

2019-1686

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

UNILOC 2017 LLC,

Appellant

v.

HULU, LLC, NETFLIX, INC.,

Appellees

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

Intervenor

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

CORRECTED BRIEF OF APPELLEES HULU, LLC AND NETFLIX, INC.

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CERTIFICATES OF INTEREST

Counsel for Appellee Hulu, LLC certifies the following:

The full name of every party represented by me is:

Hulu, LLC

The names of all other real parties in interest represented by me are:

none

The names of all parent corporations and any publicly held companies that own 10% or more of the stock of the party represented by me are:

The Walt Disney Company and Comcast Corp.

The names of all law firms and lawyers that appeared for the party now represented by me in the trial court or are expected to appear in this Court, but have not yet appeared in this Court, are:

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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 are:

none

Dated: October 28, 2019

/s/ Nathan K. Kelley

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Counsel for Appellee Netflix, Inc. certifies the following:

The full name of every party represented by me is:

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The names of all other real parties in interest represented by me are:

none

The names of all parent corporations and any publicly held companies that own 10% or more of the stock of the party represented by me are:

none

The names of all law firms and lawyers that appeared for the party now represented by me in the district court or are expected to appear in this Court, but have not yet appeared in this Court, are:

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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 are:

none

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AIA	America Invents Act
Appx####	joint appendix page ####
Blue Br. ##	Uniloc’s Opening Brief, page ##
Board	Patent Trial and Appeal Board
IPR	<i>inter partes</i> review
Petitioners	Amazon.com, Inc. and Appellees Hulu, LLC and Netflix, Inc., collectively
PGR	post-grant review
PTO	United States Patent and Trademark Office
Uniloc	Appellant Uniloc 2017 LLC
’960 patent	U.S. Patent No. 8,566,960
§ ###	Section ### of the Patent Act of 1952, 35 U.S.C.

RELATED CASES

Appellees and their counsel are unaware of any other cases pending in this or any other court that will directly affect or be directly affected by this Court's decision in this case.

The '960 patent at issue in this appeal was also at issue in a previous appeal before this Court, *Uniloc USA, Inc. v. Amazon.com, Inc.*, No. 2017-2051. In that case, the panel (Prost, C.J., and Taranto and Chen, JJ.), affirmed the judgment of the United States District Court for the Eastern District of Texas that all original claims of the '960 patent were invalid under 35 U.S.C. § 101 for claiming ineligible subject matter.

INTRODUCTION

All original claims in Uniloc’s ’960 patent are invalid under 35 U.S.C. § 101. That judgment was entered in district court, affirmed by this Court, and has become final.

This appeal is from a parallel *inter partes* review (IPR) in which the Patent Trial and Appeal Board further held most of the original ’960 claims unpatentable over the prior art. Uniloc proposed to amend the claims with language it said was “implicit” in them already. Uniloc acknowledges it amended the claims in part to respond to the district court’s ineligibility determination. The IPR Petitioners opposed Uniloc’s motion to amend on patent-ineligibility grounds, among others. The Board agreed that the substitute claims were ineligible under § 101 and denied the motion to amend.

Uniloc argues that the America Invents Act (AIA) barred the Board from even considering the eligibility issue. Uniloc asserts that as a matter of law, it is entitled to substitute claims—protected by a presumption of validity under § 282(a)—that recite what was already implicit in claims that a district court and this Court have both held invalid under § 101. It contends that the PTO has no choice but to issue a certificate allowing those claims and bringing the ’960 patent back to life. According to Uniloc, that is acceptable because when it asserts its newly issued claims in district court, an accused infringer will be able to raise an ineligibility defense, again.

The drafters of the AIA were not so shortsighted. The Board is required to determine the “patentability” of substitute claims. *Patentability* includes eligibility under § 101. The only limitation on the scope of the Board’s patentability evaluation appears in § 311(b), which limits the grounds a petitioner can raise to *cancel existing claims* in a patent. Nothing in the AIA, or any other provision of the Patent Act, limits the scope of the Board’s review of proposed substitute claims. Petitioners thus properly challenged Uniloc’s substitute claims on eligibility grounds, and the Board properly considered whether Petitioners established that the substitute claims were ineligible. Uniloc had a full opportunity along the way to defend the eligibility of the substitute claims on the merits, but it affirmatively waived that opportunity and disputed only the Board’s authority to address patent-eligibility.

This Court should affirm because the Board correctly reached and decided the eligibility issue.

STATEMENT OF THE ISSUE

May the Board consider patent-eligibility under § 101 when determining the patentability of a substitute claim proposed by the patent owner during an IPR?

STATEMENT OF THE CASE

I. All original claims of the ’960 patent have been declared invalid

In 2016 Uniloc filed a wave of patent-infringement lawsuits in the Eastern District of Texas asserting that various defendants, including Petitioners below, had

infringed the '960 patent. Appx102-103. The district court observed that “the claims of the '960 Patent instruct the person of ordinary skill to implement [a] time-adjustable license using a computer.” *See Uniloc USA, Inc. v. Amazon.com, Inc.*, 243 F. Supp. 3d 797, 811 (E.D. Tex. 2017). The district court concluded that the claims were directed to an abstract idea and included no saving inventive concept and therefore held all claims of the patent invalid under § 101. *Id.* This Court affirmed. *Uniloc USA, Inc. v. Amazon.com, Inc.*, 733 F. App'x 1026 (Fed. Cir. 2018) (Rule 36 affirmance).

II. The Board determined that Uniloc's proposed substitute claims were ineligible under § 101

While the litigation was pending, Petitioners filed an IPR petition further challenging all claims of the '960 patent as anticipated under § 102(b) or obvious under § 103. Appx92-94. The Board agreed as to most of the claims, including independent claims 1, 22, and 25. Appx70.

Given the district court's now-final invalidity judgment, no party has challenged the Board's patentability determinations regarding the original claims. Instead, this appeal involves the patentability of Uniloc's proposed substitute claims.

Uniloc filed a contingent motion seeking to replace original independent claims 1, 22, and 25 if the Board concluded they were unpatentable. Appx310-351. That contingent motion proposed new claims 26, 27, and 28 as substitutes for the original independent claims. Appx314. Uniloc described those claims as including

all the language from the original independent claims as well as new language that Uniloc said was implicit in the original claims or at least narrowing. Appx315-316. According to Uniloc, the proposed substitute claims were directed to the grounds at issue in the IPR “and also to the district court’s determination on eligibility.” Blue Br. 8.

Petitioners opposed that motion by arguing, among other things, that the newly proposed claims were not patent-eligible under § 101. Petitioners’ argument on the merits of patent-eligibility discussed both the limitations of the original claims and the newly proposed limitations. Appx392.

Uniloc did not contest the merits of Petitioners’ patent-ineligibility arguments. It instead argued that the Board could not even consider § 101 as applied to proposed amended claims in an IPR. Appx508-509. Uniloc premised its argument on 35 U.S.C. § 311(b), which limits IPR challenges against issued claims to certain grounds under §§ 102 and 103, and the requirement that a substitute claim must be narrower than the corresponding original claim. Appx508. According to Uniloc, “[i]t is axiomatic that a claim that is narrowed by amendment in an IPR proceeding has a narrower preemptive scope (i.e., it is less abstract).” *Id.* Uniloc did not cite any authority for its “axiom[]” that claim breadth and abstractness necessarily move in lock step. Instead, it argued that § 311(b)’s limit on the bases for challenging original claims should also apply to narrower substitute claims because, in its view,

a narrower claim cannot inject an ineligibility issue. *Id.* Uniloc acknowledged earlier Board decisions that had considered the patent-eligibility of amended claims during IPRs but argued that this Court had implicitly rejected those decisions in *Aqua Products, Inc. v. Matal*, 872 F.3d 1290 (Fed. Cir. 2017) (en banc). Appx508-509.

At the oral hearing, Uniloc again urged that because a proposed substitute claim must be narrowing, “[i]t stands to reason that under persuasive authority in *Aqua Products* that you can’t somehow inject a 101 issue.” Appx580-581. It added that “[t]hat’s all we argued.” Appx581. One of the panel members asked Uniloc’s counsel to confirm that Uniloc was not presenting any argument on the merits of the § 101 issue, and he did: “That is correct. Our position is strictly that it’s outside the scope of this proceeding.” Appx581.

In its final written decision, the Board analyzed Uniloc’s proposed substitute claims according to the familiar two-step test articulated by the Supreme Court and concluded that those claims were unpatentable under § 101. Appx56 (citing *Alice Corp. v. CLS Bank Int’l*, 134 S. Ct. 2347 (2014)). In response to Uniloc’s theory that § 101 is off-limits during an IPR, even for proposed substitute claims, the Board concluded that *Aqua Products* did not support Uniloc’s argument and that Uniloc was relying on language about a separate prohibition on patent owners: “The passage in *Aqua Products* to which [Uniloc] cites states that a patent owner may not

inject new issues of patentability into the case by *proposing amendments that are not responsive to an instituted ground of unpatentability.*” Appx58 (citing *Aqua Prods.*, 872 F.3d at 1306) (emphasis added). The Board observed that *Aqua Products* itself “does not foreclose an analysis of whether substitute claims comply with statutory provisions beyond Sections 102 and 103.” Appx58-59. Finally, the Board noted that it was *not* requiring Uniloc to prove the patentability of the proposed substitute claims. Appx59.

Uniloc requested rehearing, largely repeating its earlier arguments. Appx597-600. Uniloc also belatedly suggested that the substitute claims were patent-eligible. Appx600 (“[E]ven if it were permissible for the Board to consider a § 101 challenge in an IPR (and it is not), the record evidence here confirms the claims are both *patentable* and patent *eligible*.”) (original emphases). But Uniloc did not elaborate other than to say that it was entitled to its substitute claims because they were narrower than the original claims and were patentable over the prior art. *Id.*

The Board denied Uniloc’s rehearing request. Appx72-82. The Board reiterated that it could and should address the patent-eligibility of proposed substitute claims. The Board explained that § 311(b) only limits the grounds for a petitioner’s request to cancel “*existing*” claims in a patent. Appx76 (original emphasis). The Board observed that the motion-to-amend provision in § 316(d) lacks a similar limitation. *Id.* It also emphasized that the AIA distinguishes between patented claims

and substitute claims, and that *Aqua Products* underscored that distinction. Appx76-78. Responding to Uniloc’s reliance on *Secure Access, LLC v. PNC Bank N.A.*, 848 F.3d 1370 (Fed. Cir. 2017), the Board observed that that case discussed the difference between types of AIA proceedings in the context of original patented claims and did not address proposed substitute claims. Appx79.

SUMMARY OF ARGUMENT

Section 318(a) provides that the Board must issue a final written decision with respect to the “patentability” of proposed substitute claims. *Patentability* has a settled meaning that includes eligibility under § 101. The AIA uses the term “patentability” repeatedly and does so in contexts that undeniably encompass eligibility, such as final written decisions in post-grant reviews (PGRs) under § 328(a).

The AIA does limit the scope of patentability challenges that may be raised in an IPR petition. The scope limitation appears where one would expect it to—in the IPR “scope” provision, § 311(b). That section limits “request[s] to cancel” existing patent claims to certain prior art grounds under §§ 102 and 103. By contrast, the PGR scope provision in § 321(b) is broader; it permits challenges against a recently issued claim on any ground of patentability. Both §§ 311(b) and § 321(b), however, are directed to patented claims. And neither addresses proposed substitute claims added by a motion to amend the patent during the proceeding. The IPR amendment

provisions in §§ 316(a)(9) and 316(d) do not limit the challenges that may be brought against a proposed substitute claim.

Thus, while Congress expressly limited the scope of challenges against issued claims in an IPR, it included no similar limitation for proposed substitute claims. The implication is unmistakable: the AIA includes no such limitation. The Board properly did what Congress instructed it to do in § 318(a) by deciding the patentability of Uniloc's proposed substitute claims.

Aqua Products is not to the contrary. *Aqua Products* held that, absent a PTO rule, an IPR petitioner bears the burden of proving the unpatentability of proposed substitute claims as well as challenged original claims. Consistent with *Aqua Products*, the Board made clear in this case that the burden of persuasion regarding the patentability of Uniloc's proposed substitute claims rested squarely on Petitioners. Uniloc reads the plurality opinion in *Aqua Products* to articulate an additional rule that the challenges raised in the petition against issued claims limit the scope of the challenges that can be raised against proposed substitute claims.

Uniloc's reading is wrong for several reasons. First, it makes no sense. Narrower claims will logically trigger new challenges, and there is no reason, and certainly no statutory support, for limiting those challenges to the challenges originally asserted against the broader issued claims. Second, the plurality opinion never articulated the rule Uniloc imagines. Uniloc overreads language in the plurality

opinion, which merely explained why the plurality read the burden language of § 316(e) to apply equally to both issued and proposed substitute claims. And third, the language on which Uniloc relies not only comes from a plurality opinion that carries no precedential weight, but it is from the portion of the opinion with which the majority of the Court disagreed.

Because § 318(a) requires a decision on patentability, and because no other provision in the AIA limits the scope of that inquiry, the Board properly reached Petitioners' eligibility challenge to Uniloc's substitute claims.

Finally, there is no basis for a remand. Uniloc had several opportunities to present a merits argument before the Board, but it chose not to. During the oral hearing, Uniloc confirmed that tactical choice. Having affirmatively waived and forfeited its chance to brief and orally argue the merits of patent-eligibility of the proposed substitute claims, Uniloc is not entitled to a mulligan now.

ARGUMENT

The appeal presents a question of statutory interpretation: whether the Board may consider patent-eligibility under § 101 when determining the patentability of a proposed substitute claim during an IPR. This Court reviews the Board's statutory interpretation de novo, *Unwired Planet, LLC v. Google Inc.*, 841 F.3d 1376, 1379 (Fed. Cir. 2016), and it should affirm.

I. The Board properly considered the patent-eligibility of Uniloc’s proposed substitute claims

A. Section 318(a) requires the Board to decide the *patentability* of substitute claims, and § 311(b) does not limit that inquiry

Under § 318(a), the Board must issue a final written decision as to the “patentability” of any substitute claim proposed by the patent owner:

(a) Final Written Decision. — If an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d).

35 U.S.C. § 318(a). The Board correctly addressed the patent-eligibility of Uniloc’s substitute claims because patent-eligibility is an aspect of patentability, and nothing in the AIA limits the scope of the Board’s evaluation of the patentability of *proposed new* claims to anticipation and obviousness over prior-art patents and publications. It would have been bizarre for Congress to direct the PTO to issue new claims without regard to patent-eligibility, and nothing in the text or legislative history of the AIA suggests that Congress did so.

1. *Patentability* has a settled and uniform meaning that includes patent-eligibility under § 101

Patentability encompasses patent-eligibility. That is so for several reasons.

The first is the structure of Title 35 itself. Part II of Title 35 is entitled “Patentability of Inventions and Grant of Patents,” and it begins with Chapter 10, “Patentability of Inventions.” Section 101, Chapter 10’s second section, expressly

addresses “Inventions Patentable.” Section 101 is thus a patentability provision. The Supreme Court and this Court have both viewed the structure of Title 35 in exactly this way. *Graham v. John Deere Co. of Kan. City*, 383 U.S. 1, 12 (1966) (explaining that an analysis of the structure of 1952 Patent Act indicates that “patentability” is dependent on §§ 101, 102, and 103); *Aristocrat Techs. Austl. Pty. Ltd v. Int’l Game Tech.*, 543 F.3d 657, 661 (Fed. Cir. 2008) (explaining that §§ 101, 102, and 103 are “fundamental preconditions for obtaining a patent,” and that those sections have long been understood to be the “conditions for patentability”); *see also Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1370 (2018) (identifying § 101 as among the “statutory requirements” relevant to the issuance of a patent); *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2137 (2016) (identifying § 101 among the “applicable patent law requirements” that must be met to receive a patent).

Second, this Court has consistently treated § 101 as a patentability provision even though §§ 102 and 103 are entitled “Conditions for patentability,” whereas § 101 is entitled “Inventions patentable.” *See Univ. of Fla. Research Found., Inc. v. Gen. Elec. Co.*, 916 F.3d 1363, 1365 (Fed. Cir. 2019) (confirming that § 101 is an invalidity defense under § 282(b)(2)) (citing *Dealertrack, Inc. v. Huber*, 647 F.3d 1315, 1330 n.3 (Fed. Cir. 2012)).

Finally, the term “patentability” as used by Congress in the AIA itself necessarily encompasses § 101. The AIA created various types of proceedings, including PGRs and IPRs. Although IPRs cannot be used to challenge the eligibility of issued claims, PGRs can. *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1329-30 (Fed. Cir. 2015). Section 328(a), the PGR counterpart to IPR § 318(a), applies when the Board issues a final written decision in a PGR. Section 328(a) parallels § 318(a) in requiring the Board to issue a final written decision “with respect to the *patentability* of any patent claim challenged by the petitioner and any new claim added under section 326(d).” 35 U.S.C. § 328(a) (emphasis added). Because PGRs may include challenges to the patent-eligibility of issued claims under § 101, the term “patentability” used in § 328(a) necessarily includes patent-eligibility under § 101. The identical language in § 318(a) is therefore just as broad. *See Merrill Lynch, Pierce, Fenner & Smith Inc. v. Dabit*, 547 U.S. 71, 86 (2006) (“Generally, identical words used in different parts of the same statute are ... presumed to have the same meaning.”) (internal quotation, alteration, and citation omitted).

2. Section 311(b)’s limitation on the scope of IPRs applies only to challenges to issued patent claims

Of course, IPR petitioners can raise fewer challenges against an issued claim than a PGR petitioner can. That difference is the result of the AIA’s respective “scope” provisions, § 311(b) for IPRs and § 321(b) for PGRs. Section 311(b) limits

IPR petitions to requests to “cancel” an issued claim as anticipated or obvious based on prior-art patents and printed publications:

(b) Scope. —A petitioner in an inter partes review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.

35 U.S.C. § 311(b). By contrast, the counterpart PGR provision, § 321(b), permits challenges based on any ground that would provide an invalidity defense in district court, including § 101:

(b) Scope. —A petitioner in a post-grant review may request to cancel as unpatentable 1 or more claims of a patent on any ground that could be raised under paragraph (2) of (3) of section 282(b) (relating to invalidity of the patent or any claim).

35 U.S.C. § 321(b).

Thus, for purposes of *issued* patent claims, Congress distinguished between the two types of proceedings: IPRs (like traditional reexaminations on which they were based) can only be used to challenge issued claims under §§ 102 and 103 and only based on certain types of prior art, whereas PGRs may include all kinds of invalidity challenges to issued claims. *See Return Mail, Inc. v. U.S. Postal Serv.*, 139 S. Ct. 1853, 1860 (2019) (citing §§ 311(b) and 321(b) when discussing the bases for challenging a patent in an IPR versus a PGR); *Neptune Generics, LLC v. Eli Lilly & Co.*, 921 F.3d 1372, 1378 (Fed. Cir. 2019) (refusing to consider an eligibility

challenge against issued claims in an IPR because such a challenge is expressly prohibited by § 311(b)).

But although §§ 311(b) and 321(b) differ in the limits they impose on the scope of a petition, both apply only to “request[s] to cancel” the “claims of a patent.” Each provision thus defines which challenges a petitioner can raise when seeking to cancel an issued claim, but neither addresses *proposed substitute* claims. Section 311(b)’s focus on requests to “cancel” a claim confirms its limitation to already-patented claims because only issued claims can be canceled. *See* 35 U.S.C. § 318(b) (“[T]he Director shall issue and publish a certificate *canceling* any claim of the patent finally determined to be unpatentable ... and incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable.”) (emphasis added).

The Board properly concluded that because the scope provision of § 311(b) applies only to already-patented claims, it does not limit the Board’s assessment of the patentability of proposed substitute claims. Appx76. Even Uniloc grudgingly agrees with that straightforward reading of the statute. Blue Br. 15 (acknowledging that § 311(b) “in isolation may not” limit the grounds that can be raised against a proposed substitute claim).

The AIA’s distinction between issued claims challenged in an IPR petition and substitute claims later proposed by the patent owner was no accident. The AIA

was precise when discussing claims, taking care to distinguish issued claims in a patent from “substitute” or “new” claims added during the proceeding. *See, e.g.*, 35 U.S.C. § 314(a) (providing for the threshold showing relative to “the claims challenged in the petition”); 35 U.S.C. § 316(a)(9) (distinguishing between “a challenged claim” and “substitute claims”); 35 U.S.C. § 316(d)(1) (referring to “any challenged claim” (subsection A) and “substitute claims” (subsection B)); 35 U.S.C. § 318(a) (requiring a final written decision “with respect to the patentability of any claim challenged by the petitioner and any new claim added under section 316(d)”).

In fact, the codified trial provisions of the AIA never use the term “claim” without language or context that clarifies whether the claim referred to is an already-patented claim or a proposed substitute claim. The plurality opinion in *Aqua Products* made a similar observation. 872 F.3d at 1306 (observing that the IPR provisions “repeatedly make distinctions between original and amended claims”). Because Congress specifically addressed substitute claims elsewhere, Congress’s failure to discuss them in § 311(b) was presumably intentional. *See Sebelius v. Cloer*, 569 U.S. 369, 378 (2013) (“Where Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion.”) (brackets omitted) (quoting *Bates v. United States*, 522 U.S. 23, 29-30 (1997)).

Accordingly, the best and only reasonable reading of § 311(b) is that it cabins the challenges that IPR petitioners may raise in petitions challenging patented claims but does not limit the unpatentability arguments they may raise in response to a patent owner's motion to amend. Section 311(b)'s silence about substitute claims and § 318(a)'s requirement that the Board issue a decision with respect to the "patentability" of any substitute claim added during the trial compel the conclusion that a broader patentability inquiry applies for substitute claims than for issued claims.

Congress's distinction was eminently sensible. Proposed substitute claims have never been examined, yet if they are incorporated into the patent, they will nonetheless carry the presumption of validity that protects all patented claims under § 282(a). *See Helferich Patent Lic., LLC v. The N.Y. Times Co.*, 778 F.3d 1293, 1295 (Fed. Cir. 2015) (explaining that all claims in a patent are presumed valid, including those added or amended during an earlier reexamination). The primary rationale for presuming validity is that the PTO, applying its expertise, has approved the claim as satisfying all statutory requirements for patentability. *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 426 (2007). And while the Supreme Court has recognized that the PTO's "considered judgment may lose significant force" as to an invalidity defense that was not before the PTO, it makes little sense to prevent the PTO from exercising that judgment in the first instance by walling off an issue that is before the Board. *See Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 111 (2011)

(discussing the weight of a PTO examination decision that was made without the benefit of facts raised later during litigation).

3. No provision of the AIA, read alone or in context, limits patentability challenges to substitute claims

Uniloc admits that § 311(b) alone “may not” limit the unpatentability grounds that can be raised against substitute claims. Blue Br. 15. Nevertheless, it criticizes the Board’s focus on § 311(b) and argues that the Board should have looked to the broader “context” of the AIA. Uniloc’s contextual references do not help because they all collapse back on § 311(b) itself.

For example, Uniloc argues that “[t]he language of the AIA statutory framework reflects Congress’ intent not to have § 101 eligibility challenges considered in IPRs.” Blue Br. 16. But it is not some nebulous “framework” of the AIA that limits potential challenges. Section 311(b) does that, and it does so only for “request[s] to cancel” issued patent claims. Uniloc similarly argues that “the statutory scheme ties the ‘patentability’ determination by the Board in its final written decision to the grounds raised under section 102 or 103 in the petition.” Blue Br. 14. That is true, but only to the extent that § 311(b) limits petitions for IPR of issued claims to certain grounds under §§ 102 and 103. No broader “scheme” in the AIA imposes the same restrictions when the patent owner asks the Board to consider whether to approve proposed substitute claims.

Uniloc's other arguments confirm that only § 311(b) limits the scope of patentability review in IPRs. Many of the provisions Uniloc points to in its discussion of the AIA's purported "context" or "scheme" are agnostic to the scope of the patentability inquiry because they are provisions that have counterparts for PGRs, where all patentability issues are on the table, even for issued claims.

For example, Uniloc points to Congress's intent to make IPRs "quick and cost effective alternatives to litigation." Blue Br. 16 (quoting *Aqua Prods.*, 872 F.3d at 1298 (quoting H.R. Rep. No. 112-98, pt. 1, at 48 (2011))). But that goal is not unique to IPRs. In fact, the quoted page of the House Report specifically addressed PGRs, not IPRs, *see* H.R. Rep. No. 112-98, pt. 1, at 48 (2011), and the efficiency benefits common to IPRs and PGRs provide no basis for reading the term "patentability" differently in §§ 318(a) and 328(a). Uniloc also cites PTO testimony about a precursor bill and the agency's urging that amendments be permitted. Blue Br. 17. Nothing in the testimony that Uniloc cites discusses any limitation on the scope of patentability review of proposed amended claims. It instead discusses the benefits of including an amendment mechanism not available in district court proceedings. *Id.* Finally, Uniloc discusses the amendment provisions in § 316(d) and the requirement in § 318(b) that patentable substitute claims be incorporated into the patent. Blue Br. 18. But every statutory provision Uniloc cites in that discussion has a PGR counterpart in §§ 326 or 328, and the respective provisions are identical

save for references to PGR or IPR. In the end, the difference in scope between IPRs and PGRs always boils down to the difference between §§ 311(b) and 321(b), and § 311(b) applies only to the scope of IPR petitions challenging *issued* patent claims.

Congress did not hide another provision limiting review of substitute claims amidst the AIA's "context" and "scheme." As the Board concluded, the AIA simply does not limit the scope of patentability issues under § 318(a) with respect to substitute claims. Appx76-77. For good reason: tying the Board's and petitioners' hands in the face of a substitute claim would make no sense. It would mean that a patent owner could propose substitute claims that the Board would have to bless without considering whether those claims comply with the statutory patentability requirements of §§ 101 and 112. Uniloc purports to take no position on patentability issues beyond the issue in this case, *see* Blue Br. 22 n.5, but the logic of its argument would lead to the absurd result that the Board could not even object to a plainly indefinite substitute claim. Nothing in the statutory text or the legislative history suggests that Congress intended to constrain the Board so dramatically.

B. *Aqua Products* does not prohibit eligibility challenges to proposed claims in an IPR

Uniloc relies heavily on language in *Aqua Products* that purportedly articulates a rule against patent-ineligibility challenges to proposed substitute claims. Blue Br. 17-23. For the first time on appeal, Uniloc further asserts, again purportedly based on *Aqua Products*, that the PTO erred by not adopting a rule addressing § 101

challenges to substitute claims in an IPR. Blue Br. 25-29. Those arguments have no merit. *Aqua Products* resolved only a burden-of-proof question that is not implicated here. And no rulemaking was necessary because § 318(a) itself instructs the Board to assess patentability, including patent-eligibility.

1. *Aqua Products* is irrelevant because Petitioners carried their burden of proving the unpatentability of Uniloc’s proposed substitute claims

Aqua Products was an en banc review of the PTO’s choice, made without rulemaking, to place the burden of proving the patentability of substitute claims on the patent owner during an IPR. 872 F.3d at 1297-98. That question prompted a three-way division within the Court, and the plurality opinion explained the narrow scope of the Court’s ultimate judgment: because the PTO had not issued a rule entitled to deference, and in the absence of anything that might be entitled to deference, “the PTO may not place the burden on the patentee.” *Id.* at 1327.

There is no *Aqua Products* issue here because the Board recognized that Petitioners bore the burden of persuasion regarding the patentability of the proposed substitute claims. Appx75 n.2. And as explained next, *Aqua Products* is irrelevant to the very different issue presented here.

2. The plurality opinion in *Aqua Products* does not prohibit a petitioner from raising new challenges to proposed substitute claims

Uniloc concedes that *Aqua Products*' narrow judgment regarding the burden of persuasion on substitute claims is irrelevant to this appeal. Blue Br. 27 n.6. Instead, Uniloc relies on a discussion from the plurality opinion that supposedly narrows the scope of review of proposed substitute claims to challenges brought against the original issued claims. Blue Br. 19. But even if the plurality opinion were binding (it is not because it did not command a majority), it says no such thing.

The portion of the plurality opinion that Uniloc cites reasoned that because “[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,” and because any substitute claim must be narrower than the claim it replaces, “[w]hen 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.’” *Aqua Prods.*, 872 F.3d at 1306 (quoting 35 U.S.C. § 316(e)). As the next sentence of the opinion makes clear, the plurality’s point was that a petitioner opposing a motion to amend is advancing a “proposition of unpatentability,” as that term is used in § 316(e), even though it is addressing a substitute claim. *See id.* (explaining that the “proposition of unpatentability” referenced in § 316(e) is not tethered to only one type of claim, *i.e.*, it applies to both patented

and substitute claims). The language on which Uniloc relies was *not* discussing a limitation on a petitioner’s ability to challenge a substitute claim or the substantive scope of the Board’s patentability review—only whether § 316(e)’s allocation of the burden of proof applies to the petitioner’s challenge to proposed substitute claims. Moreover, although the five members of the Court who joined the plurality opinion concluded that § 316(e) clearly governs substitute claims, most of the Court disagreed and concluded that the AIA is ambiguous on that score. *See Aqua Prods.*, 872 F.3d at 1316.

Uniloc further misapprehends the plurality opinion when citing a different passage in which the plurality addressed a dissenting opinion’s conclusion that § 316(e) applies only to the “class” of issued claims. Blue Br. 19 (quoting language from the plurality opinion, 872 F.3d at 1308). That dissent observed that in § 316(e), “Congress was writing a rule only for the class of claims that it recognized as necessarily having been challenged as unpatentable by a ‘petitioner’ (namely, issued claims).” *Aqua Prods.*, 872 F.3d at 1348 (Taranto, J., dissenting). Responding to that point, the plurality reasoned:

To accept [the dissent’s] proposition, one would have to divorce consideration of proposed amended or substitute claims from the issued and challenged claims which they, by right, seek to modify or replace. But, both by virtue of the text of § 316(d) and the plain language of Rule 42.121, that cannot be done; *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. These are not different “classes” of claims.

Id. at 1308 (emphasis added to the language quoted by Uniloc (Br. at 19)).

As with the earlier language quoted by Uniloc, the plurality was not articulating a rule that the *only* challenges a petitioner may raise against a substitute claim are the same challenges it made against the originally issued claim. That would make little sense. Petitioners are free to raise new prior-art challenges in response to a narrowed claim, as the *Aqua Products* plurality recognized. 872 F.3d at 1315 (discussing the consideration of new prior art when a petitioner contests a motion to amend). Even if that passage were controlling precedent (it is not), the better reading is that when a substitute claim is added and the question is whether that new claim overcomes the initial grounds for challenging patentability, *that inquiry* is similarly subject to section § 316(e), such that the petitioner should therefore continue to carry the burden provided in that section. Again, the plurality opinion was addressing the question before the en banc Court: who bears the burden of proof when the petitioner objects to proposed substitute claims, not whether a petitioner may introduce an additional ground of unpatentability implicated by a proposed substitute claim. The fact that an initial question of unpatentability may carry through to the end of the IPR does not mean that no additional patentability challenges may be raised against the substitute claims.

Uniloc also suggests that *SAS Institute, Inc. v. Iancu*, 138 S. Ct. 1348 (2018), compels the conclusion that proposing substitute claims cannot open the door to new issues because petitioners, not patent owners, control the scope of IPRs. Blue Br. 20. To begin with, however, the logic in *SAS* was that because petitioners are masters of their petitions, the scope of their petitions governs the scope of the proceedings, and the Board must therefore issue a final written decision regarding all challenged claims. But an IPR petition cannot possibly challenge substitute claims proposed *after* the petition was filed. It is the patent owner that proposes the substitute claims under § 316(d), and those substitute claims often precipitate additional patentability issues even though the amendments must narrow claim scope and respond to grounds raised in the petition. In any event, even if Uniloc were right that a patent owner's motion to amend cannot raise new issues in an IPR, the fact is that Petitioners promptly raised the patent-ineligibility of the proposed substitute claims at the first opportunity. Appx387-396. Nothing in the Board's final written decision was outside the scope the patentability issues that Petitioners timely raised or otherwise inconsistent with *SAS* or *Aqua Products*.

Furthermore, Uniloc overlooks the ways in which *Aqua Products* supports the Board's analysis. First, the majority of the en banc Court agreed that § 311(b) does not apply to substitute claims. The plurality explained that § 311 addresses what must be raised during the institution process and added that "amendments come

after” that process. *Aqua Prods.*, 872 F.3d 1310 n.7. Judge Taranto’s dissent, joined by three other judges, similarly explained that “[t]he provisions of chapter 31 that lay out the framework for a petitioner’s challenge to issued claims (§§ 311 and 312) do not impose on a petitioner any responsibility with respect to substitute claims.” *Id.* at 1348 (Taranto, J., dissenting).

Second, Uniloc ignores that the plurality’s approach on the burden-of-persuasion question tracked the Board’s approach on the scope-of-challenge issue here. The *Aqua Products* plurality reasoned that § 316(e)’s statement that “the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence” applies to both existing and substitute claims, and it found no restrictive language elsewhere in the statute or in any binding PTO rule. 872 F.3d at 1300. Here, § 318(a) broadly directs the Board to determine the patentability of any new claim added during the proceeding, and no statutory provision or rule limits the scope of that determination to patentability over prior-art patents and publications. The only possible limitation to those grounds would be in § 311(b), which by its terms applies only to the scope of petitions that “request to cancel” issued claims, not to the petitioner’s objection to substitute claims later proposed by the patent owner. Just as the plurality opinion in *Aqua Products* focused on a broad statutory command without any specific limitation, here too we have a broad statutory

command without any specific limitation. The Board correctly reached Petitioners' § 101 challenge.

3. Rulemaking is not an issue

For the first time on appeal, Uniloc criticizes the PTO for not adopting a rule “governing consideration of § 101 eligibility challenges to proposed substitute claims in an IPR.” Blue Br. 25-29. To begin with, “[a]ppellate courts do not consider a party’s new theories, lodged first on appeal.” *Sage Prods., Inc. v. Devon Indus., Inc.*, 126 F.3d 1420, 1426 (Fed. Cir. 1997). Uniloc never made any argument to the Board that the PTO had to issue a rule before it could consider the patent-eligibility of a substitute claim. Uniloc has therefore waived and forfeited that argument. *Fresenius USA, Inc. v. Baxter Int’l., Inc.*, 582 F.3d 1288, 1296 (Fed. Cir. 2009) (“If a party fails to raise an argument before the trial court, or presents only a skeletal or undeveloped argument to the trial court, we may deem that argument waived on appeal.”); *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1294 n.3 (Fed. Cir. 2015) (finding waiver in IPR appeal where an argument was raised in “a few scattered sentences at the oral hearing”).

Even if this Court reaches the question, no rule was required. The Board is not operating in the dark when deciding what to do with proposed substitute claims. Section 318(a) expressly directs it to issue a final written decision regarding the patentability of “any new claim added under section 316(d).” The Board did so.

To be sure, § 316(a)(9) directs the PTO to provide regulations “setting forth the standards and procedures for allowing the patent owner to move to amend the patent under subsection (d).” But the agency did just that. 37 C.F.R. § 42.121 sets forth the requirements for moving to amend a patent and includes the limits Congress placed on such motions in § 316(d). The rule does not say anything about the Board’s substantive patentability determination regarding substitute claims because that is not a part of the motion-to-amend process contemplated by the statute. Indeed, Congress was clear in § 318(a) that the motion to amend is predicate to and distinct from the patentability assessment of the substitute claims: the patentability determination called for in § 318(a) occurs after the substitute claims have already been added by motion.

Underscoring the distinction between the rules necessary to implement the AIA and the background substantive patentability requirements, the PTO explained in its rulemaking that “[t]he final written decisions on patentability which conclude the reviews will not be impacted by the regulations, adopted in this final rule, as the decisions will be based on statutory patentability requirements, *e.g.*, 35 U.S.C. [§§] 101 and 102.” Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 48680, 48710 (Aug 14, 2012) (responding to comment suggesting that “almost all of the proposed regulations were legislative and not

interpretive rules”). The PTO correctly concluded that it was required to follow the statute and did not need to write rules directing the Board to do what the statute already requires.

Finally, Uniloc’s arguments regarding deference to the PTO’s statutory interpretation under *Chevron, U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984), *see, e.g.*, Blue Br. 15-16, 27-28, are a red herring. This appeal presents a straightforward statutory-construction question on an issue about which the PTO has not issued rules because there was no need to do so. As discussed above, the statute unambiguously imposes no limitation on the scope of patentability challenges that a petitioner may raise against a proposed substitute claim. Even if there were some ambiguity, it would be best resolved in favor of fully vetting the patentability of substitute claims that have not previously been subject to examination. The Court need not rely on *Chevron* deference.

C. Addressing the patent-eligibility of proposed substitute claims does not undermine the statutory limitation on the scope of challenges to already-patented claims

In another effort to shield its substitute claims from scrutiny, Uniloc argues that assessing a substitute claim’s eligibility necessarily amounts to a “back door” eligibility challenge that “threatens to disrupt the streamlined and focused nature of the IPR adjudication.” Blue Br. 23-24. That argument is built on a false premise. Narrowing a claim does not necessarily make a claim “in all respects better.” *Id.* at

24 (internal quotes omitted). But even if there were some logic to Uniloc’s theory, this Court has already rejected a similar theory in the *inter partes* reexamination context.

1. Narrowing amendments do not make claims “in all respects ‘better’”

Uniloc suggests a narrowed proposed claim is “in all respects ‘better’” than an original issued claim. Blue Br. 24. Not so: new language added to a claim may introduce new patentability issues even though it narrows the original claim.

For example, a new limitation may be indefinite under § 112(b). Yet under Uniloc’s reading of the AIA, the Board would be powerless to find the substitute claim unpatentable on that basis. Uniloc’s observation that the original claim was subjected to examination merely highlights the problem because the earlier examination could not have considered newly proposed language.

Amendments may also raise new patent-eligibility issues. Narrow claims may be patent-ineligible. *See Alice*, 134 S. Ct. at 2358 (limiting an abstract idea to a particular technological environment does not render it any more patentable); *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015) (“While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.”); *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1355 (2014) (explaining that attempts to narrow a claim to limit the use of an abstract idea have repeatedly failed to save a claim). Moreover, narrowing

amendments may raise new and different eligibility issues. For example, *Alice* step one asks whether the claim is directed to a patent-ineligible concept, 134 S. Ct. at 2355, and a narrowing amendment may redirect the focus of the claim from eligible to ineligible subject matter.

2. Petitioners did not make a back-door challenge to the patented claims

Uniloc’s suggestion that Petitioners made a back-door challenge to the patentability of the original claims is also misguided.

Uniloc’s motion to amend was contingent. Appx310. It had no effect on the patented claims because Uniloc asked the Board to reach the substitute claims only if the original claims were deemed unpatentable over the prior art asserted in the petition. Appx313. If the patented claims had been upheld, the Board never would have reached the eligibility question. There was no “back door” challenge to the original claims because those claims were never challenged on patent-eligibility grounds in this IPR.

Even if the Board’s decision on the substitute claims somehow casts doubt on the original patented claims for reasons beyond those listed in § 311(b), this Court’s decision in *In re NTP, Inc.*, 654 F.3d 1268 (Fed. Cir. 2011), makes clear that that is not a problem. *NTP* involved an appeal from a reexamination. Like IPRs, reexaminations are limited to challenges on the basis of “prior art consisting of patents or printed publications.” *Id.* at 1275-76 (citing 35 U.S.C. §§ 301 and 302). In *NTP*,

the examiner rejected claims over prior art that was available only because the patented claims lacked support under § 112 in a parent application, meaning that NTP was not entitled to its earliest claimed priority date. *Id.* at 1277. Because every application in the chain was identical, NTP argued that the PTO’s priority determination was “exactly the same analysis as analyzing [the reexamined patent] to determine § 112 support.” Reply Brief of Appellant NTP, Inc., No. 2010-1277 (Fed. Cir.), 2010 WL 4952511, at *12 (Fed. Cir. Nov. 8, 2010). Thus, just like Uniloc, NTP argued that because the PTO’s analysis also implicated a ground of unpatentability that was off-limits in a reexamination, the priority analysis itself was prohibited. This Court rejected that argument because “[t]here is no statutory limitation during a reexamination proceeding prohibiting the examiner from conducting a priority analysis.” *NTP*, 654 F.3d at 1277.

The same is true here. There is no statutory limitation prohibiting the Board from conducting an eligibility analysis of a substitute claim during an IPR. The potential for eligibility implications regarding the original claims does not prohibit considering the eligibility of substitute claims, just as the § 112 implications about NTP’s claims did not prohibit the priority analysis for those claims.

II. Remand is inappropriate because Uniloc expressly waived and forfeited any argument on the merits of patent-eligibility

Finally, Uniloc asks for a remand to make a merits argument on patent-eligibility if this Court agrees with the Board’s conclusion that it could reach the § 101

question. Blue Br. 29-30. This Court should reject that plea because Uniloc purposefully declined to make any merits argument to the Board. There is no basis to excuse that forfeiture now.

Uniloc had at least four opportunities to address the eligibility of its substitute claims before the Board. Uniloc admits that one reason for proposing those claims was to respond to the district court's eligibility determination. Blue Br. 8. Uniloc thus could and should have addressed eligibility in its initial Contingent Motion to Amend, Appx310, but it did not. Then, in Petitioners' opposition to that motion, Petitioners directly challenged the eligibility of the substitute claims. Appx387-396. So Uniloc could have responded on the merits in its reply. But again it did not. Appx495. Later, at the oral hearing, the panel asked Uniloc's counsel whether he had any argument on the merits of eligibility, and he confirmed he did not. Appx581 ("Our position is strictly that [§ 101 is] outside the scope of this proceeding."). Uniloc then had a fourth opportunity in its Request for Rehearing, Appx596, yet it once again elected not to raise any merits defense regarding the eligibility of its substitute claims. Uniloc knowingly and repeatedly declined to defend patent-eligibility of its proposed substitute claims, and it is too late to resurrect the issue now. *Frese-nius*, 582 F.3d at 1296.

Although this Court sometimes excuses waiver in extraordinary circumstances, Uniloc has not developed any argument as to why any exception applies and

so has now waived any such argument as well. *See, e.g., SmithKline Beecham Corp. v. Apotex Corp.*, 439 F.3d 1312, 1319 (Fed. Cir. 2006) (“Our law is well established that arguments not raised in the opening brief are waived.”). In any event, no exception applies. The only such exception to which Uniloc has even alluded is an intervening change in law. *See, e.g., In re Micron Tech., Inc.*, 875 F.3d 1091, 1097 (Fed. Cir. 2017) (“[A] sufficiently sharp change of law sometimes is a ground for permitting a party to advance a position that it did not advance earlier in the proceedings when the law at the time was strongly enough against that position.”) (collecting cases). As support for a remand, Uniloc points only to “the PTO’s Revised Eligibility Guidelines.” Blue Br. 30. But the PTO has no authority to change the law of patent-eligibility under § 101. *See, e.g., Cleveland Clinic Found. v. True Health Diagnostics LLC*, 760 Fed. App’x 1013, 1020 (Fed. Cir. 2019) (observing that this Court is not bound by the PTO’s guidance). The PTO’s decision to change its *ex parte* examination guidelines is not a change in the law that could excuse waiver. Having had the opportunity to present a merits defense and having affirmatively declined to do so, Uniloc is not entitled to a remand.

CONCLUSION

The final written decision of the Board should be affirmed.

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

1. This brief complies with the type-volume limitation of Federal Circuit Rule 32(a). The brief contains 7,986 words, excluding the portions exempted by Federal Rule of Appellate Procedure 32(f) and Federal Circuit Rule 32(b).

2. This brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6). The brief has been prepared in a proportionally spaced typeface using Microsoft® Word 365 and 14-point Times New Roman type.

Dated: October 28, 2019

/s/ Nathan K. Kelley

Nathan K. Kelley

CERTIFICATE OF AUTHORITY AND PROOF OF SERVICE

In accordance with Federal Rule of Appellate Procedure 25 and Federal Circuit Rule 25, I further certify that I caused this brief to be served via the Federal Circuit's CM/ECF system on counsel of record for all parties.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Dated: October 28, 2019.

/s/ Nathan K. Kelley

Nathan K. Kelley