party. *See Landgraf*, 511 U.S. at 265 (“Elementary considerations of fairness dictate that individuals should have an opportunity to know what the law is and to conform their conduct accordingly; settled expectations should not be lightly disrupted.”). Issuance of a patent comes at a cost to the patentee, most importantly the public disclosure of a discovery the patentee might otherwise have kept secret or exploited in different ways. *See J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred Int’l, Inc.*, 534 U.S. 124, 142 (2001) (“The disclosure required by the Patent Act is the *quid pro quo* of the right to exclude.” (internal quotation omitted)). “Fundamental alterations in [the patent] rules risk destroying the legitimate expectations of inventors in their property.” *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 739 (2002).

The government argues that retroactively applying IPRs is not a problem because the PTO previously conducted reexamination proceedings, and patents could be found invalid in litigation. Intervenor Br. *e.g.* at 30. But litigation in Article III courts provides due process protections that IPR proceedings do not. For example, patentees have a right to a trial by jury in Article III courts. *See U.S. Const. amend. VII; Oil*

*States*, 138 S. Ct. at 1379. Article III courts are also not subject to panel stacking. See *Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co.*, 868 F.3d 1013, 1020 (Fed. Cir. 2017) (Dyk, J. concurring) (describing PTAB panel-packing practice). Nor, in an Article III court, unlike what happened below, would an expert's truthful testimony be completely ignored because a sentence was not included in a document. Rather, there would be adequate opportunity to ensure the witness could testify, in person, before the fact-finder. IPRs encourage the use of "expert opinions" or "testimonial evidence" to show unpatentability, see 35 U.S.C. § 312; 37 C.F.R. § 42.108(c), thus setting the stage for "battles of the experts" similar to litigation. Yet, IPRs do not guarantee an opportunity for examination of witnesses or cross-examination of adverse experts before the fact-finder to allow exposure of the credibility or evasiveness, and bias of the witnesses.<sup>1</sup> Furthermore, the burden of proof for invalidating a patent is lower in IPR

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<sup>1</sup> Here, not only did the Board refuse to consider the written testimony of Evolved's expert without providing an opportunity to personally present his truthful testimony, but Evolved was not able to cross-examine appellees' experts before the fact-finder to expose evasion with regard to the critical issues.

than in a court, and the claim construction standard has also been different. *See Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2142, 2144 (2016).

The government's arguments likewise ignore critical differences between IPRs and reexamination procedures. Reexamination, an "inquisitorial process for reconsidering patents," is distinctly different from IPR, a "party-directed, adversarial process," which has "many of the usual trappings of litigation," but without the complete Due Process protections of an Article III court or even the same burden for proving invalidity. *See SAS*, 138 S. Ct. at 1354-55. "Congress structured the process such that the petitioner, not the [PTO], defines the proceeding's contours." *Id.* at 1351. IPRs have a different standard for institution than reexamination procedures. *See Cuozzo*, 136 S. Ct. at 2137. IPR also does not provide for "the kind of iterative amendment process" that existed in reexamination. *See In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1288 (Fed. Cir. 2015) (Newman, J., dissenting). And unlike the back-and-forth dialogue of a reexamination, or the comprehensive procedures of civil litigation, a patent owner in IPR has only a limited opportunity, subject to for example strict page limits, to respond to an adversary's challenge.

Allowing for patents to be invalidated through adversarial “litigation-like” proceedings, but without the due process protections of Article III courts and different evidentiary burdens, fundamentally changes the bargain for which pre-AIA inventions were publicly disclosed and violates the Due Process rights of such patentees. *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 603 (Fed. Cir. 1985), which concerned a Fifth Amendment challenge to the *ex parte* reexamination process, therefore does not foreclose this challenge to IPR.

Congress had no rational basis for making the new IPR regime retroactive because reexamination was already available to serve the interest in curing genuine errors. The legislative record lacks any explanation why Congress acted retroactively with IPRs. While the government points to general rationales for correcting agency errors or for creating IPRs, *e.g.* Intervenor Br. at 28-29, 31-32, Congress did not articulate any “overriding public purposes” to apply the AIA *retroactively*, particularly considering that reexamination procedures already existed. *Cf. Patlex*, 758 F.2d at 603; *see also Landgraf*, 511 U.S. at 266 (“a justification sufficient to validate a statute’s prospective application ... may not suffice to warrant its retroactive application” (internal quotation omitted)).

Significantly, when Congress created *inter partes* reexamination in 1999, it limited the procedure to *later-issued* patents. See *Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1331–32 (Fed. Cir. 2008). This suggests that permitting third-party challengers to have even limited participation in an avenue for invalidating a patent requires the legislation to be prospective given the impact on patentee rights. Yet IPRs entirely turn away from examinational procedures to “an adversarial process” “that mimics civil litigation”, *SAS*, 138 S. Ct. at 1352-53, while depriving patentees of important due process protections.

The AIA’s creation of IPR proceedings significantly changes the reasonable expectations that existed when pre-AIA patent inventions were disclosed that patentees would have the due process protections of an Article III court to combat the adversarial contentions of interested parties. Having to defend a patent against misleading contentions of accused infringers without fundamental due process procedural devices like a right to cross-examination before the fact-finder, is an unfair or disproportionate burden on patentees beyond reasonable expectations. Cf. *Commonwealth Edison Co. v. United States*, 271 F.3d 1327, 1346 (Fed. Cir. 2001); *E. Enters. v. Apfel*, 524 U.S. 498, 549-550 (1998) (J. Kennedy, concurring).

The United States' circular argument that there is no "taking" because there was never a "valid property interest" if this Court affirms the decision below, Intervenor Br. at 34-37, ignores the statutory presumption that a patent is valid upon issuance by the Patent Office. 35 U.S.C. § 282. Moreover, appellate review is more deferential to invalidity decisions by the Board than by district courts: the substantial evidence standard of review compounds the broadest-reasonable-interpretation and preponderance-of-the-evidence standards applied by the Board, significantly lowering the threshold for finding invalidity in adversarial proceedings. *See Merck & Cie v. Gnosis S.p.A.*, 808 F.3d 829, 841, 845 (Fed. Cir. 2015) (Newman, J., dissenting).

### **Conclusion**

The Board's decisions should be reversed, or at least vacated and remanded for further proceedings.

Respectfully submitted,

/s/Ryan M. Schultz

Christopher K. Larus

Ryan M. Schultz

Brenda L. Joly

Miles A. Finn

ROBINS KAPLAN LLP

800 LaSalle Avenue, Suite 2800

Minneapolis, MN 55402  
Tel: (612) 349-8500  
*clarus@robinskaplan.com*  
*rschultz@robinskaplan.com*  
*bjoly@robinskaplan.com*  
*mfinn@robinskaplan.com*

*Attorneys for Patent Owner-Appellant*  
*Evolved Wireless LLC*



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The undersigned hereby certifies that this brief complies with the type-volume limitation of Federal Circuit Rule 32(a). The brief contains 6,471 words, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(f) and Federal Circuit Rule 32(b).

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Dated: May 6, 2019

By: /s/Ryan M. Schultz

Ryan M. Schultz

*Counsel for Appellant*

## Proof of Service

I hereby certify that on May 6, 2019, the foregoing APPELLANT EVOLVED WIRELESS LLC'S REPLY BRIEF was filed with the Clerk of the Court for the United States Court of Appeals for the Federal Circuit using the appellate CM/ECF system which constitutes service on all parties represented by attorneys who have registered for the CM/ECF system, and that a copy was served on counsel of record for all parties via e-mail through the system.

Dated: May 6, 2019

By: /s/Ryan M. Schultz  
Ryan M. Schultz  
*Counsel for Patent Owner-Appellant*  
*Evolved Wireless LLC*