

2019-1686

**United States Court of Appeals
for the Federal Circuit**

2019-1686

UNILOC 2017 LLC,

Appellant,

v.

HULU, LLC, NETFLIX, INC,

Appellees,

ANDREI IANCU, Director, U.S. Patent and Trademark Office,

Intervenor.

*Appeal from United States Patent and Trademark
Office, Patent Trial and Appeal Board in No. IPR2017-00948*

APPELLANT'S REPLY BRIEF

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The Board’s “patentability” determination in § 318(a) has the same scope as the “Scope” of the proceedings set forth in § 311(b), which is patentability on grounds raised under Section 102 or 103 only on the basis of prior art consisting of patents or printed publications. Nothing in Petitioners’¹ or the Government’s response briefs compels a conclusion that “patentability” in § 318(a) expands the scope of a proceeding to include a determination under § 101.

IPRs achieve the goals of the AIA “through a *defined mechanism allowing for a limited category of challenges*—an adversary proceeding where the Board is the arbiter of, rather than a party to, *challenges asserted under only § 102 and § 103 of Title 35.*” *Aqua Products, Inc. v. Matal*, 872 F.3d 1290, 1312 (Fed. Cir. 2017) (O’Malley, J., plurality opinion)² (emphasis added). “Because proposed amended claims must be narrower in scope and cannot add new matter, they necessarily were subjected to . . . earlier examination and are reassessed to determine whether they are supported by the patent’s written description.” *Id.* at 1314. “The *only remaining question* is whether they are unpatentable in the face of the prior art cited in the IPR and any new art relevant to § 102 or § 103 that the petitioner asks be introduced into the IPR.” *Id.* (emphasis added). This straightforward interpretation of the IPR statutes is not persuasively rebutted by Petitioners or the Government.

¹ Appellees are referred to herein as “Petitioners,” as in the IPR proceeding.

² As with Appellant’s Opening Brief, citations to *Aqua Products* are to the plurality opinion unless specified otherwise.

35 U.S.C. § 311(b) “Scope”

Section 311 of Title 35 is entitled “Inter partes review” and subsection (b) defines the “Scope” of the proceeding, not merely the scope of the petition. The question is not, as the Petitioners and the Government attempt to make it, whether “claims of a patent” in § 311(b) could apply to proposed substitute claims as provided for in § 316(d). If Petitioners and the Government are correct that “claims of a patent” cannot refer to proposed substitute claims of the patent, at most this would show that the “Scope” of patentability in the proceeding is defined with reference to propositions of unpatentability that may be included in the petition. But, as the *Aqua Products* plurality opinion recognized, “the very unpatentability challenges by the petitioner are the same unpatentability challenges to which any proposed amendment must respond and which continue throughout the proceeding.” 872 F.3d at 1308. For this reason, the *Aqua Products* plurality opinion describes § 311 as “limit[ing] the scope of the *proceeding* to grounds that ‘could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.’” *Id.* at 1309 (emphasis added).

Patent Owner is unaware of any suggestion that, once a motion to amend has been filed, a petitioner may challenge amended claims in an IPR on the basis of a publicly known product that is not a patent or printed publication. The recognition that the scope of patentability set forth in § 311(b) carries through the entire

proceeding as to the “patents or printed publications” aspect of § 311(b) is consistent with a recognition that the an amendment also does not open the door to a § 101 challenge. It is unclear why Petitioners and the Patent Office understand the first limit to the scope of IPR proceedings, but not the second. If their interpretation of § 311(b) were correct, there would be no limit to the potential challenges against an amended claim in an IPR. Clearly, this is not the case.

The Statute Precludes A Motion to Amend That Would Inject a Wholly New Proposition of Unpatentability

Section 316(d)(3) provides that “[a]n amendment under this subsection may not enlarge the scope of the claims of the patent or introduce new matter.” In this way,

[t]he structure of an IPR does not allow the patent owner to inject a wholly new proposition of unpatentability into the IPR by proposing an amended claim. The patent owner proposes an amendment that it believes is sufficiently *narrower* than the challenged claim to overcome the grounds of unpatentability upon which the IPR was instituted. When the petitioner disputes whether a proposed amended claim is patentable, it simply continues to advance a “proposition of unpatentability” in an “inter partes review instituted under this chapter.” 35 U.S.C. § 316(e).

Aqua Prods., 872 F.3d at 1306.

Because issued claims were previously examined, and a motion to amend cannot inject a wholly new proposition of unpatentability into an IPR proceeding, Petitioners and the Government are wrong that Patent Owner advocates for the Patent Office to issue *unexamined* claims. Neither Petitioners nor the Government

explain how a motion to amend that meets the statutory criteria would somehow result in “claims that have never been evaluated for compliance with the statutory conditions for patentability,” Intervenor Br. 15, or how “in virtually any case, it could overcome prior art and obtain new claims simply by going outside the boundaries of patent eligibility and the invention described in the specification,” *id.* at 25–26.

The ancillary determinations necessary to ensure the amendment does not inject a wholly new issue of patentability are not considered “patentability” determinations. The Patent Board and the Patent Office have taken the position that the Patent Owner bears the burden of persuasion as to whether an amendment introduces new matter, which is a question of whether an amended claim has written description support under § 112. *See Lectrosonics, Inc. v. Zaxcom, Inc.*, IPR2018-01129, slip op. at 4 (PTAB Feb. 25, 2019) (Paper 15) (PTAB precedential) (“Before considering the patentability of any substitute claims, however, the Board first must determine whether the motion to amend meets the statutory and regulatory requirements set forth in 35 U.S.C. § 316(d) and 37 C.F.R. § 42.121.”); Proposed Changes to Rules of Practice to Allocate the Burden of Persuasion on Motions to Amend in Trial Proceedings Before the Patent Trial and Appeal Board, 84 Fed. Reg. 56,401, 56,404 (Oct. 22, 2019) (“[T]he rules would specify that the burden of persuasion is on the patent owner to show that the motion complies with the

requirements of 35 U.S.C. § 316(d) or 326(d) (requiring that a motion to amend propose a reasonable number of substitute claims, and that substitute claims do not enlarge scope of the original claims of the patent or introduce new matter) . . .”). Thus, the Board and the Office do not consider the new matter issue to be one of “patentability,” for which the Petitioner would bear the burden of persuasion under *Aqua Products*. The only “patentability” questions decided by the Board under § 318(a) are consistent with the scope of IPR proceedings – patents or printed publications under section 102 or 103.

***NTP* and Indefiniteness**

Petitioners contend that “the logic of [Patent Owner’s] argument would lead to the absurd result that the Board could not even object to a plainly indefinite substitute claim.” Appellees Br. 19. This is incorrect. Although the Court need not decide in this case precisely how indefiniteness may fit into an IPR proceeding, Petitioners and the Government unwittingly provide one possible answer: *NTP, Inc.*, 654 F.3d 1268 (Fed. Cir. 2011). As noted by the Government, Intervenor Br. 20, *NTP* explains that in some cases the examiner must undertake a priority analysis in order to perform the analysis under §§ 102 or 103 that is permitted in reexamination. Proposing an indefinite claim amendment may perhaps similarly frustrate the ability of the Board to determine the patentability of the amended claim under §§ 102 or 103. Thus, although Patent Owner takes no position on whether

reaching indefiniteness in an IPR is proper, Patent Owner's interpretation of the statute certainly need not lead to the "absurd result" argued by Petitioners. *NTP* does not, however, stand for the proposition that an amendment of a claim will always open the door to a full reexamination of the claim, including under § 101.

Narrowing Amendment and 101

Petitioners surmise without explanation or example that "a narrowing amendment may redirect the focus of the claim from eligible to ineligible subject matter." Appellees Br. 30. The Government posits the extreme—and extremely unlikely—hypothetical of a claim consisting only of a computer system and a computer-readable medium that is then amended to add limitations resulting in a claim to an abstract idea. Intervenor Br. 27. Of course, no example is provided of how a real narrowing amendment would inject an eligibility issue into the claims, and there is no argument that Uniloc's amendment here does that. The Government argues Uniloc's original claims were determined to be ineligible, but, of course, this does not show how Uniloc's *amendments* could possibly *make* the amended claims ineligible. *See* Intervenor Br. 26. The Government also suggests that once the limitations of the original claims are determined to be within the prior art, it can shortcut an eligibility analysis on the basis of the claim as a whole and simply consider the limitations added by amendment. *Id.* at 26–27.

Even if it were theoretically possible for a narrowing amendment to create

an eligibility issue that did not apply to original claims, there is no indication that Congress contemplated such a scenario and intended for IPRs to encompass eligibility challenges to amended claims to address such a peculiar circumstance.

The Issue of PTO Rulemaking is Not Waived

As explained in Uniloc’s Opening Brief, the Board’s Final Written Decision denies Uniloc’s Motion to Amend on the basis of Section 101. There was no formal indication the Board would do so, and certainly no rule or regulation Uniloc could have contested prior to that point. After the Final Written Decision was issued, and Uniloc requested rehearing, the Board sought to create deference for its “interpretation” of the statutes to allow a § 101 challenge in an IPR by designating the decision on Uniloc’s request for rehearing as “precedential.” Uniloc argues on appeal that such precedential designation does not require deference be afforded to the Board’s statutory “interpretation,” and fails to meet the APA and IPR statutory requirement of rulemaking published in the Federal Register and an opportunity for comment before the rules take effect. Appellant Br. 27. Contrary to Petitioners’ argument, Uniloc has not waived such a challenge and brought it at the earliest possible opportunity. Notably, the Government does not argue that such a challenge was waived. Even if it were, the issue is one of exceptional importance that the Court should hear in this case regardless.

The PTO's Adjudication In This Case Is Not Entitled To Deference

As argued in Uniloc's Opening Brief, even if the IPR statutes were ambiguous as to whether a § 101 eligibility challenge to amended claims is allowed, any lack of clarity is attributable to Congress being less than clear in the result it intended, and not an indication that Congress intended for the Patent Office to fill in a gap. Appellant Br. 25–26. And even if 35 U.S.C. § 316(a) contemplated any gap-filling by the *Director*, acting pursuant to that authority would be by the Director “prescribe[ing] regulations.” 35 U.S.C. § 316(a). The Board's decision on rehearing here is not a regulation prescribed by the Director, even if the Director is a member of the Board and agreed with the precedential designation. The decision also does not purport to regulate pursuant to the authority of § 316(a), and fails to interpret the statute any further than purporting to respond to Uniloc's arguments as to § 311(b). It is not a cogent explanation of why it has exercised any particular discretion granted to it in a given manner.

Petitioners contend Uniloc's argument regarding deference to the “PTO's statutory interpretation” is a red herring, but the Patent Office argues the decision on Uniloc's request for rehearing in this case is entitled to deference because it was designated precedential. Intervenor Br. 27–34. The Government argues that “*Mead* and subsequent cases make clear that where, as here, Congress has empowered an agency to proceed both by adjudication and regulation, it is not a

precondition for *Chevron* deference that the agency choose the rulemaking path.” Intervenor Br. 31. There are at least two problems with that argument, however.

First, section 316(a) does not merely empower the agency to proceed by regulation, it mandates that the “Director shall prescribe regulations.” So to the extent the rulemaking authority is claimed to reside in § 316(a), it is mandatory that the Director exercise that authority in the prescribed manner.

Second, § 316(a) does not empower PTAB to engage in rulemaking. The Supreme Court has “concluded that agency adjudication is a generally permissible mode of law-making and policymaking only because the unitary agencies in question also had been delegated the power to make law and policy through rulemaking.” *Martin v. Occupational Safety & Health Review Comm’n*, 499 U.S. 144, 154 (1991). Like the Commission in *Martin*, the *PTAB* has *not* been delegated the power to make law and policy through rulemaking. Because Congress has not given PTAB the power to make law or policy by other means, we cannot infer that Congress expected PTAB to use its adjudicatory power to play a policymaking role. *See id.* (“Insofar as Congress did not invest the Commission with the power to make law or policy by other means, we cannot infer that Congress expected the Commission to use *its* adjudicatory power to play a policymaking role.”).

Uniloc further notes that the decision in this case was not by the “Precedential Opinion Panel” (or “POP”), such that potential arguments for giving deference to a

POP decision does not apply in this case. *See Facebook, Inc. v. Windy City Innovations, LLC*, Appeal No. 2018-1400 (Lead) (Fed. Cir.). In addition, the Court does not have occasion to consider any deference that may or may not be due the Board's July 2019 update to its Trial Practice Guide, which came subsequent to the decision in this case. There, the Board states that "petitioner may raise, and the Board may consider, other grounds of unpatentability, including § 101 and § 112, as to proposed substitute claims." Trial Practice Guide Update (July 2019), at 39 (citing the Board's precedential designation of its decision on rehearing in this case).

Conclusion

For the reasons given in Uniloc's Opening Brief and this Reply, the Board's judgment should be reversed, or at least vacated and remanded.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Robyn Cocho, being duly sworn according to law and being over the age of 18, upon my oath depose and say that:

Counsel Press was retained by ETHERIDGE LAW GROUP, counsel for Appellant to print this document. I am an employee of Counsel Press.

On **December 31, 2019** counsel has authorized me to electronically file the foregoing **Reply Brief** with the Clerk of Court using the CM/ECF System, which will serve via e-mail notice of such filing to all counsel registered as CM/ECF users. Paper copies will also be mailed to the above principal counsel at the time paper copies are sent to the Court.

Upon acceptance by the Court of the e-filed document, six paper copies will be filed with the Court within the time provided in the Court's rules.

December 31, 2019

/s/ Robyn Cocho
Counsel Press

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1. This brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B).

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Dated: December 31, 2019

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