

No. _____

**In The
Supreme Court of the United States**

ACHATES REFERENCE PUBLISHING, INC.,

Petitioner,

v.

APPLE INC.

AND

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE
FOR INTELLECTUAL PROPERTY AND DIRECTOR,
PATENT AND TRADEMARK OFFICE,

Respondents.

**On Petition For Writ Of Certiorari
To The United States Court Of Appeals
For The Federal Circuit**

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

This petition presents a question raised in another currently pending petition before this Court. See *Cuozzo Speed Technologies, LLC v. Lee*, No. 15-466, Pet. for Cert. (S. Ct. Oct. 6, 2015) (presenting same question as Question 1 herein). One week before this Petition was filed, the *Cuozzo* petition was distributed for this Court’s January 8, 2016 conference.

In 2011, the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284, created the Patent Trial and Appeal Board (“Board”) in the Patent and Trademark Office (“PTO”), to hear the newly-created Inter Partes Review (“IPR”) and Covered Business Method Patent Review adjudicatory proceedings for challenging patents previously issued by the PTO. Since the inception of these proceedings, patent challengers have filed over 4,000 petitions, nine out of ten of them IPRs. The Board has instituted review in over two-thirds of its IPR institution decisions.

Both *Cuozzo* and the case below involve determinations by the Federal Circuit that it lacks jurisdiction to review claims that the Board exceeded its statutory authority in instituting particular IPRs. In both cases, the Federal Circuit reached this conclusion without due consideration of this Court’s precedents establishing a “strong presumption” of judicial reviewability of agency action. In the case below, the Federal Circuit dismissed the appeal as

QUESTIONS PRESENTED – Continued

outside the purview of the courts even though the issue appealed was finally decided in the Board's final written decision, which is expressly reviewable under 35 U.S.C. §319.

The Federal Circuit has denied rehearing en banc in *Cuozzo*, and has treated the immunity from judicial review of the Board's view of its own authority as settled under *Cuozzo* and the case below.

The questions presented for review are the following:

1. Whether the court of appeals erred in holding that, even if the Patent Trial and Appeal Board exceeds its statutory authority in instituting an IPR proceeding, the Board's decision whether to institute an IPR proceeding is judicially unreviewable.

2. Whether the court of appeals erred in holding that, even if the Board's final written decision in an IPR proceeding readdresses its own earlier determination that it had authority to institute the proceeding, the Board's determination that it had such authority is still judicially unreviewable.

PARTIES TO THE PROCEEDINGS

Petitioner is Achates Reference Publishing, Inc. Respondents are Apple Inc., which petitioned the Board for review of two Achates patents, and Michelle K. Lee, Under Secretary for Intellectual Property and Director of the United States Patent and Trademark Office, who intervened in the court of appeals to defend the decision of the Board.

CORPORATE DISCLOSURE STATEMENT

Petitioner Achates Reference Publishing, Inc. has no parent corporation, and no publicly held company owns 10 percent or more of its stock.

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PETITION FOR A WRIT OF CERTIORARI

Petitioner Achates Reference Publishing, Inc. respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.



OPINIONS BELOW

The opinion of the court of appeals (*see* App., *infra*, 1a-17a) is reported at 803 F.3d 652. The final written decisions of the Patent Trial and Appeal Board (App., *infra*, 20a-71a ('889 patent), 72a-136a ('403 patent)) are not reported but are available at 2014 Pat. App. LEXIS 3470, 2014 WL 2530789 ('889 patent), and 2014 Pat. App. LEXIS 3443, 2014 WL 2530788 ('403 patent). The decisions of the Patent Trial and Appeal Board to institute trial for *inter partes* review (App., *infra*, 154a-193a ('889 patent), 194a-236a ('403 patent), are not reported but are available at 2013 WL 8595560 ('889 patent) and 2013 Pat. App. Filings LEXIS 1275, 2013 WL 8595559 ('403 patent).



JURISDICTION

The court of appeals entered judgment on September 30, 2015. This Court's jurisdiction is invoked under 28 U.S.C. §1254(1).



STATUTORY AND REGULATORY PROVISIONS INVOLVED

Relevant statutory and regulatory provisions are reproduced in the appendix. App., *infra*, 246a-284a.



STATEMENT OF THE CASE

This petition presents a question raised in another currently pending petition before this Court. See *Cuozzo Speed Technologies, LLC v. Lee*, No. 15-466, Pet. for Cert. (S. Ct. Oct. 6, 2015) (presenting same question as Question 1 herein). On December 22, 2015, one week before this Petition was filed, the *Cuozzo* petition was distributed for this Court’s January 8, 2016 conference.

Inter partes reviews (“IPRs”), and related covered business method patent reviews (“CBMs”), are adversarial proceedings conducted before the Patent Trial and Appeal Board (“Board”), an entity in the Patent and Trademark Office (“PTO”) that includes the Director of the Office. §6(a).¹ IPRs, CBMs and the Board were created by the Leahy-Smith America Invents Act of 2011 (“AIA”). Since becoming available in September 2012, IPRs and CBMs have been tremendously popular, and are rapidly supplanting the federal courts as the forum of choice for such challenges.

¹ All statutory references are to Title 35 of the United States Code unless otherwise noted.

More than 4,000 IPRs and CBMs have already been filed, nine out of ten of them IPRs.²

The Board has determined that review should be instituted in over two-thirds of its IPR institution decisions.³ Only one in six patent claims that reach a contested IPR final written decision survive.⁴ Such results were foreseen by then-Chief Judge Rader of the Federal Circuit, who likened the Board's panels to "death squads."⁵ Regardless of one's view of patent rights, IPRs and CBMs are extremely important proceedings affecting thousands of patent owners, licensees, and accused infringers.

All appeals of IPR and CBM decisions are to the Federal Circuit. §141(c). A question in these appeals is whether judicial review of the Board's determinations of its own statutory authority to institute

² See PTO, Board Statistics (Oct. 31, 2015) at 2, *available at* <http://www.uspto.gov/sites/default/files/documents/2015-10-31%20PTAB.pdf>.

³ *Id.* at 7.

⁴ *Id.* at 12 (showing 6,774 patent claims found unpatentable and 1,330 claims found patentable after a final written decision). The situation is even bleaker in CBMs, where a mere 4.2% of claims survive contested final written decisions. *Id.* at 13.

⁵ *Quoted in, e.g.,* P. Pitts, "'Patent Death Squads' vs. Innovation," WALL STREET JOURNAL (June 10, 2015) (<http://www.wsj.com/articles/patent-death-squads-vs-innovation-1433978591>); R. Sterne, "PTAB Death Squads: Are All Commercially Viable Patents Invalid?" IPWatchdog (Mar. 24, 2014) (<http://www.ipwatchdog.com/2014/03/24/Board-death-squads-are-all-commercially-viable-patents-invalid/id=48642/>).

proceedings is available. In the context of IPRs, the Federal Circuit, both here and in *In re Cuozzo Speed Technologies, LLC*, 793 F.3d 1268 (Fed. Cir. 2015) (“*Cuozzo*”), has concluded that §314(d) (a provision of the AIA) creates an absolute bar to all judicial review (interlocutory or otherwise) of the Board’s institution decisions – including review of whether the Board exceeded its statutory authority in instituting an IPR.

Both here and in *Cuozzo*, the Federal Circuit reached its conclusion of nonappealability without addressing the strong presumption of judicial review of agency action that has been prominent in this Court’s precedents for nearly half a century. In contrast, when other Federal Circuit panels and judges have applied this presumption to these same AIA provisions, they have generally reached the opposite result. Circuit Judge Newman, dissenting in *Cuozzo*, found that §314(d) was meant to “control interlocutory delay and harassing filings,” and “does not preclude judicial review of whether the statute was applied in accordance with its legislated scope.” 793 F.3d at 1291. And in *Versata Development Group, Inc. v. SAP America, Inc.*, a divided panel, construing the identical appealability provisions applicable to CBMs, rejected the government’s argument that, merely because a determination was made by the Board at the institution stage, it was therefore shielded from review after the final written decision, and held that the government’s arguments did not “approach meeting the ‘heavy burden’ of persuasion needed to overcome the ‘strong presumption’ of judicial review” of

agency decisions. 793 F.3d 1306, 1322 (Fed. Cir. 2015).

Decided in the wake of *Cuozzo* and *Versata*, the Federal Circuit in the case below held that *Versata's* holding was limited to the “unique circumstances” of CBMs. The panel accordingly relied on *Cuozzo* to hold that §314(d) precluded *all* judicial review of the Board’s application of §315(b)’s statutory bar in this case. Moreover, even though, in this case, the Board addressed and decided the statutory bar issue both in its institution decision *and* in its final written decision, the panel held that the issue was still not subject to judicial review.

The Federal Circuit has denied rehearing en banc in both *Cuozzo* and *Versata*, and, since the ruling in the case below three months ago, has ruled in at least three other cases that judicial review of whether the Board exceeded its statutory authority in instituting IPRs is unavailable – each time citing *Cuozzo* and/or the decision below, and each time with little or no consideration of the presumption of judicial review. There is no reason to believe that the Federal Circuit will revisit the issue. Absent correction by this Court, the Board can now determine the limits of its own statutory authority without judicial review.

Handing a blank check to a federal agency in these newly created proceedings to determine its own power to affect – and destroy – patent rights is an important decision affecting literally thousands of

parties. It was made without due regard to the presumption of judicial review of agency determinations. It is a question that the PTO itself has referred to as a question of “tremendous prospective importance,”⁶ as have *amici* supporting Cuozzo’s petition.⁷

A review of the AIA’s language and structure, particularly when coupled with the strong presumption of judicial review, dictates that judicial review of challenges to the Board’s interpretation of its own authority should be available. That is the first question presented in this petition, and the second question presented in *Cuozzo*. Achates respectfully submits that this Court should grant review of that question in both *Cuozzo* and this case. See Section III.A-B, *infra*.

If the Court were to find judicial review *unavailable* in *Cuozzo*, it should nonetheless be available on the facts of this case under numerous grounds (see Section III.C, *infra*), one of which is implicated by the second question presented here. Therefore, it is respectfully submitted that the Court should set both this case and *Cuozzo* for briefing and argument. In

⁶ *Versata*, USPTO Pet. for Reh’g en banc at 1 (Fed. Cir. Aug. 24, 2015) (“The scope of [the Federal Circuit’s] review is a question of tremendous prospective importance.”).

⁷ *Cuozzo*, No. 15-466 (S. Ct.), BIO Amicus Br. at 16 (“Judicial review of decisions to institute IPR proceedings is an exceptionally important issue. . . .”); *id.*, NYIPLA Amicus Br. at 5 (“Whether an *ultra vires* institution of IPR is reviewable is an issue of exceptional importance.”).

the alternative, the Court should grant this petition, hold this case pending resolution of *Cuozzo*, and then remand for reconsideration by the court of appeals in light of that decision.

I. BACKGROUND

A. The Statutory Framework for IPRs

The AIA created a detailed statutory structure governing IPR cases. A petitioner begins the process by filing a petition for IPR. §311. The patent owner has a right to file a “preliminary response to the petition” setting forth reasons why the IPR should not be instituted. §313. Absent permission from the Board, the preliminary response, unlike the petition, may not submit any testimony not already of record. 37 C.F.R. §42.107(c).

The petition “may be considered only if,” *inter alia*, it identifies all “real parties in interest.” §312(a)(2). This identification is often contentious in IPRs, for it defines the scope of IPRs’ statutory estoppel: after a final written decision the petitioners and their real parties in interest and privies are estopped from raising invalidity grounds that could have been raised in the IPR, in other proceedings before the office, §315(e)(1), or in a federal district court or International Trade Commission action, §315(e)(2).⁸

⁸ See also Patent Office Trial Practice Guide, 77 Fed. Reg. 48756, 48759 (Aug. 14, 2012) (“The core functions of the ‘real
(Continued on following page)

The Board⁹ is barred from instituting IPR if the petition “is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent.” §315(b).

The Board also is barred from instituting IPR unless it determines that the information presented in the petition and in the preliminary response “shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the [patent] claims challenged in the petition.” §314(a). “The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.” §314(d).

If the Board decides to institute review, parties have a limited right to discovery, including depositions of declarants. §316(a)(5)(A). The patent owner may file a post-institution response with accompanying declarations and other evidence. §316(a)(8). There is a right to an oral hearing. §316(a)(10). Finally, if the instituted IPR has not been dismissed (due to, *e.g.*, settlement), the Board “shall issue a final written decision with respect to the patentability of any

party-in-interest’ and ‘privies’ requirement [is] to assist members of the Board in identifying potential conflicts, and to assure proper application of the statutory estoppel provisions.”).

⁹ By regulation, “[t]he Board institutes the trial on behalf of the Director.” 37 C.F.R. §42.4(a).

patent claim challenged by the petitioner. . . .” §318(a).

“A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) may appeal the decision. . . .” §319. Such appeals lie to the Federal Circuit. §141(c).

B. The Board Proceedings In This Case

On June 20, 2011, Achates sued, among others, QuickOffice, Inc. for infringement of U.S. Patent Nos. 5,982,889 and 6,173,403 (the “patents-at-issue”). App., *infra*, 3a. Apple was later joined as an additional defendant. *Id.*, 4a.

On December 14, 2012, Apple filed an IPR petition against the patents-at-issue, identifying itself as the only real party in interest. *Id.*, 3a. Achates’ preliminary responses to the petitions argued that: (i) the petitions could not be considered because they failed to “identif[y] all real parties in interest,” §312(a)(2), and (ii) review could not be instituted because the petitions were “filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent[s],” §315(b).¹⁰ The

¹⁰ Specifically, Achates cited evidence that certain of Apple’s co-defendants, including QuickOffice, owed Apple indemnity obligations in the underlying litigation under Apple’s software development agreement, creating a real party in interest and/or privity relationship. Achates argued that Apple failed to name

(Continued on following page)

Board's institution decisions rejected Achates' real party in interest and privity arguments and instituted the IPRs. App., *infra*, 167a-175a, 210a-218a.

The institution decisions were not the Board's last word on the question of its authority to institute. The Board recognized that the real party in interest question was "highly fact-dependent," *id.*, 168a, 211a, and "that briefing . . . [wa]s warranted" on discovery into whether "real parties in interest or privies of Petitioner" were omitted from the petition such that review "may not be instituted under 35 U.S.C. §315(b)," Order, 2013 Pat. App. Filings LEXIS 1283, at *2, 2013 WL 6514049 (P.T.A.B. Mar. 14, 2013). Nevertheless, the Board denied Achates' requests for discovery concerning Apple's relationships with its litigation co-defendants. App., *infra*, 137a-143a, 144a-153a, 238a-246a.¹¹ In denying this discovery, the Board ruled that Achates was "free to make its privity argument in its [post-institution] responses and submit additional evidence on the matter to the extent it is permitted by law." *Id.*, 150a. In its post-institution

these co-defendants as real parties in interest in accordance with §312(a)(2) and, because these co-defendants were served with a complaint alleging patent infringement of the patents-in-suit over a year before Apple filed its petitions, the petitions were time barred under §315(b). *See* Preliminary Response, 2013 Pat. App. Filings LEXIS 1286, at *5-6, *8-28, *33-34 (Mar. 20, 2013).

¹¹ The Board's order denying Achates' authorized motion for additional discovery is available at App., *infra* at 238a-246a, and its orders denying Achates' requests to file a second motion for additional discovery, are available at *id.*, 140a-142a and 149a-150a.

responses, although handicapped by the denial of discovery, Achates did precisely that. Patent Owner Response, 2013 Pat. App. Filings LEXIS 1285, at *49-57 (Sep. 17, 2013); App., *infra*, 28a, 81a.

After a hearing, the Board issued final written decisions in the two IPRs cancelling Achates' patent claims as Apple requested. In these decisions, the Board again considered at length and again rejected Petitioner's arguments that §§312(a)(2) and 315(b) applied based on the true identities of the real parties in interest and privies. App., *infra*, 28a-33a, 81a-86a.

C. The Federal Circuit's Decisions In *Cuozzo*, *Versata*, And This Case

Achates appealed the Board's final written decisions to the Federal Circuit, maintaining its arguments that institution of the IPRs was beyond the Board's statutory authority. The PTO Director exercised her statutory right to intervene and participated on the side of appellee. App., *infra*, 19a. The Federal Circuit held that it lacked jurisdiction to reach Achates' arguments, and dismissed the appeals. *Id.*, 3a. The Federal Circuit ruled that no judicial review of the Board's statutory authority to institute review in an IPR is available, because IPR institution decisions are "final and nonappealable" under §314(d). *Id.*

In reaching this conclusion, the panel focused on *Cuozzo* and *Versata*, two Federal Circuit decisions earlier this year relating to the reviewability of AIA

institution decisions following final written decisions on patentability.¹² *Cuozzo* and *Versata* were divided panel decisions that reached opposite conclusions on how to interpret the appealability language in the provisions of the AIA.

Cuozzo was the first court decision to consider the availability, following the Board's final written decision in an IPR, of judicial review of whether institution of the IPR was beyond the Board's authority. In *Cuozzo*, the Board instituted an IPR based in part upon prior art not identified in the petition. 793 F.3d at 1272. *Cuozzo* appealed the Board's final decision canceling its patent claims to the Federal Circuit, arguing that institution of review had been beyond the Board's authority because §314(a) provides that an IPR may only be instituted based upon art identified in the petition. *Id.* at 1273.

The Federal Circuit panel majority ruled that it could not review the merits of *Cuozzo*'s argument and dismissed the appeal. The majority reasoned that "§314(d) prohibits [judicial] review of the decision to

¹² Other Federal Circuit cases, not at issue here, have held that §314(d) bars judicial review of IPR institution decisions *prior to* final written decisions on patentability. *See App., infra*, 8a-9a (citing *St. Jude Med., Cardiology Dev. v. Volcano Corp.*, 749 F.3d 1373, 1376 (Fed. Cir. 2014); *In re Dominion Dealer Solutions, LLC*, 749 F.3d 1379, 1381 (Fed. Cir. 2014) (denying writ of mandamus); *In re Procter & Gamble Co.*, 749 F.3d 1376, 1378-79 (2014) (same, but expressly leaving open whether institution decision may be challenged after final written decision)).

institute IPR even after a final decision,” because the “final and nonappealable” language of §314(d) “is written to exclude all review of the decision whether to institute review.” *Id.* The *Cuozzo* majority cited *In re Hiniker Co.*, 150 F.3d 1362, 1367 (Fed. Cir. 1998), which had held that an earlier statute (pertaining to patent reexamination proceedings) excluded all review of PTO decisions as to whether a sufficient question of patentability existed to permit granting a request for reexamination. Neither *Cuozzo* nor *Hiniker* discussed or applied this Court’s “strong presumption” of judicial review of final agency action.

Circuit Judge Newman dissented in *Cuozzo*. She reasoned that a bar on review of institution decisions even after a final judgment “could bar review of information material to the final [Board] judgment, and may in turn impede full judicial review of the [Board’s] decision,” which would “further diminish[] the role of the PTO as a reliable arbiter of patent validity.” 793 F.3d at 1284. Judge Newman explained that the true purpose of the “final and nonappealable” language in §314(d) “is to control interlocutory delay and harassing filings.” *Id.* at 1291. Unlike the *Cuozzo* majority, Judge Newman applied the presumption of judicial review to support her conclusion in dissent that the AIA “does not preclude judicial review of whether the statute was applied in accordance with its legislated scope.” *Id.* (citing *Bowen v. Mich. Acad. of Family Physicians*, 476 U.S. 667, 670 (1986); *Abbott Labs v. Gardner*, 387 U.S. 136 (1967); and *Block v. Community Nutrition Inst.*, 467 U.S. 340 (1984)).

Cuozzo petitioned for rehearing of the panel's divided decision. The Federal Circuit denied rehearing en banc by a single vote. 793 F.3d 1297, 1298. Cuozzo filed its petition for certiorari on October 6, 2015. No. 15-446.

Versata involved an appeal from a final written decision of the Board in a CBM.¹³ In *Versata*, the Board's institution decision found Versata's patent to be a "covered business method patent" under AIA §18, and that the Board therefore had statutory authority to institute review. 793 F.3d at 1314. After the Board cancelled Versata's patent claims in a final written decision, Versata appealed to the Federal Circuit, pressing its argument that institution was beyond the Board's authority because its patent was not a covered business method patent under AIA §18. *Id.* at 1315. The PTO Director, intervening in the appeal to defend the Board's decision (just as in this case), argued that, because the question whether the patent was a covered business method patent was answered at the institution stage, the Board's resolution of that question was immune from judicial review under §324(e) even *after* the Board's final written decision. *Id.*

¹³ IPRs and CBMs have mostly identical statutory requirements, and the AIA's statutory reviewability provisions corresponding to IPR and CBM institution decisions are substantially identical. *Compare* §314(d) *with* §324(e).

The *Versata* panel majority – in contrast to the *Cuozzo* majority – applied this Court’s rulings regarding the presumption of judicial review, and held that judicial review of the question is available. The majority concluded that “nothing in §324(e) meets the high standard for precluding review of whether the PTAB has violated a limit on its invalidation authority under [AIA] §18,” 793 F.3d at 1320, and that “the Government’s arguments [did not] approach meeting the ‘heavy burden’ of persuasion needed to overcome the ‘strong presumption’ of judicial review,” *id.* at 1322.

The court explained:

It would not only run counter to the language of §324(e) to read it as barring review of whether the PTAB exceeded statutory limits on its authority to invalidate. It would also run counter to our long tradition of judicial review of government actions that alter the legal rights of an affected person, a hallmark of the distinction between (generally reviewable) final agency action and (generally unreviewable) agency action that merely initiates a process to consider such an alteration.

Id. at 1319-20 (citing *Bennett v. Spear*, 520 U.S. 154, 177-78 (1997)).

The *Versata* majority distinguished the *Cuozzo* decision, which had barred judicial review of the Board’s power to institute IPRs, on the basis that the Board’s alleged error in *Cuozzo* – institution based upon prior art that was not cited in the petition – did

not go to the Board’s “ultimate invalidation authority,” because a better-drafted petition in *Cuozzo* could have cured the error by citing the other prior art. *Id.* at 1322. In contrast, the majority reasoned, the Board’s alleged error in *Versata* – misidentification of the patent as a CBM patent – could not be cured by redrafting the petition.

Circuit Judge Hughes dissented, and would have found the language of §324(e) sufficient to overcome the presumption of judicial review. *Id.* at 1338 (Hughes, J., dissenting in part and concurring in part). Judge Hughes stated that the majority’s decision “directly conflicts” with the Court’s “precedential decision” in *Cuozzo*, and that the *Versata* majority’s “ultimate invalidation authority” theory distinguishing *Cuozzo* is a distinction without a difference because both *Cuozzo* and *Versata* involved claims that the Board had exceeded its authority to invalidate a patent. *Id.* at 1341.

The PTO Director petitioned for rehearing en banc of the *Versata* decision, arguing that Judge Hughes was correct that *Versata* and *Cuozzo* were “irreconcilabl[e].” *Id.*, PTO Pet. for Reh’g en banc (Dkt. 141, Aug. 24, 2015), at 1 (“[*Versata*] irreconcilably conflicts with [*Cuozzo*], in which the Court had denied rehearing en banc only the day before the panel issued its decision here.”). On October 15, 2015, the full court denied rehearing.

We now return to the present case and the decision below. The Federal Circuit panel in this case

acknowledged that *Cuozzo and Versata* had both encountered the issue of reviewability, and come to opposite conclusions. App., *infra*, 13a. The panel held that *Cuozzo* controls this IPR case, and that §314(d) renders the Board's determination that it had authority to institute IPR against Achates' patents judicially unreviewable. *Id.*

The panel reasoned that *Versata* was limited to the "unique circumstances" of CBMs. *Id.* Echoing the *Versata* majority's attempt to distinguish *Cuozzo*, the panel noted that "[t]he Board may still invalidate a claim challenged in a time-barred petition via a properly-filed petition from another petitioner," and reasoned that, therefore, §315(b) is not a bar *per se* on the Board's "authority to invalidate a patent claim – it only bars *particular petitioners* from challenging the claim." *Id.* (emphases added).

The panel below next rejected Achates' argument that, because the Board's final written decision in the IPRs below had revisited the Board's earlier ruling that it had authority to institute, the Board's *revisitation* of the issue in the final written decisions opened the door to judicial review under §319. App., *infra*, 15a. The panel acknowledged that the Board's final written decisions did revisit the issue. However, the court reasoned that, nevertheless, that portion of the final written decisions was "still 'fairly characterized' as part of the decision to institute." *Id.* (alteration marks omitted).

Finally, the panel below rejected Achates' argument that §314(d)'s bar on judicial review only applied to issues "under this section" – *i.e.*, under section 314 – and that *Cuozzo's* interpretation of §314(d) therefore did not extend to bar judicial review of the time bar under section 315. The panel found this interpretation "too crabbed" a "reading" of §314(d). *Id.* Instead, the panel held, the words "under this section" in "§314[(d)] modify the word 'institute' and proscribe review of the institution determination *for whatever reason.*" *Id.* (emphasis added).

The panel below neither addressed nor applied the longstanding presumption of judicial reviewability of agency action. Instead, the panel effectively flipped that presumption, and recognized only the existence of a "'*narrow* exception to [a] bar on judicial review . . . for claims that the agency exceeded the scope of its delegated authority or violated a clear statutory mandate.'" *Id.*, 16a (emphases added) (quoting *Hanauer v. Reich*, 82 F.3d 1304, 1307 (4th Cir. 1996), citing *Leedom v. Kyne*, 358 U.S. 184 (1958)). The panel held that this "narrow" exception to bars on judicial review applied "'only [to] egregious error[s]," and *not* to "statutory interpretation disputes" concerning an agency's scope of authority. *Id.* (quoting *Am. Airlines, Inc. v. Herman*, 176 F.3d 283, 293 (5th Cir. 1999)).

As far as the Federal Circuit is concerned, *Cuozzo* and the present case sounded the death knell for the availability of judicial review of the Board's view of its own statutory authority to institute IPRs. Since the

panel opinion below, the Federal Circuit has held in at least three other cases that it lacked jurisdiction, even following a final IPR written decision, to review a challenge to the Board’s view of its own authority to institute in IPRs.¹⁴



REASONS FOR GRANTING THE PETITION

II. DETERMINING THE SCOPE AND AVAILABILITY OF JUDICIAL REVIEW IS EXCEPTIONALLY IMPORTANT

There is widespread agreement that the question of whether courts may review the Board’s institution decisions in AIA proceedings is an issue of exceptional importance. In August of this year, the PTO itself, in

¹⁴ See *MCM Portfolio LLC v. Hewlett-Packard Co.*, ___ F.3d ___, 2015 U.S. App. LEXIS 20848, at *7-8 (Fed. Cir. Dec. 2, 2015) (no jurisdiction to consider whether petition was time-barred under §315(b)); *Click-To-Call Techs., LP v. Oracle Corp.*, 2015 U.S. App. LEXIS 19673 at *5 (Fed. Cir. Nov. 12, 2015) (non-precedential) (same); see also *Medtronic, Inc. v. Bosch Healthcare Sys., Inc.*, No. 2015-1977 *et seq.*, Dkt. 33 (Fed. Cir. Nov. 17, 2015) (no jurisdiction to review whether Board had power to reverse own decision to institute IPR based on later finding that petition failed to identify real parties in interest), *pet. for reh’g en banc filed* (Dkt. 34, Dec. 17, 2015); see also *Sightsound Techs., LLC v. Apple Inc.*, ___ F.3d ___, 2015 U.S. App. LEXIS 21640, at *7-*8 (Fed. Cir. Dec. 15, 2015) (no jurisdiction to review Board’s decision to institute CBM review based on “issues not explicitly raised in the petition[]” because “the statute and our prior decision in [*Cuozzo*] bars this Court from reviewing whether the Board properly initiated review”).

petitioning for en banc review in *Versata*, repeatedly emphasized that this question is of “surpassing” and “tremendous prospective importance,” and that the “resolution of th[is] threshold jurisdictional question . . . will affect the PTO in countless future appeals.” *Versata*, PTO Pet. for Reh’g en banc (Dkt. 141, Aug. 24, 2015), at 1, 5 n. 1. *Versata* agreed that these questions “present important, precedent-setting issues that will govern myriad cases for years to come.” *Versata* Pet. for Reh’g (Dkt. 146, Sept. 8, 2015) at 14. Further underscoring the importance of this issue, the second question presented in *Cuozzo*’s petition for certiorari – the same issue as *Versata* in the IPR context – is identical to the first question presented here. *See Cuozzo Speed Techs. LLC v. Lee*, Dkt. No. 15-446, Pet. for Cert. (Oct. 6, 2015) at ii (Question Presented #2); *see also id.* at 19-23 (explaining its importance).

In support of *Cuozzo*’s petition, *amici curiae* Biotechnology Industry Organization and The New York Intellectual Property Law Association have also explained the “exceptional importance” of the issue. *Id.*, BIO Amicus Br. at 16 (“Judicial review of decisions to institute IPR proceedings is an exceptionally important issue because the Federal Circuit’s [*Cuozzo*] Decision will render unreviewable a wide range of outcome-determinative legal questions that are part of the decision to institute proceedings.”); *id.*, NYIPLA Amicus Br. at 5 (“Whether an *ultra vires* institution of IPR is reviewable is an issue of exceptional importance.”).

The question of judicial review of these agency actions is unquestionably important because the proceedings are very popular, and thousands of patent owners and petitioners (not to mention the Board and Federal Circuit) need clarity regarding the scope of judicial review available. As mentioned previously, *see supra* at 3, in just over three years between September 16, 2012 and October 31, 2015, 4,090 IPR and CBM petitions were filed.¹⁵ The widely recognized reality is that the Board has become the forum of choice for challenging the validity of litigated U.S. patents. *See, e.g., id.*, NYIPLA Amicus Br. at 3 (“To a large and increasing extent, IPRs are supplanting district court litigation as the forum for resolving issues of patent validity based on the prior art.”). “In just three short years, the [Board] has quickly established itself as the jurisdiction of choice for patent challenges. IPRs are wildly popular and have far exceeded initial AIA forecasts. . . . [A]pproximately 90% of all IPR petitions are directed at patents that are also involved in district court litigation.” Perkins Coie LLP, *Inter Partes Review Proceedings: A Third Anniversary Report*, at 5-6 (Sept. 2015).¹⁶

Given the importance of the scope of judicial review in IPRs, this Court should grant review in both *Cuozzo* and this case and determine whether, under the strong presumption of judicial reviewability of

¹⁵ See Board Statistics, *supra* note 2, at 2.

¹⁶ Available at http://issuu.com/perkinscoie/docs/ipr_anniversary_report_final_single?e=15417991/30104586.

agency action, Congress precluded judicial review of claims that the Board has exceeded its statutory authority. As discussed above, *supra* Section I.C, both the *Cuozzo* panel majority and the panel in this case found judicial review unavailable without express consideration of that presumption. The Federal Circuit, moreover, has declined repeatedly to rehear the issue en banc; has narrowed *Versata* (the case that *did* consider the presumption of judicial review) to the “unique circumstances” of CBMs, App., *infra*, 13a; and has since then repeatedly treated the question as settled.

Review is further warranted to resolve the intra-circuit conflict between *Cuozzo* and *Versata*. The Federal Circuit is the only court of appeals with jurisdiction to consider this question. As discussed in Section I.C, *supra*, the dissenting judge in *Versata* viewed the majority opinion as being in “direct[] conflict[]” with *Cuozzo*. 793 F.3d at 1338. The PTO itself has told the court of appeals that *Versata* “irreconcilably conflicts” with *Cuozzo*, *id.*, PTO Pet. for Reh’g en banc (Aug. 24, 2015), at 1, and has told this Court that *Versata* was “incorrectly decided.” *Cuozzo*, Dkt. No. 15-446, PTO Opp. to Pet. for Cert. (Dec. 11, 2015), at 22.

Moreover, the Federal Circuit’s sweeping ban on judicial review of whether the Board has gone beyond its authority contradicts both statute and precedent, as explained below.

III. THE DECISION BELOW IS INCORRECT

A. Agency Actions Are Presumptively Reviewable

“An agency may not finally decide the limits of its statutory power. That is a judicial function.” *Social Sec. Bd. v. Nierotko*, 327 U.S. 358, 369 (1946). “Administrative determinations must have a basis in law and must be within the granted authority. Administration, when it interprets a statute so as to make it apply to particular circumstances, acts as a delegate to the legislative power.” *Id.*

As this Court reemphasized just last Term, “[j]udicial review of agency action is the norm in our legal system” and “this Court applies a ‘strong presumption’ favoring judicial review of administrative action.” *Mach Mining LLC v. EEOC*, 135 S. Ct. 1645, 1656 (2015).¹⁷ A key reason for this “strong presumption,” the Court explained, is that:

[a]bsent such review, the [agency]’s compliance with the law would rest in the [agency]’s

¹⁷ See also, e.g., *Traynor v. Turnage*, 485 U.S. 535, 542 (1988) (“We have repeatedly acknowledged ‘the strong presumption that Congress intends judicial review of administrative action.’”) (quoting *Bowen v. Michigan Acad. of Family Physicians*, 476 U.S. 667, 670 (1986)); *Abbott Labs. v. Gardner*, 387 U.S. 136, 140 (1967) (noting “basic presumption of judicial review” of agency action under Administrative Procedures Act); see also Madgil, “Agency Choice of Policymaking Forum,” 71 U. CHI. L. REV. 1383, 1413 (2004) (discussing other cases applying this “far-reaching presumption”).

hands alone. We need not doubt the [agency]’s trustworthiness, or its fidelity to law, to shy away from that result. We need only know – and know that Congress knows – that legal lapses and violations occur, and especially so when they have no consequence [to the agency]. That is why this Court has so long applied a strong presumption favoring judicial review of administrative action.

Id. at 1652-53; *see also Sackett v. EPA*, 132 S. Ct. 1367, 1374 (2012) (“The APA’s presumption of judicial review is a repudiation of the principle that efficiency of regulation conquers all.”).

“Only upon a showing of ‘clear and convincing evidence’ of a contrary legislative intent should the courts restrict access to judicial review.” *Abbott Labs.*, 387 U.S. at 141 (citing *Rusk v. Cort*, 369 U.S. 367, 379-80 (1962), and Jaffe, *JUDICIAL CONTROL OF ADMINISTRATIVE ACTION* 336-359 (1965)). Where a statute is ambiguous as to whether it precludes judicial review, its availability should be presumed. *Gutierrez de Martinez v. Lamagno*, 515 U.S. 417, 434 (1995) (“Because the statute is reasonably susceptible to divergent interpretation, we adopt the reading that accords with traditional understandings and basic principles; that executive determinations generally are subject to judicial review. . . .”); *see also Lindahl v. OPM*, 470 U.S. 768, 779 (1985) (applying presumption to find judicial review even where the statute “plausibly can be read as imposing an absolute bar to judicial review”).

“[W]hether a statute precludes judicial review ‘is determined not only from its express language, but also from the structure of the statutory scheme its objectives, its legislative history, and the nature of the administrative action involved.’” *Lindahl*, 470 U.S. at 779 (quoting *Block v. Community Nutrition Institute*, 467 U.S. 240, 245 (1984)). The fact that some acts are made expressly reviewable in a statute is not sufficient to preclude review of other administrative acts under the same statute. *See Abbott Labs.*, 387 U.S. at 141 (“As a leading authority in this field has noted, ‘The mere fact that some acts are made reviewable should not suffice to support an implication of exclusion as to others. The right to review is too important to be excluded on such slender and indeterminate evidence of legislative intent.’” (quoting *Jaffe*, *supra*, at 357)).

In keeping with this strong presumption, this Court has routinely found judicial review of agency action available even under statutory language that, on its face, might appear to preclude it. *See* N. Bagley, *The Puzzling Presumption of Reviewability*, 127 HARV. L. REV. 1285, 1286-87 & n. 8 (2014) (“In practice, the federal courts often invoke the presumption to contort statutes that appear to preclude judicial review to nonetheless permit it.”) (citing Stephen G. Breyer et al., *ADMINISTRATIVE LAW AND REGULATORY POLICY* 986 (5th ed. 2002) (“[C]ourts frequently interpret language that, on its face, seems explicitly to preclude review not to do so. Implicit preclusion is rare.”)).

The Court's decision in *Lindahl* is illustrative. There, the statute in question (5 U.S.C. §8347(c)) provided: "The Office [of Personnel Management] shall determine questions of disability and dependency arising under this subchapter. Except to the extent provided under subsection (d) of this section, the decisions of the Office concerning these matters are final and conclusive and are not subject to review." 470 U.S. at 800 (White, J., dissenting). Notwithstanding this seemingly preclusive language, the Court found that it precluded judicial review only of the agency's *factual* determinations. The Court explained that "when Congress intends to bar judicial review altogether, it typically employs language far more unambiguous and comprehensive" than the statute in *Lindahl*. *Id.* at 781 n. 13 (citing examples of statutes that precluded review).

Moreover, as a statutory matter, the APA expressly provides that preliminary or intermediate agency action is subject to judicial review when subsequent final agency action is reviewed, even if the earlier action is "not directly reviewable." 5 U.S.C. §704 ("A preliminary, procedural, or intermediate agency action or ruling not directly reviewable is subject to review on the review of the final agency action."). Consistent with §704, this Court has repeatedly declined to find interlocutory review of non-final agency action precisely *because* that action will be judicially reviewable upon a final agency decision. *See Board of Governors of the Fed. Res. Sys. v. MCorp Fin., Inc.*, 502 U.S. 32, 43-44 (1991) (declining

to provide judicial review of interim agency action because “[i]f and when the Board finds that MCorp has violated that regulation, MCorp will have, in the Court of Appeals, an unquestioned right to review of both the regulation and its application.”); *FTC v. Standard Oil*, 449 U.S. 232, 243 (1980) (“the Commission’s issuance of a complaint averring reason to believe that Social was violating the Act is not a definitive ruling or regulation. . . . [I]mmediate judicial review would serve neither efficiency nor enforcement of the Act. These pragmatic considerations counsel against the conclusion that the issuance of the complaint was ‘final agency action.’”) (emphasis added).

Finally, the applicability of this presumption to agency *action* is reinforced by the fact that an opposite presumption applies to reviewability of agency *inaction*. See, e.g., *Heckler v. Chaney*, 470 U.S. 821, 833 (1985) (“[A]n agency’s decision not to take enforcement action should be presumed immune from judicial review under §701(a)(2). For good reasons, such a decision has traditionally been ‘committed to agency discretion’ . . .”).

With these principles in mind, it is apparent that the Federal Circuit’s interpretation of the AIA to bar all judicial review of the Board’s view of its authority to institute IPRs is erroneous.

B. The Board's Real Party In Interest/ Privy Determination Is Reviewable

As discussed above, there is a strong legal presumption of judicial reviewability of agency action that may only be overcome by clear and convincing evidence, as well as a presumption that intermediate agency action is not reviewable until there is a final action. The statutory scheme governing IPRs (*see* Section I.A., *infra*), viewed in light of these presumptions, provides for judicial reviewability, following a final written decision in an IPR, of whether the Board exceeded its statutory authority in instituting that IPR in the first place.

Section 314(d) provides: “[t]he determination by the Director *whether to institute* an inter partes review *under this section* shall be final and non-appealable” (emphases added). If Congress’ aim were to preclude judicial review of anything decided in an institution decision, there would have been far clearer and unambiguous ways to say so.¹⁸ Instead, §314(d) focuses not on the content of the institution decision, or the matters decided therein, but, rather, on the “determination of . . . *whether to institute*” (emphasis added). This language focuses on the discretionary decision whether or not to institute, and there is no language saying that other, or all, matters

¹⁸ For instance, Congress could have written “the institution decision and all matters of fact and law decided therein shall be final and nonappealable even after a final written decision under section 318.”

preliminarily decided in an institution decision at the outset of the proceeding are also immune from judicial policing. Rather, the language is more straightforwardly designed to preclude interlocutory appeals, and appeals of decisions by the agency *not* to act.

Furthermore, an interpretation that all matters decided in an institution decision are conclusively decided, and cannot be judicially reviewed, makes little sense under the AIA's statutory framework. Subsection 314(a) emphasizes that the institution determination is one of patentability: “[t]he Director may not authorize an inter partes review to be instituted unless . . . there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the [patent] claims challenged. . . .” Subsection 314(d) reinforces the fact that the institution decision is a patentability decision when it limits its own effect to the decision of the Director “whether to institute . . . *under this section*” (emphasis added).¹⁹

Patentability will, naturally, be the primary focus of the IPR post-institution phase; will be at issue in discovery and the post-institution patent owner

¹⁹ Subsection 314(d)'s “under this section” language still more clearly is intended to mean precisely what it says – i.e., to refer to “section” 314, and not to other sections – when one considers that, elsewhere in section 314 itself, subsection 314(a) refers specifically to IPR filings under “section 311” and “section 313,” while subsection 314(b) refers more broadly to the Director’s “determin[ation] whether to institute an inter partes review *under this chapter*” (emphasis added).

response; and will be the focus at trial, before being finally decided in a final written decision “with respect to the patentability of any patent claim challenged by the petitioner.” §318(a). Yet, although issues going directly to the merits of patentability, such as claim construction, are always addressed in decisions to institute IPR, it would be absurd to suggest that the institution decision would conclusively decide, for instance, issues of claim construction, when those issues are the primary focus of the post-institution phase and the final written decision. Yet if one interprets §314(d) to mean that *all* matters decided in the institution decision shall be “final and nonappealable,” as the panel decision below suggests, it is difficult to explain why claim construction issues, for example, should be excluded from the scope of §314(d). After all, they too are among the determinations that necessarily underlie the decision to institute review. The better view, instead, is that it is precisely because patentability is the focus of both the institution decision and the post-institution phase that the questions of law and fact provisionally decided within the institution decision should *not* be deemed conclusively determined. Only the discretionary decision of the Director whether to exercise her authority to institute review should be final and non-appealable.

Additionally, precluding an interlocutory review of the Director’s patentability determination at the institution stage makes perfect sense in the AIA’s statutory framework in view of the fact that the

patentability determination in the final written decision will be reviewable under §319. If the Board reverses its course in the final written decision, an interlocutory appeal would not have changed the eventual result, but would have necessarily slowed the speedy resolution of the proceeding.

Nor does it make sense to construe §314(d)'s nonappealability provision to apply to questions other than patentability. As an initial matter, nothing in §314(d) expressly says any such thing. Second, it would be at odds with the requirements of §312, which states that a petition “may be considered only if” certain criteria are met, including that the “petition identifies all real parties in interest.” §312(a)(2). Thus, §312, by its plain terms, indicates that the Director does not even have the authority to “consider” a petition that does not satisfy §312's requirements. Since the institution decision focuses upon patentability, there is no evidence to suggest that the institution decision is the final word on the requirements of §312. If, for example, the Board considers further evidence on whether the petitioner identified all of its real parties in interest, it is free to revisit that decision. This is precisely what happened in the case at bar, where the Board entertained discovery motions on the real party in interest issue, expressly permitted the patent owner to raise the real party in interest/privy issue in its final patent owner response, and analyzed and decided the real party in

interest/privity issue in its final written decision. *See* Section I.B, *supra*.²⁰ This very case belies the notion that either the parties or the Board ever believed the institution decision to be the “final” word on the matter.²¹

When §314(d) is correctly viewed, as barring only interlocutory appeals and appeals of discretionary non-institution decisions, it furthers two important goals of the AIA: increasing the speed of the process, and protecting patent owners against repeated harassment.²² If every institution decision could be challenged on an interlocutory basis, the process

²⁰ *See also Medtronic*, No. 15-1977, Dkt. 33 (Fed. Cir. Nov. 17, 2015) (denying review under *Cuozzo* where Board instituted IPR, then revisited and reversed that decision on the basis that petitioner failed to identify all real parties in interest).

²¹ *See also* PTO, Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 Fed. Reg. 48612, 48647 (Aug. 14, 2012) (codified at C.F.R. tit. 37, ch. 1) (“A decision to institute (including a decision that denies a ground of unpatentability) *is a nonfinal decision.*”) (emphasis added).

²² Gonsalves, G., *The PTAB’s Interpretation of the Real Party in Interest and Privity Provisions in the AIA: A Look at the PTAB’s Rulings for Several Fact Scenarios*, 96 J. PAT. & TRADE-MARK OFF. SOC’Y 22, 23 (2014) (“Throughout the discussions in Congress preceding the passage of the AIA, it is clear that Congress wanted to prevent repeated challenges to the validity of a patent at the PTO and in district courts[.]”); *id.* at 24 (“In particular, Congress recognized that the inter partes reexamination proceedings unfairly burdened patent owners with repeated challenges to the validity of the patent and wanted to ensure that patent owners were not similarly burdened under the AIA[.]”).

could grind to a halt. If every non-institution decision were appealable, patent owners could be subject to multiple harassing proceedings, which Congress sought to avoid.

Moreover, a system that bars interlocutory appeals of institution decisions, while preserving challenges to institutions in excess of the Board's authority until after the final written decision, is consistent with this Court's precedents, which establish that: (i) interlocutory review of interim agency decisions is presumptively *unavailable*, but (ii) review of such decisions after a final agency action is presumptively *available*. See 5 U.S.C. §704; *supra* Section III-B. The fact that non-institution decisions are not appealable is also consonant with this Court's precedents establishing that agencies' discretionary decisions not to take enforcement action are "presum[ptively] immune from judicial review." *Heckler*, 470 U.S. at 833.

It is apparent that even the PTO does not behave as if it believed that matters decided in IPR institution decisions are final and nonappealable. As already noted, IPR institution decisions are focused on whether the petition has shown a reasonable likelihood of demonstrating that at least one claim is unpatentable. §314(a). The PTO's own regulations specifically allow a party to seek rehearing of an institution decision, 37 C.F.R. §42.71(d), and under this rule the Board has repeatedly modified or reversed its institution decisions. Indeed, those very regulations specifically advise parties to seek rehearing "to

preserve an issue for judicial review.” Rules of Practice, 77 Fed. Reg. at 48624. Finally, institution decisions generally contain the Board’s provisional views on any number of matters, including claim construction, invalidity, and comments upon the merits (or lack thereof) of the petition and the response. It would make little sense to determine that the Board’s provisional views – on matters it will decide in the final written decision – should be treated as conclusive.

Even if matters determined in an institution decision were generally unreviewable, the real party in interest/privity questions at issue here still would be reviewable following a final written decision. As discussed above, the Director does not have authority to even “consider” a petition that does not identify all the “real parties in interest,” §312(a)(2), and does not have authority to institute an IPR if the petition “is filed more than one year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent,” §315(b). There is no reason to find that the real party in interest/privity determination is the exclusive province of the threshold institution decision. As the Board observed below, the real party in interest determination is “highly fact-dependent.” App., *infra*, 168a, 211a. It would make no sense for the statutory scheme to require the Board to determine a “highly fact-dependent” issue once and for all, without any judicial oversight, at the institution stage – before the patent owner has any rights to

significant discovery, or to submit testimony in support of its theory, or even to a hearing. This is precisely why the real party in interest/privy issue was only finally decided in the final written decisions below.

In this, case, however, even if the Court were to conclude that matters finally decided in the institution decision are *not* reviewable, *and* the real party in interest determination is part of the institution decision under the particular facts of this case, the Federal Circuit still was wrong to deny judicial reviewability of the issue in this case, because the real party in interest/privy issue was revisited and decided in the final written decisions below. Under the plain statutory language, a “party dissatisfied with a final written decision . . . may appeal *the decision. . .*” §319 (emphasis added). Here, the Board analyzed the real party in interest/privy issue at length in both final written decisions, before finally deciding against the patent owner. App., *infra*, 28a-33a, 81a-86a. To find that the patent owner cannot have judicial review of this aspect of the final written decision not only renders hollow the presumption of judicial review, it is contrary to the plain language of §319.

C. The Court Should Grant Certiorari In This Case And In *Cuozzo*

As mentioned in the Statement of the Case, *supra*, this Petition is closely related to the *Cuozzo* petition

now pending before this Court. If the Court grants *certiorari* in *Cuozzo*, it follows that the Court should grant review in this case. Because there are potentially significant differences between the two cases, the Court should set both cases for briefing and argument. In the alternative, if the Court is not inclined to hear argument in both cases, the Court should grant and hold this case for remand in light of *Cuozzo*.

As discussed in Section I.C, *supra*, the error alleged in *Cuozzo* is that the Board exceeded its authority by instituting an IPR based upon prior art that the petitioner did not identify in its petition, in violation of §314(a). Achates agrees with *Cuozzo* that the Board in that case contravened §314(a) and, consequently, *Cuozzo*'s appeal should be entitled to judicial review; and further agrees with *Cuozzo* that a dissatisfied party should be able to raise any question decided in the institution decision going to the Board's exercise of power to act, including any argument that the Board exceeded its statutory authority in instituting an IPR, in its appeal of the final written decision under §319. If this Court so finds in *Cuozzo*, the same result should follow here for the Board's violations of §312(a)(2) and §315(b).

If, however, this Court were to find that the specific alleged error of the Board under §314(a) in *Cuozzo* is *not* subject to judicial review, the Court should reach a different conclusion here, for multiple reasons.

First, as just discussed above, even if matters addressed only in an institution decision are final, in this case the real party in interest/privy issue was *also* reconsidered and redecided later in the Board's final written decisions. Finding such decisionmaking in a final written decision to be unreviewable contravenes §319, which expressly permits appeals from final written decisions. *Contra* App., *infra*, 15a.

Second, the Board's error in this case includes its failure to enforce §312(a)(2)'s requirement that the petition identify all real parties in interest, which must be satisfied for the petition to even be "considered." Therefore, that threshold determination should not be deemed a part of the institution decision, which is based on consideration of a petition that complies with §312; and, therefore, an argument that the Board considered a petition that fails to comply with §312 should not be deemed subject to §314(d).

Third, the real party in interest question is "highly fact-dependent," App., *infra*, 168a, 211a, so it makes little sense to finally decide it at the pre-discovery institution stage – in contrast to the raised-prior-art issue in *Cuozzo*, which does not require any discovery.

Fourth, because §314(d) is limited to the Director's patentability determination "under this section" (*i.e.*, §314), the nonappealability language in §314(d) by its terms does not encompass the Board's determinations in this case under sections 312(a)(2) or 315(b).

Fifth, if Cuozzo's position is found wanting under *Versata's* theory that only issues common to *all possible* petitions that petitioner might have filed are appealable, *see* Section I.C, *supra*, that theory does not apply to *Achates*. Whereas the petitioner in *Cuozzo* could have identified the art the Board relied upon, the petitioner in the IPRs in this case was categorically barred from filing any petition that would satisfy the statute, due to the lapse of §315(b)'s time bar before the petition was filed.

Sixth, and finally, the proper identification of a petitioner's real parties in interest and privies and the corresponding time bar of §315(b) were central means of furthering Congress' goal of protecting patent owners from serial duplicative attacks. The Board, however, has rarely found an unnamed party to be a real party in interest or privy,²³ and has rarely even allowed discovery relating to the issue. Precluding judicial review of this issue would therefore frustrate an important intent of Congress.



²³ *See* Gonsalves, *supra* note 22, at 26 (“[T]he PTAB has yet to deny an IPR on the basis that Petitioner was barred by the real party in interest and privy provisions of 35 USC 315(b) even though the Patent Owner has alleged in more than fifty IPRs that the Petitioner should have been barred on that basis.”).

CONCLUSION

“Very rarely do statutes withhold judicial review. It . . . could not be otherwise, for in such a case statutes would in effect be blank checks drawn to the credit of some administrative officer or board.” *Versata*, 793 F.3d at 1320 (quoting S. Rep. No. 79-752, at 26 (1945)). That is a powerful reason for the “strong presumption that Congress intends judicial review” of final agency action. *Bowen*, 476 U.S. at 670. The Federal Circuit applied no such presumption here, and instead handed the Board that veritable “blank check” to interpret its own authority.

The petition for a writ of certiorari should be granted.

Respectfully submitted,

NATHAN LOWENSTEIN

Counsel of Record

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LOWENSTEIN & WEATHERWAX LLP

December 29, 2015

APPENDIX A

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

ACHATES REFERENCE PUBLISHING, INC.,
Appellant

v.

APPLE INC.,
Appellee

2014-1767

Appeal from the United States Patent and Trade-
mark Office, Patent Trial and Appeal Board in No.
IPR2013-00080.

ACHATES REFERENCE PUBLISHING, INC.,
Appellant

v.

APPLE INC.,
Appellee

2014-1788

Appeal from the United States Patent and Trademark Office, Patent Trial and Appeal Board in No. IPR2013-00081.

Decided: September 30, 2015

VINCENT MCGEARY, McGeary Cukor LLC, Morristown, NJ, argued for appellant. Also represented by MICHAEL CUKOR; BRAD PEDERSEN, Patterson Thuente Pedersen, P.A., Minneapolis, MN; WAYNE S. BREYER, JASON PAUL DEMONT, KENNETH OTTESEN, Kaplan, Breyer, Schwarz & Ottesen, LLP, Matawan, NJ.

JOSEPH GUERRA, Sidley Austin LLP, Washington, DC, argued for appellee. Also represented by JEFFREY PAUL KUSHAN, SCOTT BORDER, JOSEPH A. MICALLEF, ANNA MAYERGOYZ WEINBERG.

KAKOLI CAPRIHAN, Office of the Solicitor., United States Patent and Trademark Office, Alexandria, VA, argued for intervenor Michelle K. Lee. Also represented by THOMAS W. KRAUSE, FRANCES LYNCH, JAMIE LYNNE SIMPSON, SCOTT WEIDENFELLER.

Before PROST, *Chief Judge*,
LOURIE and LINN, *Circuit Judges*.

LINN, *Circuit Judge*.

Achates Reference Publishing, Inc. (“Achates”) appeals from the decisions of the Patent Trial and

Appeal Board (the “Board”) in *inter partes* review (“IPR”) proceedings instituted on petitions filed by Apple Inc. (“Apple”) against Achates’ U.S. Patents No. 5,982,889 (the “’889 patent”) and No. 6,173,403 (the “’403 patent”) (collectively, the “patents-at-issue”) and determining that claims 1-4 of the ’889 patent and claims 1-12 and 17-19 of the ’403 patent were invalid. *See Apple Inc. v. Achates Reference Publ’g, Inc.*, IPR2013-00081, 2014 WL 2530789 (P.T.A.B. June 2, 2014) (“’889 final written decision”); *Apple Inc. v. Achates Reference Publ’g, Inc.*, IPR2013-00080, 2014 WL 2530788 (P.T.A.B. June 2, 2014) (“’403 final written decision”). Achates contends that the Board’s decisions were outside of the Board’s statutory authority because the underlying petitions for IPR were time-barred under 35 U.S.C. § 315(b). As part of its appeal, Achates also challenges the Board’s denial of Achates’ motion for discovery. *See Apple Inc. v. Achates Reference Publ’g, Inc.*, 2013 WL 6514049 (P.T.A.B. Apr. 3, 2013) (“Discovery Decision”). Because the Board’s determinations to institute IPRs in this case are final and nonappealable under 35 U.S.C. § 314(d), this court lacks jurisdiction and dismisses the appeals.

I. BACKGROUND

On June 20, 2011, Achates sued QuickOffice, Inc. (“QuickOffice”) along with certain other parties (collectively, the “codefendants”) in district court for infringing the patents-at-issue. *See* Complaint, *Achates Reference Publ’g, Inc. v. Symantec Corp.*, No.

2:11-cv-00294 (E.D. Tex. June 20, 2011), ECF No. 1. One year later, Achates joined Apple in the suit and alleged that it also infringed the patents. *See* Amended Complaint, *Achates Reference Publ'g, Inc. v. Symantec Corp.*, No. 2:11-cv-00294 (E.D. Tex. June 20, 2012), ECF No. 176. On December 14, 2012, Apple filed petitions for IPR in the United States Patent and Trademark Office (“Patent and Trademark Office”) against each of the patents-at-issue. *See* ’889 final written decision, at *5; ’403 final written decision, at *5.

Achates, in responding to the petitions, contended that, based on a blank indemnification agreement, Apple had a relationship with QuickOffice (and maybe other codefendants as well) and that such relationship caused Apple’s petitions for IPR to be time-barred under 35 U.S.C. § 315(b). That section states:

An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

35 U.S.C. § 315(b). To support its contention, Achates moved for discovery of evidence to prove Apple’s specific relationships with the codefendants. The Board denied that motion, finding no basis to believe that

even if the blank indemnification agreement had been signed, it would show QuickOffice or any other codefendants to be real parties in interest or in privity with Apple as those terms are used in § 315(b). *See* Discovery Decision at *1.

The Board found that none of the codefendants were real parties in interest or privies of Apple. Specifically, the Board concluded that there was no evidence that any of the codefendants had “the right to intervene or control Petitioner’s defense to any charge of patent infringement” and that Apple and codefendants had “distinct interests in the related [district court] litigation.” *See Apple Inc. v. Achates Reference Publ’g, Inc.*, 2013 WL 8595560, at *9 (P.T.A.B. June 3, 2013) (the “’889 institution decision”); *Apple Inc. v. Achates Reference Publ’g, Inc.*, 2013 WL 8595559, at *10 (P.T.A.B. June 3, 2013) (the “’403 institution decision”). Accordingly, the Board, acting as the Director’s delegate, instituted IPR proceedings for both patents.

During the merits phase of the IPRs, Achates continued to argue that Apple’s petitions were time-barred under § 315(b). In its final written decisions, the Board reaffirmed its earlier decisions that the IPR proceedings were not time-barred. ’889 final written decision at *7; ’403 final written decision at *8. The Board ultimately invalidated all the challenged claims as either anticipated and/or obvious. *See* ’889 final written decision at *24; ’403 final written decision at *29.

On appeal, Achates challenges the Board’s final written decisions, arguing that the Board erred in denying its motions for discovery and in concluding that Apple’s petitions were not time-barred under § 315(b). Achates does not appeal the Board’s substantive decisions that the challenged claims are invalid. Apple counters Achates’ arguments and asserts that because the question of whether the petitions were time-barred goes to the propriety of the decision to initiate the IPR, this court lacks jurisdiction over the appeal under § 314(d). In the alternative, Apple argues that the Board’s decisions should be affirmed on the merits.

II. DISCUSSION

A. The Statutory Background

In 2011, Congress amended title 35 of the United States Code to create IPR, post-grant review (“PGR”) and covered business method review (“CBMR”) proceedings. *See* 35 U.S.C. §§ 311-319 (IPR); *Id.* at §§ 321-329 (PGR); Leahy-Smith America Invents Act (“AIA”) § 18, Pub. L. No. 112-29, 125 Stat. 284, 329-31 (2011) (CBMR). CBMR proceedings are “regarded as, and . . . employ the standards and procedures of, a [PGR] under chapter 32 [§§ 321-329] of title 35, United States Code, subject to” certain exceptions not relevant here. AIA § 18(a)(1).

Both IPR and CBMR proceed in two stages. In the first stage, the Director determines whether to institute IPR or CBMR. By regulation, “[t]he Board

institutes the trial on behalf of the Director.” 37 C.F.R. § 42.4; *see also* 37 C.F.R. §§ 42.100(a) (explaining that IPR proceedings are subject to these trial procedures); 42.300(a) (same for CBMR). In the second phase, the Board conducts the IPR or CBMR proceedings on the merits and issues a final written decision.

Based on the petitions and any responses, the Board decides whether there are sufficient grounds to institute the proceedings – in IPR petitions there must be a “reasonable likelihood” that the petition will prevail, 35 U.S.C. § 314(a), and in CBMR petitions it must be “more likely than not,” 35 U.S.C. § 324(a). An IPR proceeding “may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent.” § 315(b). No analogous time-bar exists for CBMR proceedings. IPR proceedings are not limited to specific types of patents. On the other hand, CBMR proceedings are only permitted “for a patent that is a covered business method patent.” AIA § 18(a)(1)(E). Importantly, identically worded statutory provisions make explicit that “[t]he determination by the Director whether to institute [IPR or CBMR] under th[ese] section[s] shall be final and nonappealable.” *See* § 314(d) and § 324(e), respectively.

If a proceeding is instituted, the Board considers the merits and “issue[s] a final written decision with respect to the patentability of any patent claim

challenged by the petitioner and any new claim added” during the proceedings. 35 U.S.C. §§ 318(a) (IPR), 328(a) (CBMR). “[P]art[ies] dissatisfied with the final written decision of the Patent Trial and Appeal Board under section[s] [318(a) or 328(a)] may appeal the decision pursuant to sections 141 through 144.” *Id.* §§ 319 (IPR), 329 (CBMR). Sections 141 through 144 of title 35 generally explain that Board decisions are appealable to this court. Of particular relevance, 35 U.S.C. § 141(c) states, with emphasis added:

A party to an inter partes review or a post-grant review who is dissatisfied with the *final written decision* of the Patent Trial and Appeal Board under section 318(a) or 328(a) (as the case may be) may appeal the Board’s decision only to the United States Court of Appeals for the Federal Circuit.

B. This Court’s Precedent

This court first addressed the reviewability of a Board decision not to institute an IPR in *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373 (Fed. Cir. 2014). In that case, the court recognized that “the [IPR] statute separates the Director’s decision to ‘institute’ the review, § 314, on one hand, from the Board’s ‘conduct’ of the review ‘instituted’ by the Director, § 316(c), and the Board’s subsequent ‘written decision,’ § 318, on the other.” *Id.* at 1375. Because the Director’s decision not to institute an IPR was not a “final written decision” under § 318(a),

it was held not within this court's statutory grant of authority to review under §§ 141(c) or 318(a). *See id.* Moreover, the court held that the appeal of the non-institution decision was within the express bar to appeals under § 314(d).

That same day, this court held that mandamus was unavailable to take an interlocutory appeal of the Director's non-institution decision, largely because of the statutory scheme explained in *St. Jude*, and "section 314(d)'s broad declaration" precluding appeals over the director's decision "whether to institute" an IPR. *In re Dominion Dealer Solutions, LLC*, 749 F.3d 1379, 1381 (Fed. Cir. 2014).

Recognizing that the court does not have interlocutory review power over the Director's initiation decisions, parties have attempted to use collateral review through mandamus and the Administrative Procedure Act. This court has rejected the availability of mandamus and APA relief for interlocutory review of the Director's initiation decisions in IPR and CBMR because of the absence of any final written decision of the Board for this court to review, and because of the restriction in § 314(d). *In re Procter & Gamble Co.*, 749 F.3d 1376, 1378 (Fed. Cir. 2014) ("Our analysis in *St. Jude* and *Dominion* . . . applies equally" well to interlocutory mandamus jurisdiction); *Versata Dev. Grp., Inc. v. Lee (Versata III)*, 793 F.3d 1352 (Fed. Cir. July 13, 2015) (affirming the district court's refusal to allow interlocutory review over the Director's decision to institute CBMR).

This court also has considered whether the Director’s institution decision is subject to review after a final written decision by the Board. In *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268 (Fed. Cir. 2015), the Director instituted an IPR of certain claims relying in part on references not cited in the petition. On appeal, Cuozzo argued that the IPR was improperly instituted because the petition-as-filed did not provide “a reasonable likelihood that the petition would prevail” as required by § 314(a). *Id.* at 1273. Cuozzo argued that the reviewability prohibition of § 314(d) applied only to interlocutory appeals, and that the initiation decision becomes available for review once the Board issues a final written decision. The court disagreed with Cuozzo and declined to review the initiation decision, remarking that § 314(d) “is not directed to precluding review only before a final decision” and cannot be directed only to precluding interlocutory appeals because §§ 319 and 141(c) already serve that role. *Id.* The court then recognized that “the IPR statute [does not] expressly limit the Board’s authority at the final decision stage to the grounds alleged in the IPR petition” and that “the failure to cite those references in the petition provides no ground for setting aside the final decision.” *Id.* at 1273 and 1274.

The court once again addressed the reviewability of an initiation determination, this time in the context of a CBMR in *Versata Dev. Grp., Inc. v. SAP America, Inc.* (“*Versata II*”), 793 F.3d 1306 (Fed. Cir. 2015). There, SAP petitioned for review of Versata’s

U.S. Patent No. 6,553,350 (the “’350 patent”), alleging that the patent was a covered business method patent under AIA § 18. The Director, via the Board, decided to institute the CBMR, ruling that the ’350 patent was a “covered business method patent” as that term is defined in AIA § 18(d)(1). *See Versata II*, 793 F.3d at 1314. On the merits, the Board concluded that the challenged claims were directed to an “abstract idea,” and were thus not patent-eligible under 35 U.S.C. § 101. *See id.* at 1336.

Versata appealed, arguing that the ’350 patent was not a covered business method patent and was also not invalid. The petitioner and the Patent and Trademark Office as intervenor argued that the question of whether the ’350 patent fell within the scope of the Board’s authority under § 18 as a “covered business method patent” was decided by the Board at the decision to institute stage, and was thus immunized from later judicial review at the final decision stage. The court disagreed.

The court first recognized the distinction between the final merits decision and the initiation decision: “institution and invalidation are two distinct actions.” *Id.* at 1319. “[I]t is the merits of the final written decision that are on appeal; we are not here called upon to review the determination by the [Board] whether to institute a CBM review, and indeed [35 U.S.C. § 324(e)] expressly instructs that we may not.” *Id.* at 1315. The court went on to point out that although the issue of whether a patent is a CBM was *first* determined by the Director at the initiation

stage, the same issue was necessarily implicated in the final merits determination and was appropriate for review because of the fundamental limitation of the Board’s “ultimate invalidation authority” in a CBMR to those patents that meet the CBM definition:

[O]ne of the limits on § 18 invalidation authority is that the patent at issue be a CBM patent. . . . If a particular patent is not a CBM patent, there is no proper pleading that could be filed to bring it within the [Board’s] § 18 authority.

Id. at 1320. *Compare Cuozzo*, 793 F.3d at 1274 (“The fact that the petition was defective is irrelevant because a proper petition could have been drafted.”)

As the court made clear, “[t]he distinct agency actions [on initiation and at the merits phase] do not become the same just because the agency decides certain issues at both stages of the process. . . . Overlap of issues is not determinative.” *Versata II*, 793 F.3d at 1319. The basis for this court’s review of the CBM issue in *Versata II* was not merely that the Board decided it in the final determination stage but more significantly that it uniquely and fundamentally related to the Board’s “ultimate authority to invalidate” only CBM patents in a CBMR proceeding.

C. The Present Dispute

In this case, the Patent and Trademark Office and Apple argue that the Board’s determination that

an IPR petition is timely is part of the determination whether to institute and is therefore nonappealable, even after the final written decision. They believe this case is analogous to *Cuozzo*. Achates responds that the question of whether Apple's petition was time-barred goes to the Board's ultimate authority to invalidate the patents, and therefore, under *Versata II*, is reviewable under § 319. We agree with Apple and the Patent and Trademark Office that *Versata II* is limited to the unique circumstances of CBMR and that, following *Cuozzo*, the Board's determination to initiate the IPRs in this case is not subject to review by this court under 35 U.S.C. § 314(d).

First, the § 315(b) time bar does not impact the Board's authority to invalidate a patent claim – it only bars particular petitioners from challenging the claim. The Board may still invalidate a claim challenged in a time-barred petition via a properly-filed petition from another petitioner. Further, § 315(b) provides that “[t]he time limitation . . . shall not apply to a request for joinder under subsection (c).” 35 U.S.C. § 315(b). This means that an otherwise time-barred party may nonetheless participate in an *inter partes* review proceeding if another party files a proper petition. *See* 35 U.S.C. § 315(c). Just as the pleading in *Cuozzo* could have been sufficient by the inclusion of the missing prior art reference, *see* 793 F.3d at 1274 (“The fact that the petition was defective is irrelevant because a proper petition could have been drafted.”), the timeliness issue here could have been avoided if Apple's petition had been filed a year

earlier or if a petition identical to Apple's were filed by another party. This is in contrast to the issue in *Versata II*, where "no proper pleading [] could be filed to bring it within the [Board's] § 18 authority." 793 F.3d at 1320.

In addition, the time-bar here is not like the CBM classification addressed in *Versata II*. *Versata II* found that review of the CBM determination was proper because the determination was the "defining characteristic" of the Board's "authority to invalidate" a patent in the specialized CBMR process. *See Versata II*, 793 F.3d at 1320-21. The determination is "defining" because it subjects that patent "to a special [Board] power to invalidate." *Id.* at 1321. Whether an IPR petition is filed one year after the petitioner is served with an infringement complaint or one year and a day is not such a characteristic because compliance with the time-bar does not itself give the Board the power to invalidate a patent. Instead, the time-bar sets out the procedure for seeking IPR. Indeed, like other "[F]iling deadlines," the IPR time bar here is merely a "rule[] that seek[s] to promote the orderly progress of litigation by requiring that the parties take certain procedural steps at certain specified times." *Henderson ex rel. Henderson v. Shinseki*, 562 U.S. 428, 435 (2011) (therefore holding that the requirement that a veteran file an appeal within 120-days is not "jurisdictional"); *see also Sebelius v. Auburn Reg'l Med. Ctr.*, 133 S. Ct. 817, 825 (2013) ("filing deadlines ordinarily are not jurisdictional").

Achates argues two additional theories for pulling this issue into this court's jurisdiction to review the Board's "final written decision." First, Achates notes that the Board reaffirmed its time-bar determination in its final written decision and argues that this indicates that the time-bar determination is, in fact, part of the final written decision. As this court noted in *Versata II*, "[o]verlap of issues is not determinative, neither is the timing determinative." 793 F.3d at 1319. That the Board considered the time-bar in its final determination does not mean the issue suddenly becomes available for review or that the issue goes to the Board's ultimate authority to invalidate – the Board is always entitled to reconsider its own decisions. *GTNX, Inc. v. INTTRA, Inc.*, 789 F.3d 1309, 1313 (Fed. Cir. June 16, 2015). The Board's reconsideration of the time-bar is still "fair[ly] characteriz[ed]" as part of the decision to institute. *Id.* at 1312.

Finally, Achates also contends that § 314(d) does not limit this court's review of the timeliness of Apple's petition under § 315, because § 314(d) says "[t]he determination by the Director whether to institute an inter partes review *under this section* shall be final and nonappealable" (emphasis added). Achates' reading is too crabbed and is contradicted by this court's precedent. The words "under this section" in § 314 modify the word "institute" and proscribe review of the institution determination for whatever reason. Thus, in *St. Jude* we held that § 314(d) precluded this court from reviewing the Patent and Trademark

Office's determination that § 315(b) (the same subsection at issue here) precluded it from instituting an IPR petition. *See St. Jude*, 749 F.3d at 1376 Likewise in *GTNX*, we held that § 324(e), which also precludes review of "determination[s] whether to institute . . . review under this section," prevented this court from reviewing the Board's decision that a petition was barred under § 325(a)(1). *See GTNX*, 789 F.3d at 1312.

We thus hold that 35 U.S.C. § 314(d) prohibits this court from reviewing the Board's determination to initiate IPR proceedings based on its assessment of the time-bar of § 315(b), even if such assessment is reconsidered during the merits phase of proceedings and restated as part of the Board's final written decision.

Still, "even when the statutory language bars judicial review, courts have recognized that an implicit and narrow exception to the bar on judicial review exists for claims that the agency exceeded the scope of its delegated authority or violated a clear statutory mandate." *Hanauer v. Reich*, 82 F.3d 1304, 1307 (4th Cir. 1996); *see also Leedom v. Kyne*, 358 U.S. 184 (1958). However, statutory interpretation disputes fall outside this exception for *ultra vires* agency action, and "[o]nly the egregious error melds the agency's decision into justiciability." *Am. Airlines, Inc. v. Herman*, 176 F.3d 283, 293 (5th Cir. 1999) (quoting *United States v. Feaster*, 410 F.2d 1354, 1368 (5th Cir. 1969)); *see also Key Med. Supply, Inc. v. Burwell*, 764 F.3d 955, 962 (8th Cir. 2014). Here, although *Achates*

did not raise this argument, the Board's institution decision does not violate a clear statutory mandate.

Because we cannot review the Board's determination that Apple's petitions were not time-barred, we also cannot review the Board's denials of Achates' motions for discovery relating thereto.

III. CONCLUSION

For the foregoing reasons, the appeals are dismissed.

DISMISSED

COSTS

Each of the parties shall bear its own costs.

APPENDIX B

NOTE: This order is nonprecedential.

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

ACHATES REFERENCE PUBLISHING, INC.,
Appellant,

v.

APPLE INC.,
Appellee.

2014-1767

Appeal from the United States Patent and Trademark Office, Patent Trial and Appeal Board in No. IPR2013-00080.

ON MOTION

ORDER

(Filed Dec. 11, 2014)

The Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (“Director”) informs the court that the Director exercises the right under 35 U.S.C. § 143 to intervene in the above-captioned appeal.

Apple Inc. moves without opposition for a thirty-day extension of time, until February 14, 2015, to file its response brief.

Upon consideration thereof,

IT IS ORDERED THAT:

(1) The Director's request to intervene is granted. The Director is now an intervenor in this appeal. The Director should calculate the due date for her brief from the date of filing of this order.

(2) Apple Inc.'s motion for an extension of time is granted to the extent that Apple's response brief is due on or before February 17, 2015.

FOR THE COURT

/s/ Daniel E. O'Toole
Daniel E. O'Toole
Clerk of Court

APPENDIX C

UNITED STATES PATENT
AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL
AND APPEAL BOARD

APPLE INC.
Petitioner

v.

ACHATES REFERENCE PUBLISHING, INC.
Patent Owner

Case IPR2013-00081
Patent 5,982,889

Before HOWARD B. BLANKENSHIP, JUSTIN T.
ARBES, and GREGG I. ANDERSON, *Administrative
Patent Judges*.

ARBES, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
35 U.S.C. §318(a) and 37 C.F.R. § 42.73

(Filed Jun. 2, 2014)

I. BACKGROUND

Petitioner Apple Inc. (“Apple”) filed a Petition (Paper 1) (“Pet.”) seeking *inter partes* review of claims 1-4 of U.S. Patent No. 5,982,889 (“the ’889 patent”) pursuant to 35 U.S.C. §§ 311-19. On June 3, 2013, we

instituted an *inter partes* review of claims 1-4 on four grounds of unpatentability (Paper 21) (“Dec. on Inst.”).

Patent Owner Achates Reference Publishing, Inc. (“Achates”) filed a Patent Owner Response (Paper 36) (“PO Resp.”), which included a statement of material facts. Apple filed a Reply (Paper 49) (“Pet. Reply”) and a response (Paper 50) (“Pet. SOF Resp.”) to the statement of material facts.

Achates filed a Motion to Exclude (Paper 57) (“Mot. to Exclude”) certain testimony submitted by Apple in the proceeding. Apple filed an Opposition to the Motion to Exclude (Paper 61) (“Exclude Opp.”), and Achates filed a Reply (Paper 62) (“Exclude Reply”).

Apple filed a Motion for Observation (Paper 64) (“Obs.”) on certain email communications between Achates’ two declarants, Mr. Dmitry Radbel and Dr. Xi n Wang. Achates filed a response (Paper 69) (“Obs. Resp.”). Achates also filed a Motion to Seal (Paper 68) (“Mot. to Seal”) the email communications, and Apple filed an opposition (Paper 74) (“Seal Opp.”).

An oral hearing was held on February 26, 2014, and a transcript of the hearing is included in the record (Paper 79) (“Tr.”).

We have jurisdiction under 35 U.S.C. § 6(c). This final written decision is issued pursuant to 35 U.S.C. § 318(a) and 37 C.F.R. § 42.73.

For the reasons that follow, we determine that Apple has shown by a preponderance of the evidence that claims 1-4 of the '889 patent are unpatentable.

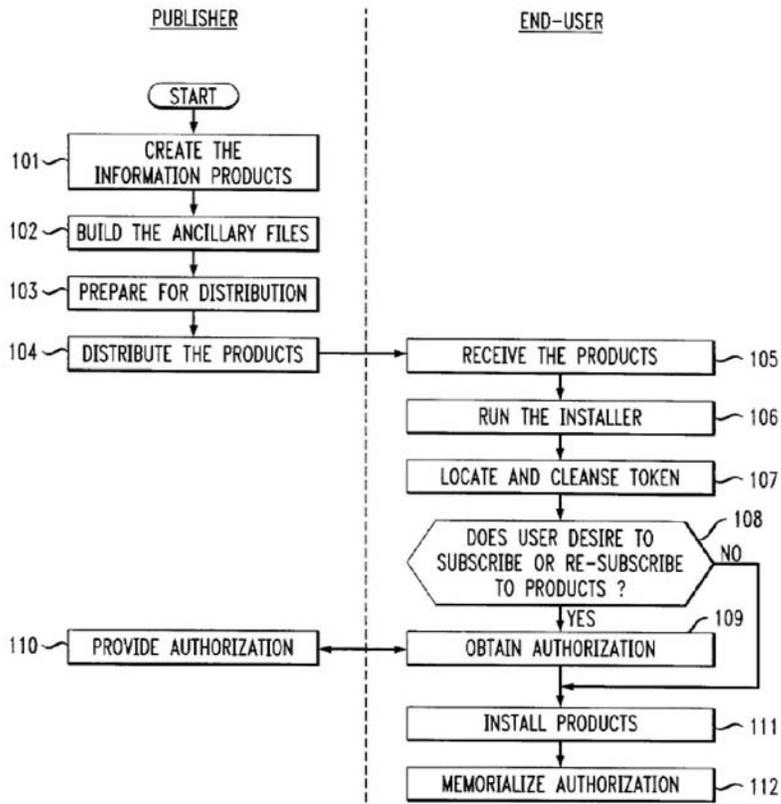
A. *The '889 Patent*

The '889 patent¹ relates to “distributing and installing computer programs and data.” Ex. 1001, col. 1, ll. 6-9. The '889 patent describes a need in the art to prevent piracy of information products, such as, for example, when a user obtains a computer program improperly or when a user purchases one copy of a program and installs it on multiple computers without authorization. *Id.* at col. 1, ll. 12-60. The '889 patent discloses methods of “distributing one or more information products together . . . while reserving to the publisher the ability to control which products are actually installed on an end-user’s computer.” *Id.* at col. 1, l. 66-col. 2, l. 4.

Figure 1 of the '889 patent, reproduced below, depicts the interaction between a publisher and end-user (e.g., an individual purchasing a piece of software).

¹ U.S. Patent No. 6,173,403 B1 (“the '403 patent”), a continuation-in-part of U.S. Patent Application No. 08/845,805, which issued as the '889 patent, is the subject of related Case IPR2013-00080.

FIG. 1



As shown in Figure 1, in steps 101-102, the publisher creates a set of information products and other files. *Id.* at col. 3, ll. 34-40; col. 5, ll. 45-50. The '889 patent describes a "plurality of web pages that constitute some of the legislative, administrative and judicial materials associated with patent law," where the web pages include hyperlinks to each other, as an exemplary information product. *Id.* at col. 2, l. 64-col. 3, l. 1; col. 4, ll. 9-15. In step 103, the publisher encrypts

the information products with a string as the encryption key. *Id.* at col. 8, ll. 36-45. In step 104, the information products are distributed to the end-user (e.g., on a CD-ROM or electronically over the Internet) along with an “installer” program that runs on the end-user’s computer and allows the publisher to “control how and under what circumstances the information products are installed on the end-user’s computer.” *Id.* at col. 2, ll. 39-48; col. 8, l. 65-col. 9, l. 3. The installer knows the cryptosystem and key for decrypting the information products. *Id.* at col. 8, ll. 57-59.

In steps 105-106, the end-user receives the information products and runs the installer. *Id.* at col. 9, ll. 4-15. In step 107, the installer checks to see whether the end-user’s computer has a previously-stored, encrypted “token” indicating that the publisher granted authorization earlier to install the information products (e.g., when an end-user has a subscription to receive multiple products over time). *Id.* at col. 9, ll. 16-31. In step 108, the end-user is asked whether he or she wants to subscribe to the information products. *Id.* at col. 10, ll. 56-62. If so, in steps 109-110, the end-user “acquires the installer[’]s cooperation to decrypt and install the respective information products” by transmitting information to the publisher, receiving a “launch code” from the publisher in response, and entering the “launch code” into the installer. *Id.* at col. 10, l. 63-col. 11, l. 9; Fig. 4. Specifically, the end-user contacts the publisher (e.g., via telephone or the Internet) and provides (1)

the end-user's name and address; (2) the end-user's method of payment; (3) the name of the requested information products; and (4) a serial number R generated by the installer. *Id.* at col. 11, ll. 10-33.

After verifying the payment, the publisher provides to the end-user a "launch code" comprising "(1) a[n] authentication code; (2) an indication of the name of the end-user; (3) a list of the information products to which the end-user has been granted access; and (4) an indication of when the authorization for each information product expires," encrypted using R as the key. *Id.* at col. 11, ll. 34-49. The end-user enters the launch code into the installer, and the installer decrypts the launch code using R as the key to extract the authentication code contained therein. *Id.* at col. 11, ll. 47-54. If the authentication code matches what the installer expects, the launch code is authentic. *Id.* at col. 11, ll. 50-65; col. 12, ll. 25-49. The information products can be installed in step 111 and, if necessary, the encrypted "token" on the end-user's computer is updated in step 112 (the "token" contains the same four pieces of information as the launch code). *Id.*; col. 9, ll. 40-47. By generating a new R each time the installer requests a launch code, the disclosed method "prevent[s] the end-user from using a single launch code to install the information products on multiple computers." *Id.* at col. 11, l. 66-col. 12, l. 2.

B. Illustrative Claim

Claim 1 of the '889 patent is the only independent claim at issue:

1. A method comprising the steps of:

generating a string, R;

encrypting a first authentication code, an indicium of an end-user's identity, an indicium of a first information product, and an indicium of a second information product with said string, R, as the key to create a launch code;

decrypting said launch code with said string, R, to recover said authentication code, said indicium of said end-user's identity, said indicium of said first information product and said indicium of said second information product; and

installing said first information product and said second information product onto a computer associated with said end-user.

C. Prior Art

The pending grounds of unpatentability in this *inter partes* review are based on the following prior art:

1. U.S. Patent No. 5,864,620, filed Apr. 24, 1996, issued Jan. 26, 1999 ("Pettitt") (Ex. 1006);

2. U.S Patent No. 5,933,497, filed Jan. 29, 1993, issued Aug. 3, 1999 (“Beetcher”) (Ex. 1007) (claims priority to U.S. Patent Application No. 07/629,295, filed Dec. 14, 1990); and

3. U.S Patent No. 5,949,876, filed Jan. 8, 1997, issued Sept. 7, 1999 (“Ginter”) (Ex. 1005) (claims priority to U.S. Patent Application No. 08/388,107, filed Feb. 13, 1995).

D. Pending Grounds of Unpatentability

This *inter partes* review involves the following grounds of unpatentability:

Reference(s)	Basis	Claims
Ginter	35 U.S.C. § 102(e)	1-3
Pettitt and Beetcher	35 U.S.C. § 103(a)	1-4
Beetcher and Ginter	35 U.S.C. § 103(a)	1-4 ²

² As explained below, Apple asserts that claim 4 is unpatentable based on the combination of Beetcher and Ginter in two respects: one relying on Beetcher as teaching the majority of the claim limitations, and one relying on Ginter as teaching the majority of the claim limitations. *See infra* Section II.G.2. A trial was instituted on both bases. *See* Dec. on Inst. 22-23, 30.

II. ANALYSIS

A. *Claim Interpretation*

In the Decision on Institution, we interpreted various claim terms of the '889 patent as follows:

Term	Interpretation
“authentication code” (claim 1)	a code for authenticating data
“installing” (claim 1)	placing in a position so as to be ready for use
“launch code” (claim 1)	password
“token” (claim 2)	a data structure indicating that an end-user’s computer is granted access to certain information products

Dec. on Inst. 7-11. The parties agree with these interpretations, *see* PO Resp. 1, and we incorporate our previous analysis for purposes of this decision.

B. *Section 315(b)*

Achates argues in its Patent Owner Response that Apple’s Petition is time-barred under 35 U.S.C. § 315(b), which provides that an *inter partes* review may not be instituted based on a petition “filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent.” PO Resp. 44-51. Achates contends that

QuickOffice, Inc. (“QuickOffice”), one of Apple’s co-defendants in *Achates Reference Publishing, Inc. v. Symantec Corp.*, Case No. 2:11-cv-00294-JRG-RSP (E.D. Tex.) (“the related litigation”), was served with a complaint alleging infringement of the ’889 patent on June 20, 2011 – more than one year before December 14, 2012, the filing date of the Petition in this proceeding. PO Resp. 45, 56. Achates made a substantially similar argument in its Preliminary Response, and we concluded that the Petition was not time-barred. *See* Paper 14 at 6-21; Dec. on Inst. 12-18. We reach the same conclusion now.³

Whether a non-party is a “privy” for purposes of an *inter partes* review proceeding is a “highly fact-dependent question” that takes into account how courts generally have used the term to “describe relationships and considerations sufficient to justify applying conventional principles of estoppel and preclusion.” Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,759 (Aug. 14, 2012) (“Trial Practice Guide”). Whether parties are in privity depends on whether the relationship between a party and its alleged privy is “sufficiently close such that both should be bound by the trial outcome and related estoppels.” *Id.* Depending on the circumstances, a number of factors may be relevant to the analysis, including whether the non-party “exercised or could have exercised control over a party’s participation in

³ Also, in an earlier Order, we denied Achates’s request for additional discovery on the Section 315(b) issue. Paper 17.

a proceeding” or whether the non-party is responsible for funding and directing the proceeding. *Id.* at 48,759-60. We also find guidance in the Supreme Court’s decision in *Taylor v. Sturgell*, 553 U.S. 880 (2008), which sets forth the general rule under federal common law that a person not a party to a lawsuit is not bound by a judgment in that suit, subject to certain exceptions, including the following:

[N]onparty preclusion may be justified based on a variety of pre-existing “substantive legal relationship[s]” between the person to be bound and a party to the judgment. Qualifying relationships include, but are not limited to, preceding and succeeding owners of property, bailee and bailor, and assignee and assignor. These exceptions originated “as much from the needs of property law as from the values of preclusion by judgment.”

553 U.S. at 894 (citations omitted); *see* Trial Practice Guide at 48,759 (citing Taylor).

Achates contends that QuickOffice had a pre-existing substantive legal relationship with Apple and, therefore, is a privy of Apple under Taylor. PO Resp. 44-51. In support of its position, Achates cites a publicly available software development kit (SDK) agreement that Apple allegedly enters into with iPhone application developers like QuickOffice. *Id.* at 46-47. The SDK agreement includes a clause requiring the developer to indemnify Apple for third party patent infringement claims:

To the extent permitted by law, You agree to indemnify, defend and hold harmless Apple, its directors, officers, employees, independent contractors and agents (each an “Apple Indemnified Party”) from any and all claims, losses, liabilities, damages, expenses and costs (including without limitation attorneys fees and court costs) (collectively “Losses”) incurred by an Apple Indemnified Party as a result of Your breach of this Agreement, a breach of any certification, covenant, representation or warranty made by You in this Agreement, any claims that Your Applications violate or infringe any third party intellectual property or proprietary rights, or otherwise related to or arising from Your use of the SDK, Your Application(s) or Your development of Applications

...

In no event may You enter into any settlement or like agreement with a third party that affects Apple’s rights or binds Apple in any way, without the prior written consent of Apple.

Ex. 2006 § 6 (emphasis added). According to Achatas, the fact that co-defendant QuickOffice would be obligated to indemnify Apple for infringement claims against the “same accused instrumentality” (i.e., a QuickOffice application), and would be prevented from settling in the litigation without Apple’s consent, means that QuickOffice and Apple are in privity with each other. PO Resp. 44-51. Apple acknowledges that

it entered into “at least one form of an agreement related to app[lication] development with [QuickOffice],” but does not admit that the agreement included the indemnification provision cited by Achates. Pet. SOF Resp. ¶¶ 129-30.

We first note that Achates provides no evidence that QuickOffice had any role in the filing or funding of the Petition in this proceeding, or that QuickOffice exercised control or could have exercised control over Apple’s participation in this proceeding. *See* Trial Practice Guide, 77 Fed. Reg. at 48,759. Achates’s sole evidence is the indemnification language in the SDK agreement and the fact that Apple and QuickOffice were co-defendants.

Even assuming that the specific indemnification provision of the SDK agreement applies to QuickOffice (and Achates has not shown that it does), we are not persuaded that the provision is indicative of QuickOffice being a privy of Apple. The agreement does not give the developer the right to intervene or control Apple’s defense to any charge of patent infringement, nor has Achates argued that to be the case for QuickOffice in the related litigation. Notably, indemnification is not one of the “substantive legal relationships” cited in *Taylor* (e.g., assignee-assignor), and is significantly different from those relationships, which involve successive interests in the same property.

Further, as Apple points out, Achates’s actions in the related litigation refute its allegations of privity. *See* Pet. Reply 14. Achates accuses Apple of infringing

the '889 patent based on Apple's own actions as well as those of QuickOffice, and likewise accused QuickOffice of infringement based on activities relating to the Apple App Store as well as other systems (e.g., the Amazon Appstore for Android). *See* Ex. 1037 ¶¶ 51-52; Ex. 1038 at 84-90. Achates also is continuing to assert the '889 patent against Apple in the related litigation even after settling with the co-defendant application developers, including QuickOffice. *See* PO Resp. 57. Thus, at least according to Achates, there is a distinct basis for liability against Apple, different from that against the developers. As such, it does not appear that Apple would be estopped by any judgment against the developers. For instance, even if a judgment were obtained against one or more of the developers, Apple would still be exposed to an adverse judgment based on its own actions and would assert its own defenses independent of the developers. This further indicates that the relationship between Apple and the developers, such as QuickOffice, is not of the type that would make the developers privies of Apple.

We are not persuaded that the Petition is time-barred under Section 315(b) on the basis that QuickOffice is a privy of Apple.

C. Credibility of Mr. Schneier

As an initial matter, Achates in its Patent Owner Response challenges the credibility of Apple's declarant, Bruce Schneier. PO Resp. 51-55. Mr. Schneier

provided testimony regarding the '889 patent and the prior art in a declaration submitted with Apple's Petition. Ex. 1003.⁴ Achates argues that Mr. Schneier is not credible for two reasons. First, Mr. Schneier billed Apple for less than 45 hours of work, which is "nowhere near enough time to read and analyze all of the references cited in his declarations at the level of diligence that this proceeding requires," according to Achates. PO Resp. 51-53. For instance, Achates points to the size of Ginter (324 pages) and the declarations themselves (931 numbered paragraphs) to argue that Mr. Schneier "could not have performed his obligation to this matter conscientiously in the time spent." *Id.* Achates's estimate of 45 hours, however, is based on an estimate from Mr. Schneier as to the total amount Mr. Schneier *billed* to Apple. Ex. 1045 at 63:15-24; *see* PO Resp. 52. Achates does not point to any statement from Mr. Schneier regarding the number of hours he actually spent reviewing the prior art and performing the analysis in his declaration. Mr. Schneier testified that he read the prior art references at issue (Ginter, Pettitt, and Beetcher) multiple times and fully understood them. Ex. 1045 at 76:16-22, 77:21-78:5. Moreover,

⁴ Apple submitted its Petition, and Exhibits 1003 and 1041 (declarations from Mr. Schneier regarding the '889 patent and related '403 patent), on December 14, 2012. In response to an instruction from Board administrative staff that documents should be in portrait rather than landscape orientation, Apple submitted revised copies on December 17, 2012, also numbered as Exhibits 1003 and 1041. *See* Paper 5. To ensure the clarity of the record, the original versions filed on December 14, 2012 will be expunged.

Achates's contention is not that Mr. Schneier lacks knowledge of the prior art or did not in fact perform the analysis in his declaration – just that Mr. Schneier did not spend sufficient time on the matter. We decline Achates's invitation to give Mr. Schneier's testimony less weight on that basis.

Second, Achates argues that Mr. Schneier has “hostility towards the patent system” and is a member of the Electronic Frontier Foundation (EFF), which shows a “level[] of bias that should be more than sufficient to raise concerns about his qualifications to serve as an unbiased technology expert.” PO Resp. 53-55 (citing a book co-authored by Mr. Schneier, Ex. 2016, and various EFF web pages, Exs. 2017-2020). We have reviewed Mr. Schneier's curriculum vitae (Exhibit 1004) and find that he is well qualified to testify regarding the matters addressed in his declaration (Exhibit 1003). Indeed, Achates's declarant, Mr. Radbel, testified that Mr. Schneier is a “top cryptologist” and has a “great reputation as a cryptologist.” Ex. 2032 at 167:9-25. As explained herein, we find Mr. Schneier's testimony persuasive and give it substantial weight. We do not give it less weight based on a purported bias against patents in general.

D. Level of Ordinary Skill in the Art

In its Petition, Apple contends that a person of ordinary skill in the art at the time when the application that issued as the '889 patent was filed (April

1997) would have had “extensive familiarity with cryptographic techniques published in the literature and known in the field,” and “would have gained this level of familiarity through graduate level studies in mathematics, engineering or computer science, or through work experience in academia (either as a professor or a graduate student), for a technology company or for a government,” relying on the testimony of Mr. Schneier. Pet. 4 (citing Ex. 1003 ¶¶ 36-38). Achates does not dispute this argument in its Patent Owner Response.⁵ Mr. Radbel, however, concludes that a person of ordinary skill in the art would have had “the ability to select and make use of well-known cryptographic techniques at a high level,” but not “comprehensive knowledge of cryptography, including Mr. Schneier’s book on the subject.” Ex. 2013 ¶¶ 17, 19. Mr. Radbel further testifies that a person of ordinary skill in the art would have had “an undergraduate degree in engineering or computer science plus two years of experience in software engineering,” but not necessarily “graduate level training.” *Id.* Dr. Wang agrees with Mr. Radbel’s assessment of the level of ordinary skill. Ex. 2014 ¶ 8.

⁵ Achates argued in its Preliminary Response that “the proper level of skill should be a person with at least five years of experience and/or academic training in professional software development having experience with client-server software and operating systems, and at least a basic working knowledge of computer security and cryptography.” Paper 14 at 23.

The parties' declarants appear to agree that the person of ordinary skill in the art would have been familiar with the basic cryptographic techniques of the time, but dispute the depth of that knowledge. A skilled artisan would have been aware of basic cryptographic techniques and also the predominant literature on cryptography of the time. *See In re GPAC Inc.*, 57 F.3d 1573, 1579 (Fed. Cir. 1995) ("The person of ordinary skill in the art is a hypothetical person who is presumed to know the relevant prior art."). As to that person's level of education or equivalent experience, we are persuaded that Mr. Radbel understates the appropriate level of skill. The '889 patent describes various problems with software piracy and various technical solutions to such problems. Ex. 1001, col. 1, ll. 12-60. It also assumes a fairly deep knowledge of encryption, decryption, and the use of keys for performing those functions. *See id.* at col. 8, l. 35-col. 12, l. 49. Contrary to Mr. Radbel's assertion that a person of ordinary skill only would have needed a "high level" knowledge of cryptographic techniques, sufficient, for example, to call software routines "without necessarily understanding how such routines work," *see* Ex. 2013 ¶ 17, a skilled artisan would need some knowledge of how the cryptographic techniques work to choose the appropriate techniques and properly use them. We also take into account the sophistication of the technology at the time, as exemplified by the prior art references of record and Mr. Schneier's book from 1996 (Exhibit 1024). Based on all of the evidence, we conclude that a person of ordinary skill in the art at the time of the

'889 patent would have been familiar with the basic cryptographic techniques and literature of the time, and would have had some graduate-level or equivalent experience working with such techniques.

E. Ground Based on Ginter

With respect to the alleged ground of unpatentability based on Ginter, we have reviewed Apple's Petition, Achates's Patent Owner Response, and Apple's Reply, as well as the evidence discussed in each of those papers. We are persuaded, by a preponderance of the evidence, that claims 1-3 are anticipated by Ginter under 35 U.S.C. § 102(e).

1. Ginter

Ginter discloses computer systems providing a "distributed virtual distribution environment (VDE)" that "help[s] to ensure that information is accessed and used only in authorized ways." Ex. 1005, Abstract. Electronic content is stored in "objects" (also called "containers") for distribution to users, and access to the content is regulated via a permissions record (PERC) associated with the content and provided to the user (separately or with the object). *Id.* at col. 13, l. 46-col. 14, l. 20; col. 58, l. 61-col. 59, l. 11; Fig. 5A; col. 147, ll. 33-59 ("no end user may use or access a VDE object unless a permissions record 808 has been delivered to the end user"). PERC 808 "specifies the rights associated with the object 300 such as, for example, who can open the container 302,

who can use the object's contents, who can distribute the object, and what other control mechanisms must be active." *Id.* at col. 58, l. 67-col. 59, l. 5. "For example, permissions record 808 may specify a user's rights to use, distribute and/or administer the container 302 and its content." *Id.* at col. 59, ll. 5-7. For certain types of objects, the PERC is encrypted along with the object using asymmetric key and later decrypted on the user's machine. *Id.* at col. 199, ll. 1-6; col. 129, ll. 50-54; col. 133, ll. 50-53; col. 208, l. 65-col. 209, l. 20. Ginter discloses that the PERC can contain an "Object ID" that identifies the VDE object, as well as multiple "key blocks" that store decryption keys utilized to access content in "data blocks" within the object. *Id.* at col. 127, l. 45-col. 128, l. 2; col. 151, l. 9-35; Fig. 26A. Ginter also discloses the use of a "validation tag" for "confirming the identity and correctness of received, VDE protected, information," and a "digital signature" to be verified against an expected digital signature. *Id.* at col. 12, ll. 27-33; col. 151, ll. 9-35; col. 215, ll. 7-63.

2. *Claims 1-3 are Anticipated by Ginter*

Ginter discloses generating a "string, R" (the symmetric key), encrypting an "indicium of an end-user's identity" (the PERC specifying "who" can open the container, use the object's contents, etc.) and an indicium of a first "information product" (the Object ID or key block) to create the PERC, decrypting the PERC, and installing the first information product

onto the end-user's computer, as recited in claim 1. *See* Pet. 24-30; Ex. 1003 ¶¶ 121-75.

Achates does not argue these limitations, but makes three arguments regarding the remaining limitations of claim 1. First, Achates argues that Ginter does not disclose “decrypting said launch code . . . to recover said authentication code,” as recited in claim 1. PO Resp. 4-9. Achates contends that the first item in Ginter identified by Apple as an “authentication code” (the digital signature) is not contained in the PERC and, therefore, the PERC cannot be decrypted to recover it, and the second item identified by Apple (the validation tag) is not an “authentication code.” *Id.* at 5-9; *see* Pet. 25-26; Ex. 1003 ¶ 141. Ginter expressly discloses a PERC including a digital signature. Ex. 1005, col. 12, ll. 27-33. Figure 75D depicts user rights table (URT) 3160 as including a digital signature, and Ginter states that URT 3160 “may itself be a PERC 808.” *Id.* at col. 248, ll. 36-38, Fig. 75D. Thus, Achates’s factual assertion that the PERC in Ginter lacks a digital signature is not correct. *See* Tr. 47:24-48:5 (acknowledging the description of Figure 75D in Ginter). Mr. Radbel also acknowledged that the PERC could have a digital signature in the “particular construct” shown in Figure 75D. Ex. 2032 at 279:14-18.⁶

⁶ Because we agree with Apple as to the PERC in Ginter having a digital signature, we need not determine whether the validation tag also is an “authentication code.”

Second, Achates contends that the PERC in Ginter is not a “launch code” comprising indicia of multiple “information product[s],” as recited in claim 1. PO Resp. 9-15 (citing Ex. 2013 IN 55-64). Apple’s position is that the Object ID and key blocks in the PERC both satisfy the “indici[a]” limitations of claim 1. Pet. 25-26. As to the Object ID, Achates contends that (1) Object ID field 940 in Ginter is a single field that identifies the VDE object and, therefore, cannot be both an indicium of a first information product and an indicium of a second information product, (2) Object ID field 940 identifies the “totality” of elements in the VDE object container, not “just” information content 304, and (3) Object ID field 940 has the same datum regardless of whether the container’s content is changed or deleted, which shows that Object ID field 940 is not an “indicium” of a particular information product. PO Resp. 9-13. As to the key blocks, Achates argues that (1) the VDE accesses the datum in the key block to use as a key to decrypt the corresponding data blocks, not “as a pointer to – or indicium of – the data block,” and (2) Ginter permits two key blocks to have the same key, which shows that the key block is not an “indicium” of a particular information product. *Id.* at 13-15.

Achates’s arguments are not persuasive, as they are based on two incorrect premises. *See* Pet. Reply 3-4. The first incorrect premise is that an “indicium” of an information product can *only* identify content within a file and must uniquely identify *only one* information product. *See id.* There is no prohibition in

claim 1 on the indicium indicating other things, and the indicium need not be a “pointer.” *See* Ex. 2032 at 304:18-305:2 (Mr. Radbel stating that he does not “consider indicium to be a pointer”). The only requirement is that it be an “indicium,” or “indication,” of an information product. Mr. Radbel acknowledged that the Object ID in Ginter is used to find the correct content, Ex. 2031 at 45:12-17, and the key blocks are associated with and used to access the data in the correct data block, Ex. 1005 at 127:45-128:2. Achates’s second incorrect premise is that each information product must have a unique indicium. Again, claim 1 does not require that the particular content of the “indici[a]” be different from each other. We are persuaded by Mr. Schneier’s testimony that the key blocks and Object ID in Ginter are “indici[a]” of information products. *See* Pet. 25; Ex. 1003 ¶¶ 146-51, 168.

Third, Achates is incorrect in its assertion that Apple’s analysis is based on “disjoint parts of Ginter without regard to their relationship.” PO Resp. 3-4. Achates does not develop this argument with respect to the particular limitations of claims 1-3 or explain sufficiently why the particular portions of Ginter cited for the limitations of these claims relate to different embodiments, rather than the same preferred embodiment.

We are persuaded, by a preponderance of the evidence, that claim 1, as well as dependent claims 2 and 3, which Achates does not argue separately in its Patent Owner Response, are anticipated by Ginter.

3. *Conclusion*

Based on the record evidence, in light of the arguments presented, Apple has shown, by a preponderance of the evidence, that claims 1-3 are anticipated by Ginter.

F. Ground Based on Pettitt

With respect to the alleged ground of unpatentability based on Pettitt, we have reviewed Apple's Petition, Achates's Patent Owner Response, and Apple's Reply, as well as the evidence discussed in each of those papers. We are persuaded, by a preponderance of the evidence, that claims 1-4 are unpatentable over Pettitt and Beetcher under 35 U.S.C. § 103(a).

1. Pettitt

Pettitt discloses a system for "controlling distribution of software in a multitiered distribution chain" and "distinguishing authorized users from unauthorized users." Ex. 1006, col. 1, ll. 7-10.

Figure 2 of Pettitt is reproduced below.

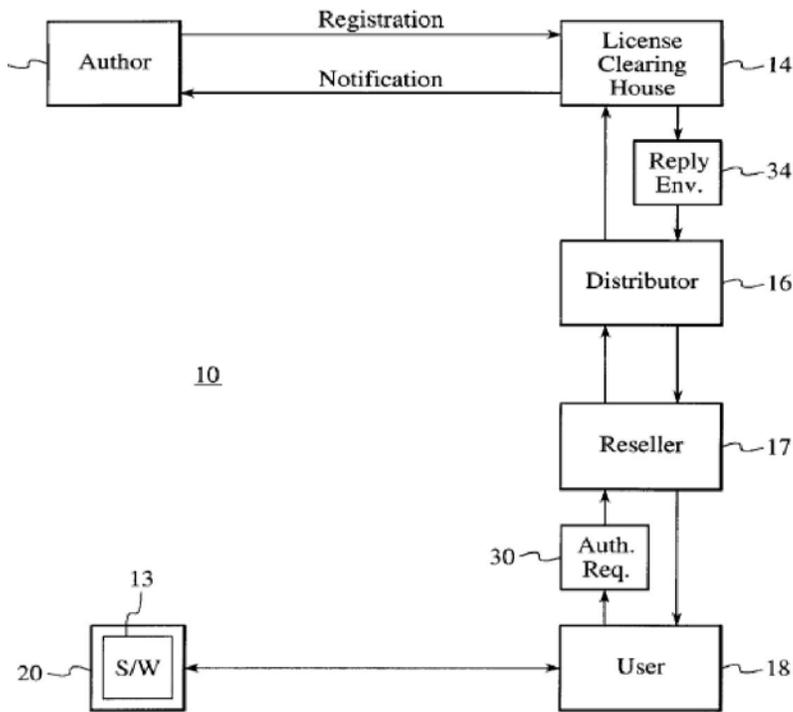


FIG. 2

Figure 2 depicts the entities involved in providing software 13: author 12, license clearing house (LCH) 14, distributor 16, reseller 17, and user 18. Software 13 is packed into a digital shipping container 20, encrypted with a master key, and provided to user 18 (e.g., sold by reseller 17 to the public). *Id.* at col. 3, ll. 28-56. To purchase a license and unlock the container, user 18 sends authorization request 30, which includes information identifying the software, user, and desired method of payment. *Id.* at col. 4, ll. 10-19. The distribution entities communicate with each other to

validate the user's payment and authorize the transaction. *Id.* at col. 4, ll. 20-62. If authorized, LCH 14 creates a reply envelope 34 including:

1. information identifying the software,
2. information identifying the user,
3. the digital signature of the reseller,
4. the digital signature of the distributor,
5. a master key that unlocks the software container 20 (if the transaction has been authorized), and
6. a digital authorization certificate.

Id. at col. 4, l. 63-col. 5, l. 5.

LCH 14 encrypts the contents of the reply envelope with the reseller's public key and "digitally signs the envelope with the signature of LCH 14 by hashing the contents of the reply envelope and encrypting the result of the hash with the LCH's private key." *Id.* at col. 5, ll. 14-24. LCH 14 then sends the reply envelope back through the distribution chain. *Id.* at col. 5, ll. 24-28. Reseller 17 authenticates the digital signature, decrypts the reply envelope using the reseller's public key, and sends the contents of the reply envelope to user 18. *Id.* at col. 5, ll. 45-55. User 18 then "uses the authorization certificate and the master key to unlock the software container 20 and install the software." *Id.* at col. 5, ll. 56-63. Because the digital authorization certificate is derived from the user's information and, therefore, is different for

each user, possession of the digital authorization certificate is “the user’s proof of purchase, and proof that s/he is an authorized user.” *Id.* at col. 5, ll. 58-63.

2. Claims 1-4 are Unpatentable Over Pettitt and Beetcher Claim 1

Pettitt teaches generating a “string, R” (the reseller’s public key), encrypting an “indicium of an end-user’s identity” (information identifying the user) and an “indicium of a first information product” (information identifying the software) to create a “launch code” (the reply envelope), decrypting the “launch code,” and installing the first information product onto the end-user’s computer, as recited in claim 1. *See* Pet. 33-35. Apple relies on Beetcher for the “second information product” limitations of claim 1, as Pettitt refers only to a user purchasing a single piece of software. *See id.* at 36-38; Ex. 1006, col. 2, l. 59-col. 3, l. 1; col. 4, ll. 8-19.

In its Patent Owner Response, Achates makes two arguments regarding claim 1. First, Achates argues that Pettitt does not teach “decrypting said launch code . . . to recover said authentication code,” as recited in claim 1. PO Resp. 19-27. Achates contends that Pettitt’s LCH digital signature and digital authorization certificate, each cited by Apple in the Petition as an “authentication code,” are not authentication codes recovered by decrypting the reply envelope in Pettitt. *Id.* As to the digital authorization certificate, Achates acknowledges that the certificate

is part of the reply envelope and that the “reseller does *recover* the certificate by decrypting the encrypted reply envelope.” *Id.* at 23. Achatés’s position, however, is that the digital authorization certificate is not an “authentication code” for two reasons: (1) the digital authorization certificate is used to unlock and install the software and distinguish authorized from unauthorized users, not to authenticate data, and (2) the digital authorization certificate is not used to authenticate the reply envelope because the reseller authenticates the encrypted reply envelope with the LCH digital signature before the reseller decrypts the reply envelope. *Id.* at 23-27. In support of its position, Achatés relies on Dr. Wang, who explains why he believes that “Pettitt’s digital authorization certificate is not an authentication code.” Ex. 2014 ¶¶ 19-23.

We are persuaded that Pettitt’s decryption of the reply envelope to recover the digital authorization certificate constitutes “decrypting said launch code . . . to recover said authentication code,” as recited in claim 1. *See* Pet. 34; Ex. 1003 ¶¶ 207-208. As explained above, we interpret “authentication code” to mean “a code for authenticating data.” *See supra* Section II.A. The digital authorization certificate is generated by hashing the other five items identified in Pettitt as being part of the reply envelope and encrypting the result with the private key of the LCH. Ex. 1006, col. 5, ll. 6-8. Therefore, the digital authorization certificate is a digital signature, and a function of a digital signature is to authenticate data, as Dr. Wang agrees. *See* Ex. 2034 at 254:15-21,

257:17-23. Pettitt specifies that the digital authorization certificate is “use[d]” to unlock the software container and install the software. Ex. 1006, col. 5, ll. 56-58. Specifically, the user would validate the digital authorization certificate by decrypting the originally encrypted hash (e.g., with the LCH’s public key), generating a new hash from the same five elements used to create the original hash, and comparing the new and original hashes. *See* P. Reply 6; Ex. 2034 at 193:3-194:8, 263:10-15. Thus, the digital authorization certificate authenticates the data that has been “digitally signed” with it. Further, as Achates acknowledges, the digital authorization certificate is part of the encrypted reply envelope, and is recovered when the reply envelope is decrypted. *See* Ex. 1006, col. 4, l. 63-col. 5, l. 8; col. 5, ll. 51-63 (“reseller 17 decrypts the reply envelope . . . and passes the contents onto the user 18”); PO Resp. 23. Therefore, we are persuaded that Pettitt teaches “decrypting said launch code . . . to recover said authentication code,” as recited in claim 1.⁷

We also note that, in its Motion for Observation, Apple cites an email communication between Dr. Wang and Mr. Radbel where Dr. Wang stated: “I am

⁷ Because we agree with Apple that the digital authorization certificate in Pettitt is an “authentication code” recovered by the decryption of a launch code, as recited in claim 1, we need not determine whether the LCH digital signature also is an “authentication code.”

still struggling with their statements like the authorization certificate does not authenticate data . . . I thought we agreed during the call that we are not going to use this line of argument.” Obs. 1 (citing Ex. 1067 at 1). Although the specific “statements” referenced in the email are unknown, we agree with Apple that Dr. Wang’s statement that he was “struggling” with “statements like the authorization certificate does not authenticate data” is inconsistent with his later opinion in his declaration that “a person of ordinary skill in the art would not consider the digital authorization certificate to be . . . a code for authenticating data.” *See id.*; Ex. 2014 ¶¶ 22-23. For this and the other reasons explained above, we find Mr. Schneier’s testimony to be more credible than that of Dr. Wang.

Second, Achates argues that Pettitt and Beetcher do not teach the limitations of claim 1 pertaining to multiple “indici[a]” – namely, decrypting a launch code to recover indicia of first and second information products, and installing the first and second information products. PO Resp. 27-32. According to Achates, Mr. Schneier provides “no reason” why a skilled artisan would modify Pettitt’s reply envelope to be “capable of authorizing the installation of multiple information products.” *Id.* at 28.

We first note that claim 1 does not recite “authorizing” the installation of any information products. The claim only recites “decrypting” the launch code to recover the indicia of the first and second information products, and “installing said first information product

and said second information product onto a computer associated with said end-user.” Moreover, we disagree that Mr. Schneier gives “no reason” for the proposed combination. Mr. Schneier testifies as follows:

I also believe that including more specific indications of more than one information product in the reply envelope of Pettitt would have been obvious to a person of ordinary skill in the art in 1997 because the inclusion of multiple such indicia was well known at the time and well within the skill of the art.

A person of ordinary skill in the art also would have had good reasons to include a list of multiple indicia of information products in the same launch code, as doing so would more efficiently identify multiple information products for which the end-user was licensed.

For example, . . . Becher explains that multiple software modules may be placed on a single distribution medium, and “[e]ach customer will receive a unique entitlement key enabling that customer to run only those software modules to which he is licensed.”

In addition, a person of ordinary skill would have recognized that the Pettitt scheme could have been easily extended to authorize multiple software products. This could have been done, for example, by including multiple “master keys” and/or indicia corresponding to the different software products within the reply envelope sent by the reseller. *Such master keys and indicia would*

be used in the same way as in the example in the patent, which sends a master key for one software product (e.g., it is used to unlock the software container if the transaction has been authorized). Extending Pettitt to include multiple indicia of software products, thus, would have been an obvious alteration of the Pettitt scheme to a person of ordinary skill in the art in April of 1997.

Ex. 1003 ¶¶ 218-21 (citations omitted, emphasis added); *see* Pet. 36-38. We find Mr. Schneier’s analysis supported by the disclosures of the references and persuasive. In addition, Dr. Wang acknowledges that “Pettitt leaves the illegal copying problem to others, and Beetcher addresses this problem with runtime checks.” Ex. 2014 ¶ 67; *see* Pet. Reply 6-7. Thus, Dr. Wang’s own analysis indicates a reason why a skilled artisan would have looked to Beetcher to provide something that the Pettitt system lacks.

Achates also disputes Mr. Schneier’s conclusion that if the Pettitt system were modified to handle multiple software products by including multiple master keys and indicia in the reply envelope, the master keys and indicia would be “used in the same way as in the example in the patent.” PO Resp. 28-32 (citing Ex. 1003 ¶ 221). Achates contends that in Pettitt, there “can be” more than one distributor and more than one reseller, which may not carry all possible software products. *Id.* at 29. Achates then describes a hypothetical situation where a user requests one software product from one distributor/

reseller pair and a second software product from a different distributor/reseller pair, and the LCH generates and transmits the reply envelope in response to the first request before the second request arrives. *Id.* at 29-30. Then, when the second request arrives, the LCH would create a new reply envelope, not a “consolidated reply envelope.” *Id.* at 30. According to Achates, producing a consolidated reply envelope with master keys and indicia for multiple software products would require a “coordination function” at the LCH, as well as resolving various problems with transmission through the distribution chain and decryption of the reply envelope, all of which would amount to a “fundamental redesign” to the Pettitt system. *Id.* at 30-32.

We are not persuaded that a person of ordinary skill in the art would have been incapable of combining, or have had no reason to combine, the teachings of Pettitt and Beetcher in the manner alleged. Pettitt discloses a multitiered software distribution system comprising “one or more distributors” and “one or more optional resellers.” Ex. 1006, col. 3, ll. 28-32. Thus, the system may have only a single distributor and a single reseller (or even no reseller, as it is “optional”), and Achates’s hypothetical situation is not guaranteed to occur. In addition, as Apple points out, Achates’s hypothetical situation is merely attorney argument, unsupported by any testimony from Dr. Wang or Mr. Radbel or other evidence. *See* Pet. Reply 7-8. Dr. Wang also acknowledges that it would be possible to modify the Pettitt system to handle multiple

information products. *See id.*; Ex. 2014 ¶ 67 (“if desired, Beetcher’s prepared software could be distributed on Pettitt’s system”); Ex. 2034 at 314:7-22. Thus, we are persuaded that combining the teachings of Pettitt and Beetcher is proper and that a person of ordinary skill in the art would have had reason to do so in the manner asserted by Apple and Mr. Schneier to arrive at the method of claim 1.

Claim 2

As to claim 2, Achates argues that a person of ordinary skill in the art would not have had reason to combine the teachings of Pettitt and Beetcher. PO Resp. 32-35. Claim 2 recites, *inter alia*, “creating a token,” “encrypting said token,” and “storing said encrypted token on said computer.” As explained above, we interpret “token” to mean “a data structure indicating that an end-user’s computer is granted access to certain information products.” *See supra* Section II.A. In the Petition, Apple contends that when the reseller in Pettitt decrypts the reply envelope, it recreates the unencrypted reply envelope and sends the contents of the reply envelope (a “token”) to the user. Pet. 37-38. The contents of the unencrypted reply envelope (e.g., the master key and digital authorization certificate) are stored in the memory of the user’s computer because they are used to unlock the software. *Id.* (citing Ex. 2003 ¶ 244). Apple further contends that although Pettitt does not teach encrypting the contents of the reply envelope in memory on the user’s computer, doing so would have

been an obvious, logical step based on Beetcher and would have been obvious given the fact that Pettitt teaches encrypting the reply envelope at various stages for security. *Id.* Mr. Schneier testifies that a “person of ordinary skill would recognize that encrypting a locally stored token would help protect the contents of the token from theft.” Ex. 1003 ¶ 243 (citing Beetcher, Ex. 1007, col. 10, ll. 27-31, which teaches local storage of an encrypted entitlement key).

Achates contends that storing the encrypted reply envelope on the user’s computer would not make sense because the encrypted reply envelope is encrypted with the public key of the reseller, so only the reseller, not the user, can decrypt it. PO Resp. 33. Pettitt, however, does not teach that the user ever receives the encrypted reply envelope. *See* Pet. Reply 8. Rather, the reseller decrypts the reply envelope and sends the *contents* to the user in unencrypted form. Ex. 1006, col. 5, ll. 51-55. Thus, it is the *contents* of the reply envelope that are stored on the user’s computer, and we agree that it would have been obvious based on Beetcher to encrypt those contents when they are stored there.

Achates also asserts that because the reseller sends the master key (along with the other contents of the reply envelope) to the user, there is no reason for the user to back up the reply envelope locally once the user has used the master key to install the software. PO Resp. 33-34. In addition, according to Achates, there is no need to save the encrypted reply

envelope because the user can back up the software itself. *Id.* at 34-35. Again, Achates misstates Apple's position, focusing on the encrypted reply envelope rather than the *contents* of the envelope that the user receives. In Pettitt, all of the contents are sent to the user, the master key and digital authorization certificate are used to unlock and install the software, and thereafter "the possession of the authorization certificate is the user's proof of purchase, and proof that s/he is an authorized user." Ex. 1006, col. 5, ll. 56-63. Thus, there are reasons for the user in Pettitt to store the token, including the digital authorization certificate, locally – namely, to install and unlock the software and provide proof of purchase. *See* Pet. Reply 8-9; Ex. 1003 ¶¶ 240-44.

We also note that Achates does not dispute the underlying reasons provided by Mr. Schneier for why a person of ordinary skill in the art would have combined the teachings of Pettitt and Beetcher in the manner proposed. Mr. Schneier testifies that encrypting locally stored tokens was well known at the time and that a skilled artisan would have had reason to encrypt the token in Pettitt to ensure its security. Ex. 1003 ¶¶ 242-44. Dr. Wang agrees that it generally is a good practice to encrypt a file stored in nonvolatile storage to "protect the confidentiality of the file." Ex. 2035 at 395:3-15, 400:1-6. We give Mr. Schneier's analysis regarding the combination of Pettitt and Beetcher substantial weight, and conclude that Apple has shown 'some articulated reasoning with some rational underpinning to support the legal conclusion

of obviousness.’” See *KSR Intl Co. v. Teleflex Inc.*, 550 U.S. 398, 417-18 (2007) (citation omitted).

We are persuaded, by a preponderance of the evidence, that claims 1 and 2, as well as dependent claims 3 and 4, which Achates does not argue separately in its Patent Owner Response, would have been obvious over Pettitt and Beetcher.

3. *Conclusion*

Based on the record evidence, in light of the arguments presented, Apple has shown, by a preponderance of the evidence, that claims 1-4 are unpatentable over Pettitt and Beetcher.

G. Ground Based on Beetcher

With respect to the alleged ground of unpatentability based on Beetcher, we have reviewed Apple’s Petition, Achates’s Patent Owner Response, and Apple’s Reply, as well as the evidence discussed in each of those papers. We are persuaded, by a preponderance of the evidence, that claims 1-4 are unpatentable over Beetcher and Ginter under 35 U.S.C. § 103(a).

1. *Beetcher*

Beetcher discloses a system for “restricting the ability of a computer user to use licensed software in a manner inconsistent with the license.” Ex. 1007, col. 1, ll. 9-12.

Figure 1 of Beetcher is reproduced below.

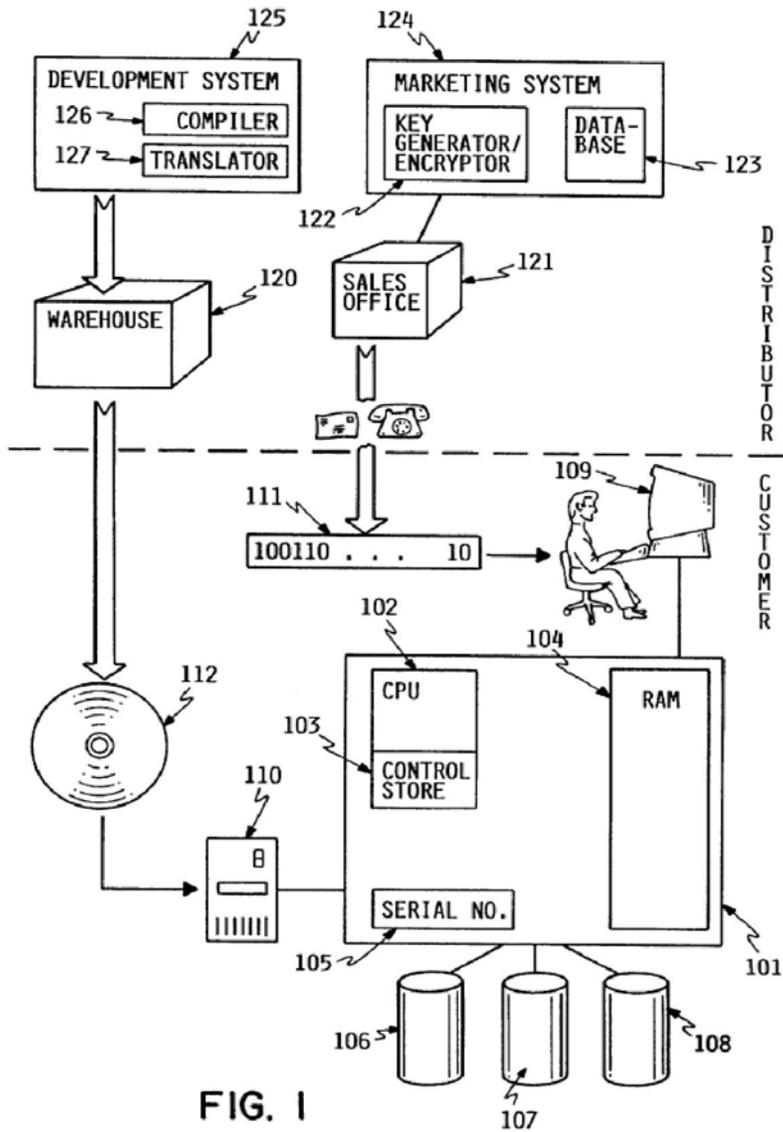


Figure 1 depicts various distributor and customer devices. The customer's computer has machine serial

number 105. *Id.* at col. 5, ll. 17-23. A “generic set of software modules” stored on software media 112 is distributed to the customer separately from encrypted entitlement key 111, which “contains information enabling system 101 to determine which software modules are entitled to execute on it.” *Id.* at col. 5, l. 65-col. 6, l. 7. The customer “load[s] the desired software modules from [software media 112 and] unit 110 into system 101, and store[s] the software modules on storage devices 106-108.” *Id.* at col. 6, ll. 11-15. Entitlement key 111 includes certain information, such as software version field 202, machine serial number field 204, and product entitlement flags 205, “each corresponding to a product number” for a product that the customer may be authorized to use. *Id.* at col. 6, ll. 20-40; Fig. 2. Entitlement key 111 is encrypted using a machine key derived from machine serial number 105. *Id.* at col. 5, ll. 44-50; col. 9, ll. 55-60.

The customer receives encrypted entitlement key 111 and enters it into the computer. *Id.* at col. 9, ll. 51-52. The customer’s computer then decodes encrypted entitlement key 111 using the machine key, stores the key in an encoded product key table, and stores the key and software version number in a product lock table. *Id.* at col. 6, l. 66-col. 7, l. 42. The encoded product key table and product lock table both are stored in random access memory (RAM), and the encoded product key table also is stored on a non-volatile storage device so that it can be recovered when the system is powered down and then re-initialized

(i.e., the encoded product key table is persistent). *Id.* at col. 8, ll. 23-27, 43-46. Products are unlocked “on demand.” *Id.* at col. 10, ll. 20-39. “Upon first execution of a previously unentitled software product,” an unlock routine “fetches the encrypted entitlement key from the appropriate entry in [the] encoded product key table,” “obtains the machine key,” “decodes the entitlement key,” and sets the product lock table accordingly if the entitlement key indicates that the user is entitled to use the software. *Id.* Upon subsequent executions of the software product, the system checks the product lock table to determine if the software is entitled to execute. *Id.* at col. 10, ll. 48-62.

*2. Claims 1-4 are Unpatentable Over
Beetcher and Ginter Claims 1-3*

Beetcher teaches generating a “string, R” (the machine key), encrypting an “indicium of an end-user’s identity” (the machine serial number) and indicia of first and second “information product[s]” (the entitlement flags) to create a “launch code” (the entitlement key), decrypting the “launch code,” and installing the first information product onto the end-user’s computer, as recited in claim 1. *See* Pet. 8-11. Apple relies on Ginter’s use of a digital signature for the “authentication code” limitations of claim 1 because the version number and machine serial number in Beetcher are used for purposes other than authenticating data *See id.* at 10; Ex. 1007, col. 10, ll. 2-5, 56-60.

Achates makes three arguments regarding claim 1. First, Achates argues that Beetcher and Ginter do not teach “decrypting said launch code . . . to recover said authentication code,” as recited in claim 1, because Ginter’s permissions record (PERC) does not include a digital signature that can be recovered by decrypting the PERC. PO Resp. 36-40. We disagree, for the reasons explained above. *See supra* Section II.E.2. In addition, Achates’s argument is directed to Ginter individually, but Apple’s position regarding the recited “decrypting” step is premised on the combination of Beetcher and Ginter. Apple relies on Beetcher for the underlying teaching of decrypting an encrypted “launch code” (the entitlement key) to recover the software version number and machine serial number, and, because those two values are not authentication codes, relies on Ginter’s teaching of a digital signature within an encrypted “launch code” (the PERC). *See* Pet. 13-14; Ex. 1003 ¶¶ 275-78. Given Ginter’s teaching of a digital signature within a PERC, Achates does not explain sufficiently why the substitution proposed by Apple would not result in the recited “decrypting” step. *See In re Merck & Co., Inc.*, 800 F.2d 1091, 1097 (Fed. Cir. 1986) (“Non-obviousness cannot be established by attacking references individually where the rejection is based upon the teachings of a combination of references.”).

Second, Achates argues that a person of ordinary skill in the art in 1997 would not have been motivated to include a digital signature in the entitlement key of Beetcher. PO Resp. 41-42. Achates contends

that “public key cryptography was patented and the owner of the dominant patent was known to be litigious and the cost of its licenses high,” citing a 1997 article regarding U.S. Patent No. 4,405,829. *Id.* (citing Ex. 2015). Achates also points to the following testimony from Mr. Schneier:

Q. Does the fact that the digital signatures were all patents in the 1997 time frame create a motivation not to use digital signatures?

A. Of course.

Ex. 1046 at 484:5-9.

We first note that Mr. Schneier later testified during redirect examination that he “may have made a mistake” regarding the testimony cited above because at least one digital signature algorithm of the time was in the public domain. *Id.* at 494:4-495:7. Moreover, even assuming that Achates is correct, Achates’s argument is not that it would have been technically infeasible, or even technically difficult, for a person of ordinary skill in the art to use a digital signature in the context of Beetcher – just that the financial cost of doing so would have been high. We do not consider this to be a sufficient impediment to dissuade a skilled artisan from using digital signatures. Indeed, Mr. Schneier testifies that digital signatures were “widely used in April 1997” in systems analogous to that of Beetcher, and provides detailed reasons why a person of ordinary skill in the art would have wanted to use a digital signature. *See*

Ex. 1003 ¶¶ 275-78. Achates gives no basis for believing that testimony to be incorrect.

Third, relying on its other arguments addressed above, Achates argues that “[t]he nature and number of mistakes that [Apple] and Mr. Schneier make in their interpretation of the reference[s] betrays the[] fact that their propositions are based almost entirely on hindsight.” PO Resp. 43. Achates further contends that a person of ordinary skill in the art would not have considered combining the references, citing Mr. Schneier’s testimony that if he were tasked with solving the problem of small-scale software piracy in 1997, he would not have “bother[ed]” with Ginter. *Id.* at 43-44 (citing Ex. 1045 at 350:17-352:3, Ex. 1046 at 392:7-18). As explained above, we do not agree that Apple and Mr. Schneier misread Ginter or the other references, and are persuaded by Mr. Schneier’s reasons as to why a person of ordinary skill in the art would have combined the teachings of Beetcher and Ginter. The cited portions of Mr. Schneier’s testimony, which address how Mr. Schneier would have built a system and only show that he would not have looked to Ginter because it is “long” and “complex” and has many “unnecessary things,” do not refute those reasons. *See* Ex. 1045 at 350:17-352:3; Ex. 1046 at 392:7-18.

We are persuaded, by a preponderance of the evidence, that claim 1, as well as dependent claims 2 and 3, which Achates does not argue separately in its Patent Owner Response, would have been obvious over Beetcher and Ginter.

Claim 4

As to claim 4, Apple argues that claim 4 is unpatentable based on the combination of Beetcher and Ginter in two respects. First, as explained above, Apple relies on Beetcher as teaching all limitations of claim 4 other than the “authentication code” limitations, and relies on Ginter as teaching the use of an “authentication code.” Pet. 9-16. Second, Apple relies on Ginter as teaching all limitations of claim 4 other than “identical” strings R (for encrypting items to create a launch code) and T (for encrypting a token), and relies on Beetcher as teaching that limitation. *Id.* at 32-33. In the Decision on Institution, we determined that Apple had established a reasonable likelihood of prevailing based on Beetcher and Ginter for both reasons. Dec. on Inst. 22-23, 30. Achatas does not argue claim 4 separately in its Patent Owner Response on either basis, instead relying on its arguments as to independent claim 1. *See* PO Resp. 15-16, 40, 42. After reviewing Apple’s arguments in the Petition, and Mr. Schneier’s supporting testimony, we are persuaded, by a preponderance of the evidence, that claim 4 would have been obvious over Beetcher and Ginter on both bases. *See* Pet. 9-16, 32-33; Ex. 1003 ¶¶ 194-99, 294-96, 298.

3. Conclusion

Based on the record evidence, in light of the arguments presented, Apple has shown, by a preponderance of the evidence, that claims 1-4 are unpatentable over Beetcher and Ginter.

H. Apple's Motion for Observation on Email Communications and Achates's Motion to Seal

Apple's Motion for Observation on email communications between Mr. Radbel and Dr. Wang pertains to certain statements the witnesses made regarding the term "authentication code" used in the claims (citing Exs. 1067, 1068). *See* Obs. 1-3. We have considered Apple's observations and Achates's response, and have addressed them above where relevant. *See supra* Section II.F.2; Obs. 1-3; Obs. Resp. 1-4.

Achates also moves to seal the email communications (Exhibits 1067 and 1068), as well as Apple's Motion for Observation (Paper 64)⁸ and Achates's response (Paper 69). Mot. to Seal 2-4. In previous Orders, we ordered Achates to produce the emails, authorized Apple to file them as exhibits in this proceeding, and authorized Achates to file a motion to seal. *See* Papers 43, 52, 58, 63.

⁸ Apple's exhibit list (Paper 65), filed with its Motion for Observation, also was filed under seal.

There is a strong public policy in favor of making information filed in an *inter partes* review open to the public, especially because the proceeding determines the patentability of claims in an issued patent and, therefore, affects the rights of the public. Under 35 U.S.C. § 316(a)(1) and 37 C.F.R. § 42.14, the default rule is that all papers filed in an *inter partes* review are open and available for access by the public; a party, however, may file a motion to seal and the information at issue is sealed pending the outcome of the motion. It is, however, only “confidential information” that is protected from disclosure. 35 U.S.C. § 316(a)(7). In that regard, the Trial Practice Guide, 77 Fed. Reg. at 48,760, provides:

The rules aim to strike a balance between the public’s interest in maintaining a complete and understandable file history and the parties’ interest in protecting truly sensitive information.

...

Confidential Information: The rules identify confidential information in a manner consistent with Federal Rule of Civil Procedure 26(c)(1)(G), which provides for protective orders for trade secret or other confidential research, development, or commercial information. § 42.54.

The standard for granting a motion to seal is “for good cause.” 37 C.F.R. § 42.54(a). Achates, as movant, bears the burden of proof in showing entitlement to the requested relief. 37 C.F.R. § 42.20(c). Achates

must explain why the information sought to be sealed constitutes “confidential information.”

Achates has not met its burden to show that the emails, and the papers citing the emails, contain “confidential information.” The emails contain discussions between Achates’s two declarants, Mr. Radbel and Dr. Wang, regarding their opinions on the prior art at issue in this proceeding. *See* Exs. 1067, 1068. They do not appear to contain any trade secrets, research information, or information that would be commercially sensitive.

Achates makes three arguments in its Motion to Seal. First, Achates argues that the parties agreed not to permit discovery regarding the “process” of producing declarations and, therefore, had a “shared expectation that such information would be maintained confidentially and certainly not be made available to the public.” Mot. to Seal 2-3. We addressed this issue in ruling on Apple’s motion for additional discovery, and were not persuaded by Achates’s argument regarding an alleged agreement between the parties. *See* Paper 58 at 8. For the same reasons, we are not persuaded that the emails should be sealed as “confidential information” based on the alleged agreement.

Second, Achates argues that the emails contain “confidential communications with and at the direction of counsel,” and are “immune from discovery at least under the doctrine of work-product immunity.” Mot. to Seal 3 & n.1. Similar to the argument it made

in connection with Apple's motion for additional discovery, Achates does not cite any case law or explain in any detail *why* it believes the emails are privileged. *See* Paper 58 at 8. Moreover, Achates did not seek rehearing of our decision granting the motion for additional discovery, and produced the emails to Apple. We also note that, contrary to Achates's assertion that the emails are confidential communications "with" counsel, the emails at issue are "directly" between Mr. Radbel and Dr. Wang, in accordance with the limited additional discovery we authorized. *See id.* at 9; Exs. 1067, 1068.

Third, Achates contends that because Apple's observations are "rank speculation and offer no insights into the credibility" of Mr. Radbel and Dr. Wang, the Board should not review them in its analysis and "there is no need to make [the emails] available to the public." Mot. to Seal 3-4. Whether an opposing party's position regarding a document ultimately has merit, however, is not the test for determining whether the document should be sealed. The test is whether the material contains "confidential information," and Achates has not shown that the emails do.

As Achates provides no basis for deeming the emails to contain "confidential information," its Motion to Seal is denied. Papers 64, 65, and 69, and Exhibits 1067 and 1068, will be unsealed, and access to the materials in the Patent Review Processing System (PRPS) will be changed from "Parties and Board Only" to "Public."

I. Achates's Motion to Exclude

In its Motion to Exclude, Achates seeks to exclude the declaration of Mr. Schneier (Exhibit 1003) submitted by Apple with the Petition. For the reasons discussed below, the motion is denied.

With few exceptions, the Federal Rules of Evidence apply to *inter partes* review proceedings. 37 C.F.R. § 42.62(a). The rules governing *inter partes* review set forth the proper procedure for objecting to, and moving to exclude, evidence when appropriate. When a party objects to evidence that was submitted during a preliminary proceeding, such an objection must be served within ten business days of the institution of trial. 37 C.F.R. § 42.64(b)(1). The objection to the evidence must identify the grounds for the objection with sufficient particularity to allow correction in the form of supplemental evidence. *Id.* This process allows the party relying on the evidence to which an objection is served timely the opportunity to correct, by serving supplemental evidence within ten business days of the service of the objection. *See* 37 C.F.R. §§ 42.64(b)(1), 42.64(b)(2). If, upon receiving the supplemental evidence, the opposing party is still of the opinion that the evidence is inadmissible, the opposing party may file a motion to exclude such evidence. 37 C.F.R. § 42.64(c).

Achates alleges various reasons why Mr. Schneier's declaration (Exhibit 1003) should be excluded. Mot. to Exclude 1-8. The declaration, however, was submitted by Apple with its Petition for

inter partes review (Paper 1). Because the evidence was submitted during a preliminary proceeding, any objection to such evidence must have been served within ten business days of the institution of the trial. 37 C.F.R. § 42.64(b)(1). Achates does not allege that Apple was served with any objection within ten business days of the institution of trial (Paper 21, dated June 3, 2013) or at any other time. Instead, Achates submits that 37 C.F.R. § 42.64 does not apply “because the bases of the objections arose when [Apple] failed to update Mr. Schneier’s declaration as part of its Reply.” Mot. to Exclude 7. Achates does not point to any rule or authority in support of the theory that Apple had a duty to “update” a declaration that was submitted with the Petition for *inter partes* review. Moreover, Apple would have had the right to serve supplemental evidence for the purpose of correcting any evidentiary deficiencies in the declaration, had Apple been provided with proper and timely notice, as required by 37 C.F.R. § 42.64. Thus, we are not persuaded that Mr. Schneier’s declaration should be excluded.

III. ORDER

Apple has demonstrated, by a preponderance of the evidence, that:

- (1) claims 1-3 are anticipated by Ginter under 35 U.S.C. § 102(e);

(2) claims 1-4 are unpatentable over Pettitt and Beetcher under 35 U.S.C. § 103(a); and

(3) claims 1-4 are unpatentable over Beetcher and Ginter under 35 U.S.C. § 103(a).

In consideration of the foregoing, it is hereby:

ORDERED that claims 1-4 of the '889 patent have been shown to be unpatentable;

FURTHER ORDERED that Achates's Motion to Exclude is *denied*;

FURTHER ORDERED that Achates's Motion to Seal is *denied*;

FURTHER ORDERED that Papers 64, 65, and 69, and Exhibits 1067 and 1068, are unsealed; and

FURTHER ORDERED that the copies of Exhibits 1003 and 1041 filed on December 14, 2012, are expunged from the record of this proceeding.

This is a final decision. Parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

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APPENDIX D

UNITED STATES PATENT
AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL
AND APPEAL BOARD

APPLE INC.
Petitioner

v.

ACHATES REFERENCE PUBLISHING, INC.
Patent Owner

Case IPR2013-00080
Patent 6,173,403 B1

Before HOWARD B. BLANKENSHIP, JUSTIN T.
ARBES, and GREGG I. ANDERSON, *Administrative
Patent Judges*.

ARBES, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
35 U.S.C. § 318(a) and 37 C.F.R. § 42.73

Paper 90
Entered: June 2, 2014

I. BACKGROUND

Petitioner Apple Inc. (“Apple”) filed a Petition (Paper 2) (“Pet.”) seeking *inter partes* review of claims 1-12 and 17-19 of U.S. Patent No. 6,173,403 B1 (“the ’403 patent”) pursuant to 35 U.S.C. §§ 311-19. On June 3, 2013, we instituted an *inter partes* review of claims 1-12 and 17-19 on six grounds of unpatentability (Paper 22) (“Dec. on Inst.”).

Patent Owner Achates Reference Publishing, Inc. (“Achates”) filed a Patent Owner Response (Paper 39) (“PO Resp.”), which included a statement of material facts. Apple filed a Reply (Paper 58) (“Pet. Reply”) and a response (Paper 59) (“Pet. SOF Resp.”) to the statement of material facts.

Achates filed a Motion to Exclude¹ (Paper 69) (“Mot. to Exclude”) certain testimony and evidence submitted by Apple in the proceeding, and included a statement of material facts. Apple filed an Opposition to the Motion to Exclude (Paper 70) (“Exclude Opp.”) and a response (Paper 71) (“Exclude SOF Resp.”) to the statement of material facts. Achates filed a Reply (Paper 72) (“Exclude Reply”).

Apple filed a Motion for Observation (Paper 74) (“Obs.”) on certain email communications (Exhibits 1067 and 1068) between Achates’s two declarants, Mr. Dmitry Radbel and Dr. Xin Wang. Achates filed a

¹ Achates’s original motion was improper, and Achates was permitted to re-file its motion. *See* Paper 68.

response (Paper 79) (“Obs. Resp.”). Achates also filed a Motion to Seal (Paper 78) (“Mot. to Seal”) the email communications, and Apple filed an opposition (Paper 84) (“Seal Opp.”).

An oral hearing was held on February 26, 2014, and a transcript of the hearing is included in the record (Paper 89) (“Tr.”).

We have jurisdiction under 35 U.S.C. § 6(c). This final written decision is issued pursuant to 35 U.S.C. § 318(a) and 37 C.F.R. § 42.73.

For the reasons that follow, we determine that Apple has shown by a preponderance of the evidence that claims 1-12 and 17-19 of the ’403 patent are unpatentable.

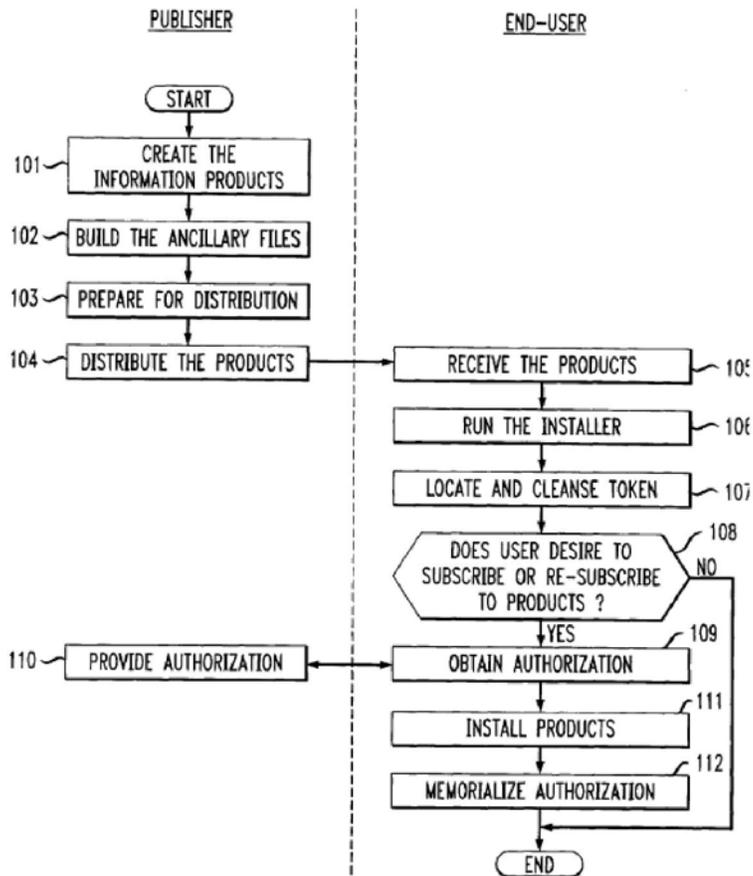
A. *The ’403 Patent*

The ’403 patent² relates to “distributing and installing computer programs and data.” Ex. 1039, col. 1, ll. 10-13. The ’403 patent describes a need in the art to prevent piracy of information products, such as, for example, when a user obtains a computer program improperly or when a user purchases one copy of a program and installs it on multiple computers without authorization. *Id.* at col. 1, ll. 16-64. The ’403

² The ’403 patent is a continuation-in-part of U.S. Patent Application No. 08/845,805, which issued as U.S. Patent No. 5,982,889 (“the ’889 patent”). The ’889 patent is the subject of related Case IPR2013-00081.

patent discloses methods of “distributing one or more information products together . . . while reserving to the publisher the ability to control which products are actually installed on an end-user’s computer.” *Id.* at col. 2, ll. 2-7.

Figure 1 of the '403 patent, reproduced below, depicts the interaction between a publisher and end-user (e.g., an individual purchasing a piece of software).



As shown in Figure 1, in steps 101-102, the publisher creates a set of information products and other files. *Id.* at col. 3, ll. 32-38; col. 5, ll. 29-34. The '403 patent describes a "plurality of web pages that constitute some of the legislative, administrative and judicial materials associated with patent law," where the web pages include hyperlinks to each other, as an exemplary information product. *Id.* at col. 2, l. 64-col. 3, l. 1; col. 4, ll. 4-9. In step 103, the publisher encrypts the information products with a string as the encryption key. *Id.* at col. 7, ll. 33-42. In step 104, the information products are distributed to the end-user (e.g., on a CD-ROM or electronically over the Internet) along with an "installer" program that runs on the end-user's computer and allows the publisher to "control how and under what circumstances the information products are installed on the end-user's computer." *Id.* at col. 2, ll. 37-47; col. 7, ll. 61-67. The installer knows the cryptosystem and key for decrypting the information products. *Id.* at col. 7, ll. 53-57.

In steps 105-106, the end-user receives the information products and runs the installer. *Id.* at col. 8, ll. 1-12. In step 107, the installer checks to see whether the end-user's computer has a previously-stored, encrypted "token" indicating that the publisher granted authorization earlier to install the information products (e.g., when an end-user has a subscription to receive multiple products over time). *Id.* at col. 8, ll. 13-27. In step 108, the end-user is asked whether he or she wants to subscribe to the information products. *Id.* at col. 9, ll. 51-57. If so, in

steps 109-110, the end-user “acquires the installer’s cooperation to decrypt and install the respective information products” by transmitting information to the publisher, receiving a “launch code” from the publisher in response, and entering the “launch code” into the installer. *Id.* at col. 9, l. 58-col. 10, l. 4; Fig. 4. Specifically, the end-user contacts the publisher (e.g., via telephone or the Internet) and provides (1) the end-user’s name and address; (2) the end-user’s method of payment; (3) the name of the requested information products; and (4) a serial number R generated by the installer. *Id.* at col. 10, ll. 5-28.

After verifying the payment, the publisher provides to the end-user a “launch code” comprising “(1) an authentication code; (2) an indicium of the name of the end-user; (3) a list of the information products to which the end-user has been granted access: and (4) an indicium of when the authorization for each information product expires,” encrypted using R as the key. *Id.* at col. 10, ll. 29-44. The end-user enters the launch code into the installer, and the installer decrypts the launch code using R as the key to extract the authentication code contained therein. *Id.* at col. 10, ll. 42-49. If the authentication code matches what the installer expects, the launch code is authentic. *Id.* at col. 10, ll. 45-60; col. 11, ll. 16-37. The information products can be installed in step 111 and, if necessary, the encrypted “token” on the end-user’s computer is updated in step 112 (the “token” contains the same four pieces of information as the launch code). *Id.*; col. 8, ll. 36-43. By generating a new

R each time the installer requests a launch code, the disclosed method “prevent[s] the end-user from using a single launch code to install the information products on multiple computers.” *Id.* at col. 10, ll. 61-64.

B. Illustrative Claims

Claims 1 and 17 of the '403 patent are the only independent claims at issue:

1. A method comprising:

receiving an encrypted launch code;

decrypting said encrypted launch code with a string, R, as the key to recover a first candidate authentication code and an indicium of a first information product; and

installing said first information product onto said computer when said candidate authorization code matches a first known authorization code

17. A method comprising:

reading an encrypted token from a computer;

decrypting said encrypted token with a string, T, as the key to recover a token that comprises an indicium of a first information product;

modifying said token to comprise an indicium of a second information product;

encrypting said token with said string, T, as the key to create a newly encrypted token; and

storing said newly encrypted token on said computer.

C. *Prior Art*

The pending grounds of unpatentability in this *inter partes* review are based on the following prior art:

1. U.S. Patent No. 5,864,620, filed Apr. 24, 1996, issued Jan. 26, 1999 (“Pettitt”) (Ex. 1006);

2. U.S. Patent No. 5,933,497, filed Jan. 29, 1993, issued Aug. 3, 1999 (“Beetcher”) (Ex. 1007) (claims priority to U.S. Patent Application No. 07/629,295, filed Dec. 14, 1990);

3. U.S. Patent No. 5,949,876, filed Jan. 8, 1997, issued Sept. 7, 1999 (“Ginter”) (Ex. 1005) (claims priority to U.S. Patent Application No. 08/388,107, filed Feb. 13, 1995); and

4. U.S. Patent No. 6,134,324, filed May 29, 1997, issued Oct. 17, 2000 (“Bohannon”) (Ex. 1008) (claims priority to U.S. Patent Application No. 07/739,206, filed July 31, 1991).

D. Pending Grounds of Unpatentability

This *inter partes* review involves the following grounds of unpatentability:

Reference(s)	Basis	Claims(s)
Pettitt	35 U.S.C. § 102(e)	1
Pettitt and Beetcher	35 U.S.C. § 103(a)	2, 4, 5, 7, and 9
Beetcher	35 U.S.C. § 102(e)	17-19
Beetcher, Ginter, and Bohannon	35 U.S.C. § 103(a)	1-12
Ginter	35 U.S.C. § 102(e)	1-7, 9-12, and 17-19
Ginter and Beetcher	35 U.S.C. § 103(a)	8

II. ANALYSIS

A. *Claim Interpretation*

In the Decision on Institution, we interpreted various claim terms of the '403 patent as follows:

Term	Interpretation
“authentication code” (claim 1)	a code for authenticating data
“candidate authorization code” (claim 1)	candidate authentication code
“known authorization code” (claim 1)	known authentication code

“installing” (claim 1)	placing in a position so as to be ready for use
“launch code” (claim 1)	password
“token” (claims 4 and 17)	a data structure indicating that an end-user’s computer is granted access to certain information products

Dec. on Inst. 8-14. The parties agree with these interpretations, *see* PO Resp. 1, and we incorporate our previous analysis for purposes of this decision.

B. Section 315(b)

Achates argues in its Patent Owner Response that Apple’s Petition is time-barred under 35 U.S.C. § 315(b), which provides that an *inter partes* review may not be instituted based on a petition “filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent.” PO Resp. 46-52. Achates contends that QuickOffice, Inc. (“QuickOffice”), one of Apple’s co-defendants in *Achates Reference Publishing, Inc. v. Symantec Corp.*, Case No. 2:11-cv-00294-JRG-RSP (E.D. Tex.) (“the related litigation”), was served with a complaint alleging infringement of the ’403 patent on June 20, 2011 – more than one year before December 14, 2012, the filing date of the Petition in this proceeding. PO Resp. 46, 57. Achates made a substantially similar argument in its Preliminary

Response, and we concluded that the Petition was not time-barred. *See* Paper 14 at 6-21; Dec. on Inst. 14-21. We reach the same conclusion now.³

Whether a non-party is a “privy” for purposes of an *inter partes* review proceeding is a “highly fact-dependent question” that takes into account how courts generally have used the term to “describe relationships and considerations sufficient to justify applying conventional principles of estoppel and preclusion.” Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,759 (Aug. 14, 2012) (“Trial Practice Guide”). Whether parties are in privity depends on whether the relationship between a party and its alleged privy is “sufficiently close such that both should be bound by the trial outcome and related estoppels.” *Id.* Depending on the circumstances, a number of factors may be relevant to the analysis, including whether the non-party “exercised or could have exercised control over a party’s participation in a proceeding” or whether the non-party is responsible for funding and directing the proceeding. *Id.* at 48,759-60. We also find guidance in the Supreme Court’s decision in *Taylor v. Sturgell*, 553 U.S. 880 (2008), which sets forth the general rule under federal common law that a person not a party to a lawsuit is not bound by a judgment in that suit, subject to certain exceptions, including the following:

³ Also, in an earlier Order, we denied Achates’s request for additional discovery on the Section 315(b) issue. Paper 18.

[N]onparty preclusion may be justified based on a variety of pre-existing “substantive legal relationship[s]” between the person to be bound and a party to the judgment. Qualifying relationships include, but are not limited to, preceding and succeeding owners of property, bailee and bailor, and assignee and assignor. These exceptions originated “as much from the needs of property law as from the values of preclusion by judgment.”

553 U.S. at 894 (citations omitted); *see* Trial Practice Guide at 48,759 (citing *Taylor*).

Achates contends that QuickOffice had a pre-existing substantive legal relationship with Apple and, therefore, is a privy of Apple under *Taylor*. PO Resp. 46-52. In support of its position, Achates cites a publicly available software development kit (SDK) agreement that Apple allegedly enters into with iPhone application developers like QuickOffice. *Id.* at 48. The SDK agreement includes a clause requiring the developer to indemnify Apple for third party patent infringement claims:

To the extent permitted by law, *You agree to indemnify, defend and hold harmless Apple, its directors, officers, employees, independent contractors and agents (each an “Apple Indemnified Party”) from any and all claims, losses, liabilities, damages, expenses and costs (including without limitation attorneys fees and court costs) (collectively “Losses”) incurred by an Apple Indemnified Party as a result of Your breach of this*

Agreement, a breach of any certification, covenant, representation or warranty made by You in this Agreement, *any claims that Your Applications violate or infringe any third party intellectual property or proprietary rights, or otherwise related to or arising from Your use of the SDK, Your Application(s) or Your development of Applications.*

...

In no event may You enter into any settlement or like agreement with a third party that affects Apple's rights or binds Apple in any way, without the prior written consent of Apple.

Ex. 2006 § 6 (emphasis added). According to Achatas, the fact that co-defendant QuickOffice would be obligated to indemnify Apple for infringement claims against the “same accused instrumentality” (i.e., a QuickOffice application), and would be prevented from settling in the litigation without Apple’s consent, means that QuickOffice and Apple are in privity with each other. PO Resp. 47-52. Apple acknowledges that it entered into “at least one form of an agreement related to app[lication] development with [QuickOffice],” but does not admit that the agreement included the indemnification provision cited by Achatas. Pet. SOF Resp. ¶¶ 129-30.

We first note that Achatas provides no evidence that QuickOffice had any role in the filing or funding of the Petition in this proceeding, or that QuickOffice exercised control or could have exercised control over

Apple's participation in this proceeding. *See* Trial Practice Guide, 77 Fed. Reg. at 48,759. Achates's sole evidence is the indemnification language in the SDK agreement and the fact that Apple and QuickOffice were co-defendants.

Even assuming that the specific indemnification provision of the SDK agreement applies to QuickOffice (and Achates has not shown that it does), we are not persuaded that the provision is indicative of QuickOffice being a privy of Apple. The agreement does not give the developer the right to intervene or control Apple's defense to any charge of patent infringement, nor has Achates argued that to be the case for QuickOffice in the related litigation. Notably, indemnification is not one of the "substantive legal relationships" cited in *Taylor* (e.g., assignee-assignor), and is significantly different from those relationships, which involve successive interests in the same property.

Further, as Apple points out, Achates's actions in the related litigation refute its allegations of privity. *See* Pet. Reply 15. Achates accuses Apple of infringing the '403 patent based on Apple's own actions as well as those of QuickOffice, and likewise accused QuickOffice of infringement based on activities relating to the Apple App Store as well as other systems (e.g., the Amazon Appstore for Android). *See* Ex. 1037 ¶¶ 51-52; Ex. 1038 at 84-90. Achates also is continuing to assert the '403 patent against Apple in the related litigation even after settling with the co-defendant application developers, including QuickOffice. *See* PO

Resp. 58. Thus, at least according to Achates, there is a distinct basis for liability against Apple, different from that against the developers. As such, it does not appear that Apple would be estopped by any judgment against the developers. For instance, even if a judgment were obtained against one or more of the developers, Apple would still be exposed to an adverse judgment based on its own actions and would assert its own defenses independent of the developers. This further indicates that the relationship between Apple and the developers, such as QuickOffice, is not of the type that would make the developers privies of Apple.

We are not persuaded that the Petition is time-barred under Section 315(b) on the basis that QuickOffice is a privy of Apple.

C. Credibility of Mr. Schneier

As an initial matter, Achates in its Patent Owner Response challenges the credibility of Apple's declarant, Bruce Schneier. PO Resp. 52-56. Mr. Schneier provided testimony regarding the '403 patent and the prior art in a declaration submitted with Apple's Petition. Ex. 1041.⁴ Achates argues that Mr. Schneier

⁴ Apple submitted its Petition, and Exhibits 1003 and 1041 (declarations from Mr. Schneier regarding the '403 patent and related '889 patent), on December 14, 2012. In response to an instruction from Board administrative staff that documents should be in portrait rather than landscape orientation, Apple submitted revised copies on December 17, 2012, also numbered as Exhibits 1003 and 1041. *See* Paper 4. To ensure the clarity of

(Continued on following page)

is not credible for two reasons. First, Mr. Schneier billed Apple for less than 45 hours of work, which is “nowhere near enough time to read and analyze all of the references cited in his declarations at the level of diligence that this proceeding requires,” according to Achates. PO Resp. 52-54. For instance, Achates points to the size of Ginter (324 pages) and the declarations themselves (931 numbered paragraphs) to argue that Mr. Schneier “could not have performed his obligation to this matter conscientiously in the time spent.” *Id.* Achates’s estimate of 45 hours, however, is based on an estimate from Mr. Schneier as to the total amount Mr. Schneier *billed* to Apple. Ex. 1045 at 63:15-24; *see* PO Resp. 53. Achates does not point to any statement from Mr. Schneier regarding the number of hours he actually spent reviewing the prior art and performing the analysis in his declaration. Mr. Schneier testified that he read the prior art references at issue (Ginter, Pettitt, Beetcher, and Bohannon) multiple times and fully understood them. Ex. 1045 at 76:16-22, 77:21-78:5. Moreover, Achates’s contention is not that Mr. Schneier lacks knowledge of the prior art or did not in fact perform the analysis in his declaration – just that Mr. Schneier did not spend sufficient time on the matter. We decline Achates’s invitation to give Mr. Schneier’s testimony less weight on that basis.

Second, Achates argues that Mr. Schneier has “hostility towards the patent system” and is a member

the record, the original versions filed on December 14, 2012 will be expunged.

of the Electronic Frontier Foundation (EFF), which shows a “level [] of bias that should be more than sufficient to raise concerns about his qualifications to serve as an unbiased technology expert.” PO Resp. 54-56 (citing a book co-authored by Mr. Schneier, Ex. 2016, and various EFF web pages, Exs. 2017-2020). We have reviewed Mr. Schneier’s curriculum vitae (Exhibit 1004) and find that he is well qualified to testify regarding the matters addressed in his declaration (Exhibit 1041). Indeed, Achates’s declarant, Mr. Radbel, testified that Mr. Schneier is a “top cryptologist” and has a “great reputation as a cryptologist.” Ex. 2032 at 167:9-25. As explained herein, we find Mr. Schneier’s testimony persuasive and give it substantial weight. We do not give it less weight based on a purported bias against patents in general.

D. Level of Ordinary Skill in the Art

In its Petition, Apple contends that a person of ordinary skill in the art at the time of the ’403 patent (April 1997, when the application that issued as the parent ’889 patent was filed) would have had “extensive familiarity with cryptographic techniques published in the literature and known in the field,” and “would have gained this level of familiarity through graduate level studies in mathematics, engineering or computer science, or through work experience in academia (either as a professor or a graduate student), for a technology company or for a government,” relying on the testimony of Mr. Schneier. Pet. 4 (citing

Ex. 1041 ¶¶ 37-39). Achates does not dispute this argument in its Patent Owner Response.⁵ Mr. Radbel, however, concludes that a person of ordinary skill in the art would have had “the ability to select and make use of well-known cryptographic techniques at a high level,” but not “comprehensive knowledge of cryptography, including Mr. Schneier’s book on the subject.” Ex. 2013 ¶¶ 17, 19. Mr. Radbel further testifies that a person of ordinary skill in the art would have had “an undergraduate degree in engineering or computer science plus two years of experience in software engineering,” but not necessarily “graduate level training.” *Id.* Dr. Wang agrees with Mr. Radbel’s assessment of the level of ordinary skill. Ex. 2014 ¶ 8.

The parties’ declarants appear to agree that the person of ordinary skill in the art would have been familiar with the basic cryptographic techniques of the time, but dispute the depth of that knowledge. A skilled artisan would have been aware of basic cryptographic techniques and also the predominant literature on cryptography of the time. *See In re GPAC Inc.*, 57 F.3d 1573, 1579 (Fed. Cir. 1995) (“The person of ordinary skill in the art is a hypothetical person who is presumed to know the relevant prior art.”). As

⁵ Achates argued in its Preliminary Response that “the proper level of skill should be a person with at least five years of experience and/or academic training in professional software development having experience with client-server software and operating systems, and at least a basic working knowledge of computer security and cryptography.” Paper 14 at 23.

to that person's level of education or equivalent experience, we are persuaded that Mr. Radbel understates the appropriate level of skill. The '403 patent describes various problems with software piracy and various technical solutions to such problems. Ex. 1039, col. 1, ll. 16-63. It also assumes a fairly deep knowledge of encryption, decryption, and the use of keys for performing those functions. *See id.* at col. 7, l. 32-col. 11, l. 37. Contrary to Mr. Radbel's assertion that a person of ordinary skill only would have needed a "high level" knowledge of cryptographic techniques, sufficient, for example, to call software routines "without necessarily understanding how such routines work," *see* Ex. 2013 ¶ 17, a skilled artisan would need some knowledge of how the cryptographic techniques work to choose the appropriate techniques and properly use them. We also take into account the sophistication of the technology at the time, as exemplified by the prior art references of record and Mr. Schneier's book from 1996 (Exhibit 1024). Based on all of the evidence, we conclude that a person of ordinary skill in the art at the time of the '403 patent would have been familiar with the basic cryptographic techniques and literature of the time, and would have had some graduate-level or equivalent experience working with such techniques.

E. Grounds Based on Pettitt

With respect to the alleged grounds of unpatentability based on Pettitt, we have reviewed Apple's Petition, Achates's Patent Owner Response, and

Apple's Reply, as well as the evidence discussed in each of those papers. We are persuaded, by a preponderance of the evidence, that claim 1 is anticipated by Pettitt under 35 U.S.C. § 102(e), and claims 2, 4, 5, 7, and 9 are unpatentable over Pettitt and Beetcher under 35 U.S.C. § 103(a).

1. Pettitt

Pettitt discloses a system for “controlling distribution of software in a multitiered distribution chain” and “distinguishing authorized users from unauthorized users.” Ex. 1006, col. 1, ll. 7-10. Figure 2 of Pettitt is reproduced below.

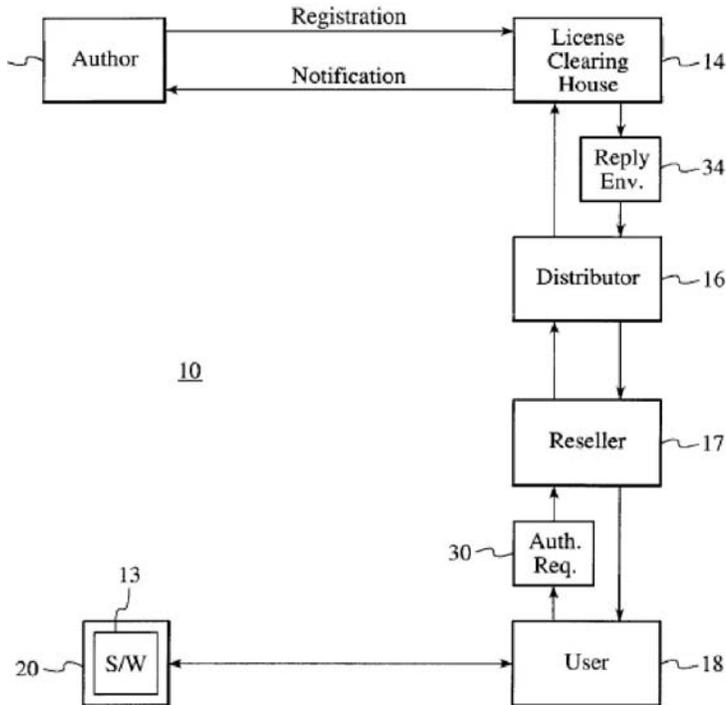


FIG. 2

Figure 2 depicts the entities involved in providing software 13: author 12, license clearing house (LCH) 14, distributor 16, reseller 17, and user 18. Software 13 is packed into a digital shipping container 20, encrypted with a master key, and provided to user 18 (e.g., sold by reseller 17 to the public). *Id.* at col. 3, ll. 28-56. To purchase a license and unlock the container, user 18 sends authorization request 30, which includes information identifying the software, user, and desired method of payment. *Id.* at col. 4, ll. 10-19. The distribution entities communicate with each other to validate the user's payment and authorize the transaction. *Id.* at col. 4, ll. 20-62. If

authorized, LCH 14 creates a reply envelope 34 including:

1. information identifying the software,
2. information identifying the user,
3. the digital signature of the reseller,
4. the digital signature of the distributor,
5. a master key that unlocks the software container 20 (if the transaction has been authorized), and
6. a digital authorization certificate.

Id. at col. 4, l. 63-col. 5, l. 5.

LCH 14 encrypts the contents of the reply envelope with the reseller's public key and "digitally signs the envelope with the signature of LCH 14 by hashing the contents of the reply envelope and encrypting the result of the hash with the LCH's private key." *Id.* at col. 5, ll. 14-24. LCH 14 then sends the reply envelope back through the distribution chain. *Id.* at col. 5, ll. 24-28. Reseller 17 authenticates the digital signature, decrypts the reply envelope using the reseller's public key, and sends the contents of the reply envelope to user 18. *Id.* at col. 5, ll. 45-55. User 18 then "uses the authorization certificate and the master key to unlock the software container 20 and install the software." *Id.* at col. 5, ll. 56-63. Because the digital authorization certificate is derived from the user's information and, therefore, is different for each user, possession of the digital authorization

certificate is “the user’s proof of purchase, and proof that s/he is an authorized user.” *Id.* at col. 5, ll. 58-63.

2. *Claim 1 is Anticipated by Pettitt*

Pettitt discloses receiving and decrypting an encrypted “launch code” (the reply envelope) with a “string, R” (the reseller’s public key) to recover an “indicium of a first information product” (information identifying the software), and installing the first information product, as recited in claim 1. *See* Pet. 26-28. Achatas does not argue these limitations of claim 1, but contends that Pettitt fails to disclose “decrypting said encrypted launch code . . . to recover a first candidate authentication code” PO Resp. 3-9. Achatas argues that the LCH digital signature, cited by Apple in the Petition as a “first candidate authentication code,” is not recovered by decrypting the reply envelope because (1) the LCH digital signature is not included within the reply envelope, (2) the LCH digital signature is available to the reseller before and independently of the decryption of the reply envelope, and (3) the reply envelope is encrypted before the LCH digital signature of the reply envelope is created. *Id.*

Apple responds that it identified two “first candidate authentication codes” in Pettitt in its Petition – the LCH digital signature and the digital authorization certificate – and Achatas overlooks the latter. Pet. Reply 1-2. The primary structure identified by Apple in the Petition is the LCH digital signature,

see, e.g., Pet. 27, and we referenced the LCH digital signature in summarizing Apple’s allegations in the Decision on Institution, Dec. on Inst. 28. Achates argued at the or hearing that Apple improperly asserted that the digital authorization certificate was a “first candidate authentication code” for the first time in its Reply, and that the “ground” of unpatentability for this trial is based on the LCH digital signature alone. *See* Tr. 30:17-32:6.

We agree with Apple, however, that the Petition sufficiently identified each of the digital authorization certificate and the LCH digital signature as a “first candidate authentication code.” Apple included, as part of the document identified as its Petition, a statement of material facts, two of which are:

80. The digital signature of the LCH described in Pettitt is an “authentication code” within Patent Owner’s construction of the ’403 claims. Ex. 1041 at ¶ 446.

81. The digital authorization certificate described in Pettitt is an “authentication code” within Patent Owner’s construction of the ’403 claims. Ex. 1041 at ¶ 447.

Pet., Attachment C ¶¶ 80-81; *see also* 37 C.F.R. § 42.24(a)(1) (statements of material facts, although not required, count against the page limit for the petition). Apple explains in the Petition that the reply envelope includes “information identifying the software, the user, the digital signature of the LCH and a digital authorization certificate,” and that the reply

envelope is decrypted and its contents passed to the user for unlocking the software product. Pet. 26-27. Apple further cites Mr. Schneier's testimony that the digital authorization certificate is an "authentication code" included in the reply envelope. See Pet. 26-27; Ex. 1041 ¶¶ 440-41, 447. The applicable ground of unpatentability in this *inter partes* review is the alleged anticipation of claim 1 by Pettitt, based on the allegations of unpatentability in the Petition. Dec. on Inst. 35-36. It is those allegations to which Achates responded in its Patent Owner Response. See 37 C.F.R. § 42.120(a) (a "patent owner may file a response to the petition" (emphasis added)). Indeed, Achates denied the two statements of material fact above when it filed its Preliminary Response. Paper 17 at 34. Thus, we consider Apple's assertion of the digital authorization certificate as a "first candidate authentication code."

We are persuaded that Pettitt's decryption of the reply envelope to recover the digital authorization certificate constitutes "decrypting said encrypted launch code . . . to recover a first candidate authentication code," as recited in claim 1. See Pet. 26-27; Ex. 1041 ¶ 447. As explained above, we interpret "authentication code" to mean "a code for authenticating data" See *supra* Section II.A. The digital authorization certificate is generated by hashing the other five items identified in Pettitt as being part of the reply envelope and encrypting the result with the private key of the LCH. Ex. 1006, col. 5, ll. 6-8. Therefore, the digital authorization certificate is a digital signature,

and a function of a digital signature is to authenticate data, as Dr. Wang agrees. *See* Ex. 2034 at 254:15-21, 257:17-23. Pettitt specifies that the digital authorization certificate is “use[d]” to unlock the software container and install the software. Ex. 1006, col. 5, ll. 56-58. Specifically, the user would validate the digital authorization certificate by decrypting the originally encrypted hash (e.g., with the LCH’s public key), generating a new hash from the same five elements used to create the original hash, and comparing the new and original hashes. *See* Pet. Reply 4; Ex. 2034 at 193:3-194:8, 263:10-15. Thus, the digital authorization certificate authenticates the data that has been “digitally signed” with it. Further, the digital authorization certificate is part of the encrypted reply envelope, and is recovered when the reply envelope is decrypted. Ex. 1006, col. 4, l. 63-col. 5, l. 8; col. 5, ll. 51-63 (“reseller 17 decrypts the reply envelope . . . and passes the contents onto the user 18”). Achates acknowledges in related Case IPR2013-00081 that the digital authorization certificate is part of the reply envelope and that the “reseller does *recover* the certificate by decrypting the encrypted reply envelope.” IPR2013-00081, Paper 36 at 23.⁶

⁶ Because we agree with Apple that the digital authorization certificate in Pettitt is a “first candidate authentication code” recovered by the decryption of a launch code, as recited in claim 1, we need not determine whether the LCH digital signature also is a “first candidate authentication code.”

We are persuaded, by a preponderance of the evidence, that Pettitt discloses all of the limitations of claim 1, including “decrypting said encrypted launch code . . . to recover a first candidate authentication code.”

*3. Claims 2, 4, 5, 7, and 9 are
Unpatentable Over Pettitt and Beetcher*

We are persuaded by Apple’s arguments and supporting evidence that claims 2, 4, 5, 7, and 9, which depend from claim 1, are unpatentable over Pettitt and Beetcher. *See* Pet. 29-33; Ex. 1041 ¶¶ 475-503. For example, claim 2 recites decrypting the encrypted launch code to recover an indicium of a “second information product” and installing that “second information product” based on an authentication code match. Beetcher teaches the distribution of “multiple software modules on a single generic medium” where each customer receives a “unique entitlement key, enabling the customer to run only those software modules to which he is licensed.” Ex. 1007, col. 4, ll. 34-46; col. 6, ll. 20-40 (product entitlement flags 205, “each corresponding to a product number”). Apple persuasively shows that a person of ordinary skill in the art would have been able to modify the Pettitt system to allow for distribution, at once, of multiple software products, as taught by Beetcher, and would have had reason to do so. Pet. 29-30. Mr. Schneier testifies that a person of ordinary skill in the art would have had reason to “include a list of multiple indicia of information products in the same launch

code, as doing so would more efficiently identify multiple information products for which the end-user was licensed.” Ex. 1041 ¶ 455.

Achates makes three arguments. First, as to all of the challenged dependent claims, Achates contends that Beetcher fails to cure the deficiency of Pettitt regarding recovery of a “first candidate authentication code,” as recited in claim 1. PO Resp. 9-10. For the reasons explained above, we find no such deficiency in Pettitt.

Second, Achates asserts that a person of ordinary skill in the art would not have had reason to combine the teachings of Pettitt and Beetcher to arrive at the methods of claim 2, 4, 5, 7, and 9. *Id.* at 10. Achates cites Dr. Wang’s declaration in support, but does not explain in its Patent Owner Response why it believes the references would not be combined. *See id.* (citing Ex. 2014 ¶¶ 63-68). We are persuaded by Mr. Schneier’s analysis regarding the alleged combination. *See* Ex. 1041 ¶¶ 475-503.

Third, as to claim 4 in particular, Achates argues that a person of ordinary skill in the art would not have had reason to combine Pettitt and Beetcher. PO Resp. 10-12. Claim 4 recites, *inter alia*, “creating a token,” “encrypting said token,” and “storing said encrypted token on said computer.” As explained above, we interpret “token” to mean “a data structure indicating that an end-user’s computer is granted access to certain information products.” *See supra* Section II.A. In the Petition, Apple contends that when the

reseller in Pettitt decrypts the reply envelope, it re-creates the unencrypted reply envelope and sends the contents of the reply envelope (a “token”) to the user. Pet. 30-32. The contents of the unencrypted reply envelope (e.g., the master key and digital authorization certificate) are stored in the memory of the user’s computer because they are used to unlock the software. *Id.* Apple further contends that although Pettitt does not teach encrypting the contents of the reply envelope in memory on the user’s computer, doing so would have been obvious based on Beetcher to “help protect the contents of the token from theft,” and also because Pettitt itself teaches encrypting the reply envelope at various stages for security. *Id.*; see Ex. 1041 ¶¶ 484-89 (citing Beetcher, Ex. 1007, col. 10, ll. 27-31, which teaches local storage of an encrypted entitlement key).

As to the combination of Pettitt and Beetcher, Achates contends that storing the encrypted software container and encrypted reply envelope on the user’s computer would not make sense because the encrypted reply envelope is encrypted with the public key of the reseller, so only the reseller, not the user, can decrypt it. PO Resp. 10-11 (citing Ex. 2014 ¶¶ 69-70). Pettitt, however, does not teach that the user ever receives the encrypted reply envelope. See Pet. Reply 3-4. Rather, the reseller decrypts the reply envelope and sends the *contents* to the user in unencrypted form. Ex. 1006, col. 5, ll. 51-55. Thus, it is the *contents* of the reply envelope that are stored on the user’s computer, and we agree that it would have

been obvious based on *Beetcher* to encrypt those contents when they are stored there. Further, *as* Apple points out, claim 4 does not require that the encryption key used to create the token be the same as the encryption key used to create the launch code. *See* Pet. Reply 5. Thus, Achates's assertion that the reply envelope would have to be encrypted again with the public key of the reseller is incorrect. The contents of the reply envelope (the "token") could be encrypted with any encryption key (the "string, T").

Achates also asserts that because the reseller sends the master key (along with the other contents of the reply envelope) to the user, there is no reason for the user to back up the reply envelope locally once the user has used the master key to install the software. PO Resp. 11-12 (citing Ex. 2014 ¶ 71). In addition, according to Achates, there is no need to save the encrypted reply envelope because the user can back up the software itself. *Id.* at 12 (citing Ex. 2014 ¶ 72). Again, Achates misstates Apple's position, focusing on the encrypted reply envelope rather than the *contents* of the envelope that the user receives. In *Pettitt*, all of the contents are sent to the user, the master key and digital authorization certificate are used to unlock and install the software, and thereafter "the possession of the authorization certificate is the user's proof of purchase, and proof that s/he is an authorized user." Ex. 1006, col. 5, ll. 56-63. Thus, there are reasons for the user in *Pettitt* to store the token, including the digital authorization certificate, locally – namely, to install and unlock the software

and provide proof of purchase. *See* Pet. Reply 4; Ex. 1041 ¶¶ 463, 489-90.

We also note that Achates does not dispute the underlying reasons provided by Mr. Schneier for why a person of ordinary skill in the art would have combined the teachings of Pettitt and Beetcher in the manner proposed. Mr. Schneier testifies that encrypting locally stored tokens was well known at the time and that a skilled artisan would have had reason to encrypt the token in Pettitt to ensure its security. Ex. 1041 ¶¶ 485-88. Dr. Wang agrees that it generally is a good practice to encrypt a file stored in nonvolatile storage to “protect the confidentiality of the file.” Ex. 2035 at 395:3-15, 400:1-6. We give Mr. Schneier’s analysis regarding the combination of Pettitt and Beetcher substantial weight, and conclude that Apple has shown “‘some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness.’” *See KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 417-18 (2007) (citation omitted).

We are persuaded, by a preponderance of the evidence, that claims 2, 4, 5, 7, and 9 would have been obvious over Pettitt and Beetcher.

4. *Conclusion*

Based on the record evidence, in light of the arguments presented, Apple has shown, by a preponderance of the evidence, that claim 1 is anticipated by Pettitt, and claims 2, 4, 5, 7, and 9 are unpatentable over Pettitt and Beetcher.

F. Grounds Based on Beetcher

With respect to the alleged grounds of unpatentability based on Beetcher, we have reviewed Apple's Petition, Achates's Patent Owner Response, and Apple's Reply, as well as the evidence discussed in each of those papers. We are persuaded, by a preponderance of the evidence, that claims 17-19 are anticipated by Beetcher under 35 U.S.C. § 102(e), and claims 1-12 are unpatentable over Beetcher, Ginter, and Bohannon under 35 U.S.C. § 103(a).

1. Beetcher

Beetcher discloses a system for "restricting the ability of a computer user to use licensed software in a manner inconsistent with the license." Ex. 1007, col. 1, ll. 9-12. Figure 1 of Beetcher is reproduced below.

104a

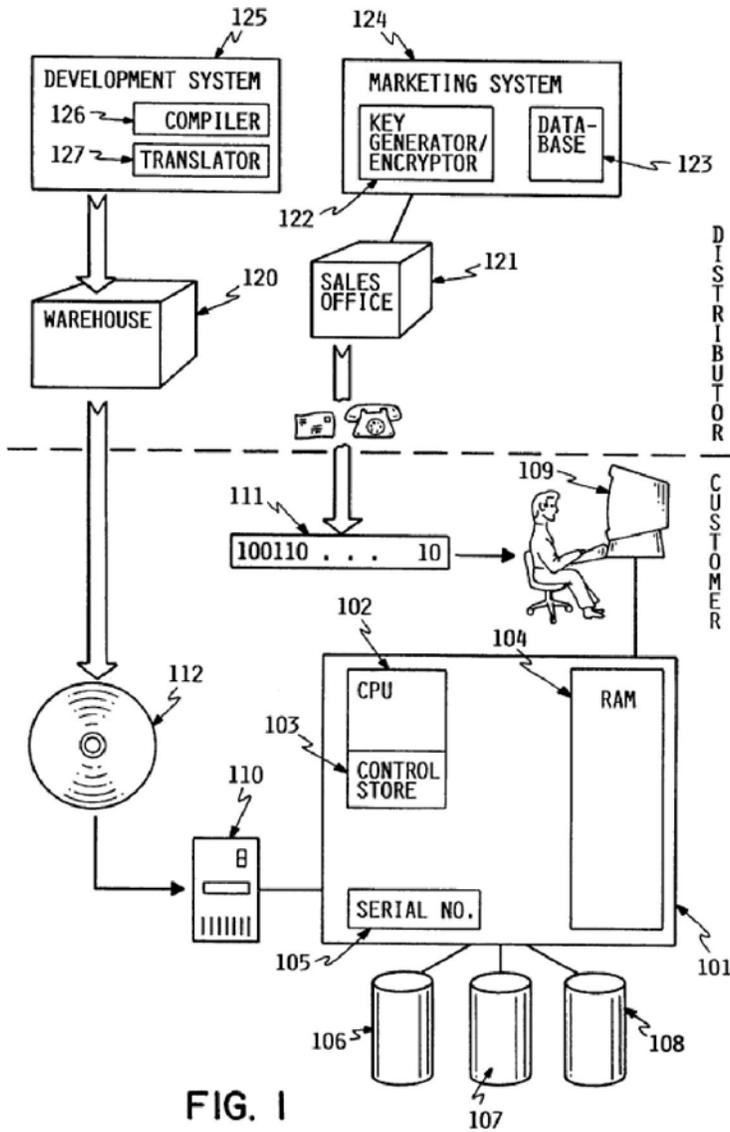


FIG. 1

Figure 1 depicts various distributor and customer devices. The customer's computer has machine serial number 105. *Id.* at col. 5, ll. 17-23. A "generic set of software modules" stored on software media 112 is

distributed to the customer separately from encrypted entitlement key 111, which “contains information enabling system 101 to determine which software modules are entitled to execute on it.” *Id.* at col. 5, l. 65-col. 6, l. 7. The customer “load[s] the desired software modules from [software media 112 and] unit 110 into system 101, and store[s] the software modules on storage devices 106-108.” *Id.* at col. 6, ll. 11-15. Entitlement key 111 includes certain information, such as software version field 202, machine serial number field 204, and product entitlement flags 205, “each corresponding to a product number” for a product that the customer may be authorized to use. *Id.* at col. 6, ll. 20-40; Fig. 2. Entitlement key 111 is encrypted using a machine key derived from machine serial number 105. *Id.* at col. 5, ll. 44-50; col. 9, ll. 55-60.

The customer receives encrypted entitlement key 111 and enters it into the computer. *Id.* at col. 9, ll. 51-52. The customer’s computer then decodes encrypted entitlement key 111 using the machine key, stores the key in an encoded product key table, and stores the key and software version number in a product lock table. *Id.* at col. 6, l. 66-col. 7, l. 42. The encoded product key table and product lock table both are stored in random access memory (RAM), and the encoded product key table also is stored on a non-volatile storage device so that it can be recovered when the system is powered down and then re-initialized (i.e., the encoded product key table is persistent). *Id.* at col. 8, l. 23-27, 43-46. Products are

unlocked “on demand.” *Id.* at col. 10, ll. 20-39. “Upon first execution of a previously unentitled software product,” an unlock routine “fetches the encrypted entitlement key from the appropriate entry in [the] encoded product key table,” “obtains the machine key,” “decodes the entitlement key,” and sets the product lock table accordingly if the entitlement key indicates that the user is entitled to use the software. *Id.* Upon subsequent executions of the software product, the system checks the product lock table to determine if the software is entitled to execute. *Id.* at col. 10, ll. 48-62.

2. *Claims 17-19 are Anticipated by Beetcher*

As to independent claim 17, Apple contends that Beetcher discloses reading an encrypted “token” (the product key table), decrypting the encrypted token to recover a token comprising an “indicium of a first information product” (an entitlement flag authorizing use of a specific software product), modifying the token to comprise an “indicium of a second information product” (an entitlement flag authorizing use of another software product), encrypting the token again to create a “newly encrypted token” (the modified product key table after a new entitlement key is received), and storing the new token. Pet. 18-21, 24 (citing Ex. 1041 ¶¶ 420-32). Achates argues that Beetcher fails to disclose the encrypting step of claim 17 because the product key table is not encrypted again after it is modified with a new entitlement key. PO Resp. 33-35. As support, Achates points to

paragraph 427 of Mr. Schneier's declaration where he testifies that "[t]he storage of the product key table" satisfies the encrypting step. *Id.* at 34-35 (citing Ex. 1041 ¶ 427). Achates also cites Dr. Wang, who testifies that Beetcher only discloses storing, not encrypting, the product key table. *Id.* (citing Ex. 2014 ¶¶ 24-38).

We are persuaded that the encoded product key table is encrypted after it is updated with a new entitlement key. When a new entitlement key is received, it is treated as "a replacement key for all products it unlocks." Ex. 1007, col. 9, ll. 66-67. The system decodes that entitlement key (using the machine key) and "rebuild[s]" the encoded product key table accordingly. *Id.* at col. 9, l. 55-col. 10, l. 5. The rebuilt encoded product key table then is saved in storage. *Id.* at col. 10, ll. 18-19. As Apple and Mr. Schneier point out, Beetcher explicitly describes the product key table as "encoded," meaning that the product key table itself is encrypted with a key. *See* Pet. Reply 11; Pet., Attachment C ¶ 71; Ex. 1041 ¶¶ 387, 420, 426. Importantly, Beetcher uses "decode" and "decrypt," and "encode" and "encrypt," each interchangeably to refer to the same thing. For instance, Beetcher describes "us[ing] the machine key to decode the entitlement key 111 at step 903," but lists step 903 in Figure 9a as "Decrypt Entitlement Key." *See* Ex. 1007, col. 9, ll. 59-60, Fig. 9a; *see also id.* at col. 4, ll. 10-12 ("decrypt the entitlement key"); col. 8, ll. 60-62 ("decodes and stores entitlement key 111"); col. 10, ll. 27-31 ("decodes the entitlement key"). Dr. Wang

agreed that Beetcher uses “decode” and “decrypt” interchangeably. Ex. 2034 at 327:21-328:1. Also, Figure 4 of Beetcher depicts “encoded product key table” 450 and “product lock table” 460, with only the former described as “encoded.” This is understandable, given that the encoded product key table is persistent and would require a greater level of protection.

We are persuaded, by a preponderance of the evidence, that Beetcher discloses all of the limitations of claim 17, including “encrypting said token with said string, T, as the key to create a newly encrypted token,” as well as all of the limitations of dependent claims 18 and 19, which Achates does not argue separately in its Patent Owner Response.

*3. Claims 1-12 are Unpatentable
Over Beetcher, Ginter, and Bohannon*

We are persuaded by Apple’s arguments and supporting evidence that claims 1-12 are unpatentable over Beetcher, Ginter, and Bohannon. *See* Pet. 18-26; Ex. 1041 ¶¶ 308-419. As to claim 1, Apple contends that Beetcher discloses receiving and decrypting an encrypted “launch code” (the entitlement key) with a “string, R” (the machine key) to recover the software version number, machine serial number, and an “indicium of a first information product” (an entitlement flag). Pet. 18-19. Apple relies on Ginter for the “first candidate authentication code” limitation of claim 1, arguing that a person of ordinary skill in the art would have had reason to modify the Beetcher system

to use a digital signature as taught by Ginter. *Id.* at 25. Apple relies on Bohannon for the “installing” limitation of claim 1, arguing that a person of ordinary skill in the art would have had reason to modify the Beetcher system to “require a user to input the entitlement key before copying the software onto the computer system” as taught by Bohannon. *Id.* at 26. In both cases, Apple cites the analysis of Mr. Schneier. *See* Ex. 1041 ¶¶ 331-37, 365-67.

Achates argues that claim 1 would not have been obvious based on the combination of Beetcher, Ginter, and Bohannon for four reasons. First, Achates argues that the references do not teach “decrypting said encrypted launch code . . . to recover a first candidate authentication code,” as recited in claim 1, because Ginter’s permissions record (PERC) does not include a digital signature that can be recovered by decrypting the PERC. PO Resp. 36-39. Ginter discloses receiving and decrypting a PERC, where one of the items included in the PERC may be a digital signature. *See* Pet. 9-10; Ex. 1041 ¶¶ 159, 162-66; Ex. 1005, col. 12, ll. 27-33. Figure 75D depicts user rights table (URT) 3160 as including a digital signature, and Ginter states that URT 3160 “may itself be a PERC 808.” Ex. 1005, col. 248, ll. 36-38, Fig. 75D. Thus, Achates’s factual assertion that the PERC in Ginter lacks a digital signature is not correct. *See* Tr. 47:24-48:5 (acknowledging the description of Figure 75D in Ginter). Mr. Radbel also acknowledged that the PERC could have a digital signature in the “particular

construct” shown in Figure 75D. Ex. 2032 at 279:14-18.

Further, Achates’s argument is directed to Ginter individually, but Apple’s position regarding the recited “decrypting” step is premised on the combination of Beetcher and Ginter. Apple relies on Beetcher for the underlying teaching of decrypting an encrypted “launch code” (the entitlement key) to recover the software version number and machine serial number, and, because those two values are not authentication codes, relies on Ginter’s teaching of a digital signature within an encrypted “launch code” (the PERC). See Pet. 25; Ex. 1041 ¶¶ 331-37. Given Ginter’s teaching of a digital signature within a PERC, Achates does not explain sufficiently why the substitution proposed by Apple would not result in the recited “decrypting” step. See *In re Merck & Co., Inc.*, 800 F.2d 1091, 1097 (Fed. Cir. 1986) (“Non-obviousness cannot be established by attacking references individually where the rejection is based upon the teachings of a combination of references.”).

Second, Achates argues that a person of ordinary skill in the art in 1997 would not have been motivated to include a digital signature in the entitlement key of Beetcher. PO Resp. 41-43. Achates contends that “public key cryptography was patented and the owner of the dominant patent was known to be litigious and the cost of its licenses high,” citing a 1997 article regarding U.S. Patent No. 4,405,829. *Id.* (citing Ex. 2015). Achates also points to the following testimony from Mr. Schneier:

Q. Does the fact that the digital signatures were all patents in the 1997 time frame create a motivation not to use digital signatures?

A. Of course.

Ex. 1046 at 484:5-9.

We first note that Mr. Schneier later testified during redirect examination that he “may have made a mistake” regarding the testimony cited above because at least one digital signature algorithm of the time was in the public domain. *Id.* at 494:4-495:7. Moreover, even assuming that Achates is correct, Achates’s argument is not that it would have been technically infeasible, or even technically difficult, for a person of ordinary skill in the art to use a digital signature in the context of Beetcher – just that the financial cost of doing so would have been high. We do not consider this to be a sufficient impediment to dissuade a skilled artisan from using digital signatures. Indeed, Mr. Schneier testifies that digital signatures were “widely used in April 1997” in systems analogous to that of Beetcher, and provides detailed reasons why a person of ordinary skill in the art would have wanted to use a digital signature. *See* Ex. 1041 ¶¶ 331-37. Achates gives no basis for believing that testimony to be incorrect.

Third, Achates argues that adding a digital signature to the entitlement key of Beetcher would frustrate Beetcher’s objective to have a “user-friendly

entitlement key.” PO Resp. 43-45. Achates points to the following statements in Beetcher:

Encrypted entitlement key 111 is sent from the software distributor to the customer by mail, *telephone*, or other appropriate means. While it is possible to transmit the key electronically or on magnetic media such as a diskette, *the key is sufficiently brief that an operator can enter it into system 101 by typing the key on console 109.*

...

Although key 111 is shown in FIG. 1 as a plurality of binary bits, it may be presented to the customer in some other form, such as hexadecimal digits or alphanumeric equivalents of groups of binary bits, in order to *simplify the task of entering the key from a keyboard.*

Ex. 1007, col. 5, ll. 59-64; col. 9, ll. 43-48 (emphasis added). Achates asserts that the entitlement key in Beetcher is 128 bits, which, when converted to American Standard Code for Information Interchange (ASCII) format, would be 16 characters for the user to hear and type, but if Ginter’s digital signature were added, it would “at least double or triple” the size of the entitlement key and be too much to read over the telephone. PO Resp. 44-45; *see* Ex. 2014 ¶¶ 76-78 (Dr. Wang testifying that the entitlement key would “at least double or triple in size”).

Achates’s argument is not persuasive. Again, Achates makes no assertion that it would be technically

infeasible or difficult to include a digital signature – just that it would be inconvenient for the user to have to enter more characters. Even assuming that Achates is correct that the entitlement key would “double or triple” in size if it had a digital signature (e.g., 32 or 48 characters instead of 16, based on Dr. Wang’s statement), we do not consider this to be such a large difference that a skilled artisan would be dissuaded from using a digital signature, particularly given the advantages of using digital signatures cited by Mr. Schneier. During his deposition, Apple questioned Dr. Wang about the Windows XP installer software, which Dr. Wang acknowledged required the user to enter 42 characters. *See* Ex. 2035 at 387:8-388:10; Ex. 1055 at 6 (“The confirmation ID is a 42-digit integer containing the activation key and check digits that aid in error handling.”). Windows XP was introduced in 2001, after the 1997 filing date of the ’889 patent, as Apple acknowledged after filing its Reply.⁷ *See* Mot. to Exclude 9-10 (citing Exs. 2041, 2042); Exclude Opp. 13-14. Nevertheless, given that the issue is one of practicality and not patentability, and given Windows XP’s proximity in time to 1997 and undeniable commercial success, Windows XP is of at least some relevance in determining whether it would have been too burdensome on a user of the Beetcher system to enter more than 16 characters.

⁷ Achates’s Motion to Exclude the Windows XP evidence submitted by Apple is addressed below. *See infra* Section II.I.3.

Achates's argument suffers from another flaw, however. Although Achates is correct that Beetcher expresses a desire to simplify the user's task of entering the entitlement key on a keyboard, Beetcher expressly contemplates other mechanisms of receiving and entering the entitlement key, including sending the entitlement key by "mail" (in which case the user simply could read the characters from the mailing and type them in to the keyboard) or transmitting it "electronically" (in which case the user may not even need to enter the entitlement key at all). *See* Ex. 1007, col. 5, ll. 59-64. Thus, we are not persuaded by Achates's argument that a person of ordinary skill in the art would have been dissuaded from using a digital signature in the entitlement key of Beetcher.

Fourth, Achates asserts that the object of the invention in Beetcher is to protect the software from unauthorized use, while at the same time allowing authorized users to freely copy and back up the software. PO Resp. 39-41 (citing Ex. 1007, col. 3, ll. 58-61); *see* Ex. 2014 ¶¶ 79-80. According to Achates, this objective would be "completely defeated by combining Bohannon's prerequisite-to-installation technique" with Beetcher and Ginter. PO Resp. 40. We are persuaded, however, by Mr. Schneier's testimony that incorporating installation functionality, such as the "loader module" described in Bohannon, into the system of Beetcher, such that a user would input the entitlement key before copying the software onto the user's computer, would have been obvious. Mr. Schneier testifies that "the processes described in Beetcher will

include operations such as placing the software in a permanent position from which it will be executed,” and “[a] person of ordinary skill in the art, after obtaining and processing the entitlement key, would have had every reason to install the software, as the ultimate use of the software is the point of obtaining and processing the entitlement key in the first place.” Ex. 1041 ¶¶ 56, 365-66. Thus, according to Mr. Schneier, incorporating the installation functionality of Bohannon into the system of Beetcher would be “the use of an old element to perform the same function it had been known to perform in the prior art without any new or unexpected result.” *See id.* ¶ 367 (citing Ex. 1008, col. 3, ll. 24-37). The statements in Beetcher identified by Achates do not refute Mr. Schneier’s reasons for combining the references. They only show that it was one goal of Beetcher to allow free distribution of the software (because the authorization check can be performed at run time). It is not necessary, however, that all of the objectives of a prior art reference be achieved for it to be properly combinable with another reference.

We are persuaded, by a preponderance of the evidence, that claim 1, as well as dependent claims 2-12, which Achates does not argue separately in its Patent Owner Response, would have been obvious over Beetcher, Ginter, and Bohannon.

4. *Conclusion*

Based on the record evidence, in light of the arguments presented, Apple has shown, by a preponderance of the evidence, that claims 17-19 are anticipated by Beetcher, and claims 1-12 are unpatentable over Beetcher, Ginter, and Bohannon.

G. Grounds Based on Ginter

With respect to the alleged grounds of unpatentability based on Ginter, we have reviewed Apple's Petition, Achates's Patent Owner Response, and Apple's Reply, as well as the evidence discussed in each of those papers. We are persuaded, by a preponderance of the evidence, that claims 17-19 are anticipated by Ginter under 35 U.S.C. § 102(e). We are not persuaded, by a preponderance of the evidence, that claims 1-7 and 9-12 are anticipated by Ginter under 35 U.S.C. § 102(e), or that claim 8 is unpatentable over Ginter and Beetcher under 35 U.S.C. § 103(a).

1. Ginter

Ginter discloses computer systems providing a “distributed virtual distribution environment (VDE)” that “help[s] to ensure that information is accessed and used only in authorized ways.” Ex. 1005, Abstract. Electronic content is stored in “objects” (also called “containers”) for distribution to users, and access to the content is regulated via a permissions record (PERC) associated with the content and provided to the user (separately or with the object). *Id.* at

col. 13, l. 46-col. 14, l. 20; col. 58, l. 61-col. 59, l. 11; Fig. 5A; col. 147, ll. 33-59 (“no end user may use or access a VDE object unless a permissions record 808 has been delivered to the end user”). PERC 808 “specifies the rights associated with the object 300 such as, for example, who can open the container 302, who can use the object’s contents, who can distribute the object, and what other control mechanisms must be active.” *Id.* at col. 58, l. 67-col. 59, l. 5. “For example, permissions record 808 may specify a user’s rights to use, distribute and/or administer the container 302 and its content.” *Id.* at col. 59, ll. 5-7. For certain types of objects, the PERC is encrypted along with the object using asymmetric key and later decrypted on the user’s machine. *Id.* at col. 199, ll. 1-6; col. 129, ll. 50-54; col. 133, ll. 50-53; col. 208, l. 65-col. 209, l. 20. Ginter discloses that the PERC can contain an “Object ID” that identifies the VDE object, as well as multiple “key blocks” that store decryption keys utilized to access content in “data blocks” within the object. *Id.* at col. 127, l. 45-col. 128, l. 2; col. 151, ll. 9-35; Fig. 26A. Ginter also discloses the use of a “validation tag” for “confirming the identity and correctness of received, VDE protected, information,” and a “digital signature” to be verified against an expected digital signature. *Id.* at col. 12, ll. 27-33; col. 151, ll. 9-35; col. 215, ll. 7-63.

2. *Claims 17-19 are Anticipated by Ginter*

As to independent claim 17, Apple contends that Ginter discloses reading an encrypted “token” (the

PERC), decrypting the encrypted token to recover a token comprising an “indicium of a first information product” (the Object ID or key block), modifying the token to comprise an “indicium of a second information product” (a modified Object ID or key block), encrypting the token again to create a “newly encrypted token,” and storing the new token. Pet. 9-11, 16 (citing Ex. 1041 ¶¶ 294-302).

Achates argues that the PERC in Ginter does not comprise an “indicium” of a first information product, as recited in claim 17 (and claim 1). PO Resp. 21-26, 29 (citing Ex. 2013 ¶¶ 55-64). Apple’s position is that the Object ID and key blocks in the PERC both satisfy the “indicium” limitations. Pet. 9-11, 16. As to the Object ID, Achates contends that (1) Object ID field 940 identifies the “totality” of elements in the VDE object container, not “just” information content 304, and (2) Object ID field 940 has the same datum regardless of whether the container’s content is changed or deleted, which shows that Object ID field 940 is not an “indicium” of a particular information product. PO Resp. 22-24. As to the key blocks, Achates argues that (1) the VDE accesses the datum in the key block to use as a key to decrypt the corresponding data blocks, not “as a pointer to – or indicium of – the data block,” and (2) Ginter permits two key blocks to have the same key, which shows that the key block is not an “indicium” of a particular information product. *Id.* at 24-26.

Achates’s arguments are not persuasive, as they are based on the incorrect premise that an “indicium”

of an information product can *only* identify content within a file and must uniquely identify *only one* information product. *See* Pet. Reply 8-9. There is no prohibition in claim 17 on the indicium indicating other things, and the indicium need not be a “pointer.” *See* Ex. 2032 at 304:18-305:2 (Mr. Radbel stating that he does not “consider indicium to be a pointer”). The only requirement is that it be an “indici-um,” or “indication,” of an information product. Mr. Radbel acknowledged that the Object ID in Ginter is used to find the correct content, Ex. 2031 at 45:12-17, and the key blocks are associated with and used to access the data in the correct data block, Ex. 1005 at 127:45-128:2. We are persuaded by Mr. Schneier’s testimony that the key blocks and Object ID in Ginter each are an “indici-um” of an information product, and that the PERC can be updated to add or modify the authorizations for information products as necessary. *See* Pet. 9-11, 16; Ex. 1041 ¶¶ 167-73, 182, 299; Ex. 1005, col. 161, ll. 52-57 (“This updating might, for example, comprise replacing an expired PERC 808 with a fresh one, modifying a PERC to provide additional (or lesser) rights, etc.”).

Achates further argues that Object ID field 940 in Ginter is a single field that identifies the VDE object and, therefore, cannot be an indicium of a first information product and an indicium of a second information product. PO Resp. 29-32. Achates bases this conclusion on its reading of the claim, arguing that “[t]he fact that the encrypted token as it exists before it is modified comprises an indicium of [a] first

information product and as it exists after it is modified comprises an indicium of a second information product mandates that the claim be construed to require *two distinct indicia*.” *Id.* at 29 (emphasis added). We do not agree. Claim 17 requires decrypting the encrypted token to recover a token comprising an “indicium of a first information product” and modifying the *token* to comprise an “indicium of a second information product.” The claim does not require that the particular content of the “indici[a]” be different from each other, or that the indicium of the first information product be retained after the token is modified. Further, even if Achates was correct as to the Object ID field, the argument does not account for the key blocks (the other asserted “indici[a]” of claim 17 according to Apple). We are persuaded by Mr. Schneier’s testimony regarding the updating of the key blocks and Object ID in Ginter. *See* Pet. 16; Ex. 1041 ¶¶ 167-74, 297-300; Ex. 1005, col. 161, ll. 52-57.

Finally, Achates is incorrect in its assertion that Apple’s analysis is based on “disjoint parts of Ginter without regard to their relationship.” PO Resp. 13-14. Achates does not develop this argument with respect to the particular limitations of claims 17-19 or explain sufficiently why the particular portions of Ginter cited for the limitations of these claims relate to different embodiments, rather than the same preferred embodiment.

We are persuaded, by a preponderance of the evidence, that Ginter discloses all of the limitations of claim 17, and all of the limitations of dependent

claims 18 and 19, which Achatas does not argue separately in its Patent Owner Response.

3. *Apple Has Not Shown Claims 1-7 and 9-12 to be Anticipated by Ginter*

With respect to claim 1, Apple contends that Ginter discloses receiving and decrypting an encrypted “launch code” (the PERC) with a “string, R” (a decryption key) to recover a “first candidate authentication code” (digital signature or validation tag) and an “indicium of a first information product” (Object ID or key block), as recited in claim 1. Pet. 9-11. Apple further argues that Ginter discloses the “installing” step of claim 1 because “Ginter shows actions that occur if a PERC is found valid by matching of authentication codes in the PERC. These actions may include, *inter alia*, registration of the VDE object associated with the PERC or the storage of the VDE object in the object repository.” *Id.* at 11 (citations omitted). With respect to the “when” clause of the “installing” step, Apple relies on the following testimony from Mr. Schneier:

Ginter explains that the installation of the VDE object associated with the PERC is only accomplished after the validation information associated with the PERC, for example, validation tags, are “correlate[d] . . . to ensure that they are authentic and match.” See ¶¶ 159-161, *supra*; Ex. 1005 at 112:44-47. Ginter also explains that, for example, . . . “digital signatures” must be

“compared favorably,” Ex. 1005 at 223:01-8.
See ¶¶ 162-166, *supra*.

Ex. 1041 ¶ 196. As explained above, we interpret “installing” to mean “placing in a position so as to be ready for use.” *See supra* Section II.A.

Achates argues that Ginter does not disclose “installing said first information product onto said computer *when said candidate authorization code matches a first known authorization code*,” as recited in claim 1 (emphasis added), relying on the testimony of Mr. Radbel in support. PO Resp. 19-21 (citing Ex. 2013 ¶¶ 36-38, 51-53). Achates correctly points out that validation tag 948, shown in Figure 26A, is the only “validation tag” that Ginter teaches is inside the PERC. *Id.* at 19. According to Achates, “Ginter does not teach when validation tag 948 is verified or how it is verified, but most importantly, Ginter does not teach what the consequences are of the successful verification of validation tag 948 or a failure of verification.” *Id.*

Having reviewed Apple’s contentions regarding the “installing” step, we agree with Achates and are not persuaded, by a preponderance of the evidence, that Ginter discloses installing a first information product *when* there is a validation tag or digital signature match. As Achates points out, the portion of Ginter cited by Mr. Schneier regarding correlation of a validation tag pertains to the run time task of opening a “channel” that “provides event processing for a particular VDE object 300, a particular user, and a

particular ‘right’ (i.e., type of event).” *See* Ex. 1005, col. 112, ll. 23-47, Fig. 15B; PO Resp. 20; Ex. 1041 ¶ 196. The “open channel” disclosure is not tied directly to validation tag 948, does not disclose expressly verifying validation tag 948 in the PERC, and does not disclose expressly registering or storing a VDE object when there is a match. We find Mr. Radbel’s testimony persuasive on this point. *See* Ex. 2013 ¶¶ 51-53. Similarly, the portion of Ginter cited by Mr. Schneier regarding digital signatures pertains to a “firmware download process” to “load externally provided firmware and/or data elements into the PPE [Protected Processing Environment].” *See* Ex. 1005, col. 222, l. 40-col. 223, l. 8; PO Resp. 21; Ex. 1041 ¶ 196. Again, the cited portion does not disclose expressly verifying a digital signature in the PERC and registering or storing a VDE object when there is a match. The two cited portions appear to disclose verification of validation tags and digital signatures in general, and Apple does not explain sufficiently why they allegedly satisfy the required condition for “installing” in claim 1 – namely, installing *when* there is a validation tag or digital signature match.

In its Reply, Apple cites general disclosures from Ginter regarding matching validation tags and the use of “[c]ontrol structures” to prevent tampering, and argues that Mr. Radbel “could identify nothing in Ginter suggesting that ‘validation tag 948’ was used differently than the other Ginter validation tags.” Pet. Reply 8. It is not Achates’s burden to show that validation tag 948 is *not* used like other validation

tags in Ginter, however. Rather, it is Apple's burden to show that Ginter discloses, expressly or inherently, installing *when* there is a validation tag or digital signature match. That burden is not satisfied by citing unrelated portions of Ginter pertaining to the use of validation tags and digital signatures in general, or by assuming that validation tag 948 operates like other validation tags. Apple has not pointed to sufficiently specific disclosure in Ginter to demonstrate that the full "installing" step of claim 1 is performed.

Apple has not shown that Ginter discloses, expressly or inherently, "installing said first information product onto said computer when said candidate authorization code matches a first known authorization code," as recited in claim 1.⁸ We are not persuaded, by a preponderance of the evidence, that claim 1, as well as dependent claims 2-7 and 9-12, are anticipated by Ginter.

4. Apple Has Not Shown Claim 8 to be Unpatentable Over Ginter and Beetcher

Apple asserts that claim 8 would have been obvious over Ginter and Beetcher. Pet. 16-17. For the reasons explained above, we agree with Achates that Ginter fails to teach the "installing" step of claim 1. Apple does not rely on Beetcher for this limitation in

⁸ Because we agree with Achates regarding the "installing" step, we need not reach Achates's other arguments regarding claim 1. *See* PO Resp. 15-18, 21-28.

its analysis of the asserted combination of Ginter and Beetcher. *See id.* Accordingly, we are not persuaded that claim 8 would have been obvious over Ginter and Beetcher.

5. Conclusion

Based on the record evidence, in light of the arguments presented, Apple has shown, by a preponderance of the evidence, that claims 17-19 are anticipated by Ginter, but has not shown claims 1-7 and 9-12 to be anticipated by Ginter or shown claim 8 to be unpatentable over Ginter and Beetcher.

H. Apple's Motion for Observation on Email Communications and Achates's Motion to Seal

Apple's Motion for Observation on email communications between Mr. Radbel and Dr. Wang pertains to certain statements the witnesses made regarding the term "authentication code" used in the claims. *See* Obs. 1-3 (citing Exs. 1067, 1068). We note that Achates does not argue in its Patent Owner Response in this proceeding that the digital authorization certificate in Pettitt is not a "first candidate authentication code." To the extent the communications relate to other alleged "first candidate authentication codes" in the prior art (e.g., the validation tag in Ginter), we have considered Apple's observations and Achates's response. *See* Obs. 1-3; Obs. Resp. 1-4.

Achates also moves to seal the email communications (Exhibits 1067 and 1068), as well as Apple's

Motion for Observation (Paper 74)⁹ and Achates's response (Paper 79). Mot. to Seal 2-4. In previous Orders, we ordered Achates to produce the emails, authorized Apple to file them as exhibits in this proceeding, and authorized Achates to file a motion to seal. *See* Papers 44, 49, 66, 73.

There is a strong public policy in favor of making information filed in an *inter partes* review open to the public, especially because the proceeding determines the patentability of claims in an issued patent and, therefore, affects the rights of the public. Under 35 U.S.C. § 316(a)(1) and 37 C.F.R. § 42.14, the default rule is that all papers filed in an *inter partes* review are open and available for access by the public; a party, however, may file a motion to seal and the information at issue is sealed pending the outcome of the motion. It is, however, only "confidential information" that is protected from disclosure. 35 U.S.C. § 316(a)(7). In that regard, the Trial Practice Guide, 77 Fed. Reg. at 48,760, provides:

The rules aim to strike a balance between the public's interest in maintaining a complete and understandable file history and the parties' interest in protecting truly sensitive information.

...

⁹ Apple's exhibit list (Paper 75), filed with its Motion for Observation, also was filed under seal.

Confidential Information: The rules identify confidential information in a manner consistent with Federal Rule of Civil Procedure 26(c)(1)(G), which provides for protective orders for trade secret or other confidential research, development, or commercial information. § 42.54.

The standard for granting a motion to seal is “for good cause.” 37 C.F.R. § 42.54(a). Achates, as movant, bears the burden of proof in showing entitlement to the requested relief. 37 C.F.R. § 42.20(c). Achates must explain why the information sought to be sealed constitutes “confidential information.”

Achates has not met its burden to show that the emails, and the papers citing the emails, contain “confidential information.” The emails contain discussions between Achates’s two declarants, Mr. Radbel and Dr. Wang, regarding their opinions on the prior art at issue in this proceeding. *See* Exs. 1067, 1068. They do not appear to contain any trade secrets, research information, or information that would be commercially sensitive.

Achates makes three arguments in its Motion to Seal. First, Achates argues that the parties agreed not to permit discovery regarding the “process” of producing declarations and, therefore, had a “shared expectation that such information would be maintained confidentially and certainly not be made available to the public.” Mot. to Seal 2-3. We addressed this issue in ruling on Apple’s motion for additional discovery, and were not persuaded by Achates’s

argument regarding an alleged agreement between the parties. *See* Paper 66 at 8. For the same reasons, we are not persuaded that the emails should be sealed as “confidential information” based on the alleged agreement.

Second, Achates argues that the emails contain “confidential communications with and at the direction of counsel,” and are “immune from discovery at least under the doctrine of work-product immunity.” *Mot. to Seal 3 & n.1.* Similar to the argument it made in connection with Apple’s motion for additional discovery, Achates does not cite any case law or explain in any detail *why* it believes the emails are privileged. *See* Paper 66 at 8. Moreover, Achates did not seek rehearing of our decision granting the motion for additional discovery, and produced the emails to Apple. We also note that, contrary to Achates’s assertion that the emails are confidential communications “with” counsel, the emails at issue are “directly” between Mr. Radbel and Dr. Wang, in accordance with the limited additional discovery we authorized. *See id.* at 9; Exs. 1067, 1068.

Third, Achates contends that because Apple’s observations are “rank speculation and offer no insights into the credibility” of Mr. Radbel and Dr. Wang, the Board should not review them in its analysis and “there is no need to make [the emails] available to the public.” *Mot. to Seal 3-4.* Whether an opposing party’s position regarding a document ultimately has merit, however, is not the test for determining whether the document should be sealed. The test is whether

the material contains “confidential information,” and Achates has not shown that the emails do.

As Achates provides no basis for deeming the emails to contain “confidential information,” its Motion to Seal is denied. Papers 74, 75, and 79, and Exhibits 1067 and 1068, will be unsealed, and access to the materials in the Patent Review Processing System (PRPS) will be changed from “Parties and Board Only” to “Public.”

I. Achates’s Motion to Exclude

In its Motion to Exclude, Achates seeks to exclude (1) the declaration of Mr. Schneier (Exhibit 1041) submitted by Apple with the Petition, (2) part of the cross-examination deposition testimony of Achates’s declarant, Dr. Wang (Exhibits 2034 and 2035), and (3) Exhibits 1055 and 1056 submitted by Apple. For the reasons discussed below, the motion is denied.

1. Schneier Declaration (Exhibit 1041)

With few exceptions, the Federal Rules of Evidence apply to *inter partes* review proceedings 37 C.F.R. § 42.62(a). The rules governing *inter partes* review set forth the proper procedure for objecting to, and moving to exclude, evidence when appropriate. When a party objects to evidence that was submitted during a preliminary proceeding, such an objection must be served within ten business days of

the institution of trial. 37 C.F.R. § 42.64(b)(1). The objection to the evidence must identify the grounds for the objection with sufficient particularity to allow correction in the form of supplemental evidence. *Id.* This process allows the party relying on the evidence to which an objection is served timely the opportunity to correct, by serving supplemental evidence within ten business days of the service of the objection. *See* 37 C.F.R. §§ 42.64(b)(1), 42.64(b)(2). If, upon receiving the supplemental evidence, the opposing party is still of the opinion that the evidence is inadmissible, the opposing party may file a motion to exclude such evidence. 37 C.F.R. § 42.64(c).

Achates alleges various reasons why Mr. Schneier's declaration (Exhibit 1041) should be excluded. Mot. to Exclude 1-8. The declaration, however, was submitted by Apple with its Petition for *inter partes* review (Paper 2). Because the evidence was submitted during a preliminary proceeding, any objection to such evidence must have been served within ten business days of the institution of the trial. 37 C.F.R. § 42.64(b)(1). Achates does not allege that Apple was served with any objection within ten business days of the institution of trial (Paper 22, dated June 3, 2013) or at any other time. Instead, Achates submits that 37 C.F.R. § 42.64 does not apply "because the bases of the objections arose when [Apple] failed to update Mr. Schneier's declaration as part of its Reply." Mot. to Exclude 7. Achates does not point to any rule or authority in support of the theory that Apple had a duty to "update" a declaration that was submitted with the

Petition for *inter partes* review. Moreover, Apple would have had the right to serve supplemental evidence for the purpose of correcting any evidentiary deficiencies in the declaration, had Apple been provided with proper and timely notice, as required by 37 C.F.R. § 42.64. Thus, we are not persuaded that Mr. Schneier's declaration should be excluded.

2. *Dr. Wang's Deposition Testimony*
(*Exhibits 2034 and 2035*)

Achates moves to exclude certain testimony of its own declarant, Dr. Wang, from his deposition that took place on November 19-20, 2013. Mot. to Exclude 8-9, 11-14. An objection to deposition evidence, however, must be made during the deposition. 37 C.F.R. § 42.64(a). Achates does not point to any objections to the lines of questioning or to the testimony in the transcript of the deposition. Moreover, Achates could have dealt with testimony it believed inadmissible with redirect examination of the witness, but did not do so. *See* 37 C.F.R. § 42.53(c)(2). Thus, we are not persuaded that Dr. Wang's deposition testimony should be excluded.

3. *Exhibits 1055 and 1056*

Achates moves to exclude two documents relating to the Windows XP operating system that were produced by Apple at the deposition of Dr. Wang. Exhibits 1055 and 1056 were introduced by Apple during Dr. Wang's deposition on November 20, 2013. Ex.

2035 at 374:20-375:11. According to Achates, it objected to the exhibits “within the time period allowed for objections to supplemental evidence.” Mot. to Exclude 11 n.1. Achates refers to its Exhibits 2046 and 2047. *Id.* Exhibit 2046 appears to be a reproduction of an email communication from Achates’s counsel to Apple’s counsel on November 27, 2013 that refers to “enclose[d]” objections to evidence recently brought to Achates’s attention by Apple. Exhibit 2047 is a paper styled “Patent Owner Objection to Evidence Pursuant to 37 C.F.R. § 42.64,” dated November 27, 2013.

Apple responds that Achates waived any objections to Exhibits 1055 and 1056 because it did not object to them when they were introduced at the deposition, citing 37 C.F.R. §§ 42.53(f)(8) and 42.64(a). Exclude Opp. 10-11. However, 37 C.F.R. § 42.53(f)(8) does not apply because the rule refers to waiver of objection to the “content, form, or manner of taking the deposition,” as opposed to documents introduced during the deposition. Pursuant to 37 C.F.R. § 42.53(f)(4), “[a]ll objections made at the time of the deposition to the qualifications of the officer taking the deposition, the manner of taking it, *the evidence presented*, the conduct of any party, and any other objection to the deposition shall be noted on the record by the officer” (emphasis added). We need not determine, however, whether exclusion of an exhibit introduced at a deposition (37 C.F.R. § 42.53(0(3))) requires an objection during the deposition, or may be objected to within five business days, in accordance with 37 C.F.R. § 42.64(b)(1). First, Achates does not point to any

objection directed to the exhibits in the deposition transcript. Second, even assuming that objection may be made after the deposition, in accordance with Achates's theory, Achates has not shown that the exhibits must be excluded.

Once a trial has been instituted, any objection must be served within five business days of service of evidence to which the objection is directed. 37 C.F.R. § 42.64(b)(1). The objection must "identify the grounds for the objection with sufficient particularity to allow correction in the form of supplemental evidence." *Id.*

Achates's Motion to Exclude sets forth two bases as to why Exhibits 1055 and 1056 should be excluded. First, Achates contends that the exhibits should be excluded *as* irrelevant because the documents are not prior art. Mot. to Exclude 11. As acknowledged by Achates, however, Apple does not rely on the documents as representing prior art. *See* Exclude Opp. 11; Exclude Reply 4. The mere fact that the documents are not prior art does not merit their exclusion. *See, e.g., In re Wilson*, 311 F.2d 266, 268-69 (CCPA 1962) (publication that was not cited as a prior art reference or as suggesting the claimed invention was cited properly to show a state of fact); *Ex parte Erlich*, 22 U.S.P.Q.2d 1463, 1465, 1992 WL 93132, at *3 (BPAI Jan. 16, 1992) (publication that was not prior art properly was relied upon as establishing the level of ordinary skill in the art at and around the time of the invention).

Achates's second basis for exclusion set forth in the Motion to Exclude is that Apple failed to authenticate the exhibits. Mot. to Exclude 11. Achates does not, however, point to where the objection (Exhibit 2047) identified that ground with sufficient particularity, which would have, thus, enabled a response by Apple to correct any such deficiency by serving supplemental evidence. As such, the allegation of failure to authenticate the exhibits is not timely and was not preserved by the objection served on Apple. *See* 37 C.F.R. §§ 42.64(b), 42.64(c).

III. ORDER

Apple has demonstrated, by a preponderance of the evidence, that:

- (1) claim 1 is anticipated by Pettitt under 35 U.S.C. § 102(e);
- (2) claims 2, 4, 5, 7, and 9 are unpatentable over Pettitt and Beetcher under 35 U.S.C. § 103(a);
- (3) claims 17-19 are anticipated by Beetcher under 35 U.S.C. § 102(e);
- (4) claims 1-12 are unpatentable over Beetcher, Ginter, and Bohannon under 35 U.S.C. § 103(a); and
- (5) claims 17-19 are anticipated by Ginter under 35 U.S.C. § 102(e).

Apple has not demonstrated, by a preponderance of the evidence, that claims 1-7 and 9-12 are anticipated

by Ginter under 35 U.S.C. § 102(e), or that claim 8 is unpatentable over Ginter and Beetcher under 35 U.S.C. § 103(a). Claims 13-16 of the '403 patent are not subject to the instant *inter partes* review.

In consideration of the foregoing, it is hereby:

ORDERED that claims 1-12 and 17-19 of the '403 patent have been shown to be unpatentable;

FURTHER ORDERED that Achates's Motion to Exclude is *denied*;

FURTHER ORDERED that Achates's Motion to Seal is *denied*;

FURTHER ORDERED that Papers 74, 75, and 79, and Exhibits 1067 and 1068, are unsealed; and

FURTHER ORDERED that the copies of Exhibits 1003 and 1041 filed on December 14, 2012, are expunged from the record of this proceeding.

This is a final decision. Parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

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APPENDIX E

UNITED STATES PATENT
AND TRADEMARK OFFICE

BEFORE THE PATENT
TRIAL AND APPEAL BOARD

APPLE INC.
Petitioner

v.

ACHATES REFERENCE PUBLISHING, INC.
Patent Owner

Case IPR2013-00080 (Patent 6,173,403)

Case IPR2013-00081 (Patent 5,982,889)¹

Before HOWARD B. BLANKENSHIP, JUSTIN T.
ARBES, and GREGG I. ANDERSON, *Administrative
Patent Judges*.

ARBES, *Administrative Patent Judge*.

¹ This Order addresses an issue pertaining to both cases. Therefore, we exercise our discretion to issue one Order to be filed in each case. The parties are not authorized to use this style heading for any subsequent papers.

ORDER
Conduct of the Proceedings
37 C.F.R. § 42.5

Paper 88
Entered: March 6, 2014

A conference call in the above proceedings was held on February 24, 2014 between respective counsel for Petitioner and Patent Owner, and Judges Blankenship, Arbes, and Anderson.² The call was requested by Patent Owner to seek authorization to file (1) a motion to re-file certain errata sheets, and (2) a motion for additional discovery. After hearing from the parties during the call, the Board took both matters under advisement.

Errata Sheets

Patent Owner previously filed improper errata sheets for the depositions of its two declarants, Mr. Dmitry Radbel and Dr. Xin Wang (Exhibits 2033 and 2036 in each proceeding). The Board expunged the errata sheets because Patent Owner did not obtain prior authorization for filing them and because the errata sheets made substantive changes that materially altered the witnesses' testimony. *See* IPR2013-00080, Paper 61; IPR2013-00081, Paper 52. During the call, Patent Owner sought authorization to file a

² A court reporter was present on the call. The parties shall file the transcript of the call as an exhibit in the instant proceedings.

motion to re-file the expunged errata sheets. Patent Owner argued that the Board should exercise its discretion with respect to management of the record under 37 C.F.R. § 42.7(a) and permit the errata sheets to be entered “for the limited purpose of preserving the record for appeal” (i.e., challenging the Board’s application of its rules in expunging the errata sheets). Patent Owner stated that it was not requesting that the Board consider the errata sheets in rendering a final written decision in each proceeding; rather, the errata sheets would only exist in the record for purposes of appeal.

Petitioner responded that the Board properly exercised its discretion to expunge the errata sheets and that, as the Board determined in the previous Order, the time for Patent Owner to cure any issue with the witnesses’ substantive testimony was on re-direct examination, not in an errata sheet afterwards. Petitioner further argued that there is no basis for including the improper errata sheets in the record because any appeal from the instant proceedings will be an appeal of the Board’s decision on the patentability of the challenged claims, not the Board’s application of its rules.

Pursuant to 37 C.F.R. § 42.7(a), “[t]he Board may expunge any paper directed to a proceeding . . . that is not authorized under this part or in a Board order or that is filed contrary to a Board order.” The errata sheets at issue were not authorized under the Board’s rules or any Order in the instant proceedings, for all of the reasons stated in the previous Order. *See*

IPR2013-00080, Paper 61; IPR2013-00081, Paper 52. Thus, expunging them was appropriate under the circumstances. We are not persuaded that the previous Order was in error or that the errata sheets should be re-filed for purposes of appeal only. Specifically, Patent Owner has not explained sufficiently why it would be appropriate to add the unauthorized errata sheets to the record, but not consider the documents when the Board reviews the entire record of each proceeding and renders a final written decision on the patentability of the challenged claims. Accordingly, a motion to re-file the expunged errata sheets is not authorized.

Additional Discovery

Petitioner, in its response to Patent Owner's statement of fact 129 in Patent Owner's response, admitted that QuickOffice, Inc. ("QuickOffice") (a previously dismissed co-defendant in the related litigation between the parties) "has entered into at least one form of an agreement related to app[lication] development with Petitioner prior to the Petition being filed." *See* IPR2013-00080, Paper 59 at 4; IPR2013-00081, Paper 50 at 4. During the call, Patent Owner sought authorization to file a motion for additional discovery of that agreement under 37 C.F.R. § 42.51(b)(2). According to Patent Owner, the agreement is relevant to the issue of whether QuickOffice is a "real party-in-interest" or "privy" of Petitioner and, therefore, whether the Petition in each proceeding is time-barred under 35 U.S.C. § 315(b). Again, Patent Owner argued that

the material only would be entered for purposes of appeal, and would not be considered by the Board. Patent Owner also argued that the requested discovery would serve judicial economy because the agreement could be considered for the first time on appeal, avoiding the potential need for a remand to the Board for additional fact-finding on the Section 315(b) issue.

Petitioner opposed Patent Owner's request, arguing that the time period for discovery has passed and the record should not be changed at this stage of the proceedings. Petitioner also pointed out that the Board previously denied Patent Owner's motion for additional discovery on the Section 315(b) issue, and Patent Owner did not request rehearing of that decision. *See* IPR2013-00080, Paper 18 (discovery request for copies of certain "agreements" between Petitioner and its co-defendants, including QuickOffice); IPR2013-00081, Paper 17.

We are not persuaded to authorize a motion for additional discovery. The time period for discovery set forth in the Scheduling Orders in the instant proceedings has expired. An oral hearing took place on February 26, 2014, and the Board will enter a final written decision in each proceeding, based on the existing record, by June 3, 2014. Patent Owner has not given a sufficient reason for adding to the record at this late stage, or explained adequately why it would be appropriate to supplement the record with material that will not be considered on the merits.

Patent Owner's delay in seeking authorization to file a motion for additional discovery also weighs against granting its request. Petitioner filed its responses to Patent Owner's statements of fact on January 13, 2014. Patent Owner, however, did not request a conference call to seek authorization until February 21, 2014, more than a month later and less than one week before the oral hearing. Accordingly, a motion for additional discovery is not authorized.

In consideration of the foregoing, it is hereby:

ORDERED that Patent Owner is not authorized to file a motion to re-file the expunged errata sheets of Mr. Radbel and Dr. Wang, and is not authorized to file a motion for additional discovery of the agreement between Petitioner and QuickOffice.

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APPENDIX F

UNITED STATES PATENT
AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.

Petitioner

v.

ACHATES REFERENCE PUBLISHING, INC.

Patent Owner

Case IPR2013-00080 (Patent 6,173,403)

Case IPR2013-00081 (Patent 5,982,889)¹

Before HOWARD B. BLANKENSHIP, JUSTIN T.
ARBES, and THOMAS L. GIANNETTI, *Administrative
Patent Judges.*

ARBES, *Administrative Patent Judge.*

ORDER

Conduct of the Proceedings

37 C.F.R. §42.5

¹ This Order addresses issues that are identical in both cases. We therefore exercise our discretion to issue one Order to be filed in each case. Other than the motion and opposition expressly authorized herein, the parties are not authorized to use this style heading for any subsequent papers.

Entered: July 2, 2013

An initial conference call in the above proceeding was held on July 1, 2013 between respective counsel for Petitioner and Patent Owner, and Judges Blankenship, Arbes, and Giannetti. The purpose of the call was to discuss any proposed changes to the Scheduling Orders entered in the instant proceedings and any motions the parties intend to file. Prior to the call, Petitioner and Patent Owner filed lists of proposed motions (Case IPR2013-00080, Papers 26 and 27; Case IPR2013-00081, Papers 25 and 26). The following issues were discussed during the call.

Schedule

The parties indicated that they do not have any issues with the Scheduling Orders.

Motion Regarding Dependent Claims

Petitioner sought authorization to file a motion seeking an Order from the Board that the dependent claims in the challenged patents – Patent 6,173,403 (the “’403 patent”) and Patent 5,982,889 (the “’889 patent”) – stand or fall with the independent claims from which they depend. Petitioner argued that doing so would promote efficiency, as the dependent claims do not add significant limitations to the independent claims according to Petitioner. Patent Owner disputed Petitioner’s characterization of the claims and

argued that the request is premature because Patent Owner has not yet filed its responses to the Petitions.

Petitioner is not authorized to file a motion regarding dependent claims. Patent Owner in its responses may submit arguments regarding the patentability of any of the claims on which a trial was instituted, whether independent or dependent. Patent Owner is cautioned, however, that any arguments for patentability not raised and fully briefed in the responses will be deemed waived.

*Motion for Discovery of Certain Materials
Potentially Containing Admissions by Patent Owner*

Petitioner sought authorization to file a motion for additional discovery of (1) the deposition transcript of the inventor of the '403 and '889 patents in *Achates Reference Publishing, Inc. v. Symantec Corp., et al.*, E.D. Tex. Case No. 2:11-cv-00294-JRG-RSP (the "related litigation"); (2) expert reports addressing invalidity and infringement in the related litigation and previous litigations where the '403 and '889 patents were asserted; and (3) infringement contentions served by Patent Owner in the litigations. Petitioner argued that the materials may contain admissions regarding the prior art and scope of the challenged claims. Patent Owner opposed Petitioner's request, arguing that infringement issues are not relevant to the instant proceedings and whether the materials contain relevant information is only speculation.

After hearing from both parties, we believe that briefing on one of the items requested by Petitioner is warranted. Petitioner will be authorized to file a motion for additional discovery of the invalidity expert reports and Patent Owner will be permitted to file an opposition. Petitioner's motion should explain why the discovery of such reports is "necessary in the interest of justice," addressing the factors set forth in the "Order – Authorizing Motion for Additional Discovery" in IPR2012-00001 (Paper 20). *See* 35 U.S.C. § 316(a)(5); 37 C.F.R. § 42.51(b)(2). Patent Owner in its opposition shall state whether any of the prior art references on which the Board instituted a trial in the instant proceedings were addressed in any of the invalidity expert reports.

*Motion for Discovery Pertaining to
Conception and Reduction to Practice*

Petitioner sought authorization to file a motion for additional discovery pertaining to conception and reduction to practice of the challenged claims, specifically the deposition of the inventor and any corroborating witness and any documents relating to conception and reduction to practice. Petitioner cited Patent Owner's statement in its preliminary responses that the effective filing date of certain claims is earlier than April 30, 1997, and argued that permitting discovery at this point will allow the effective filing date issue to be resolved quickly. Patent Owner opposed Petitioner's request as premature.

Petitioner is not authorized at this time to file a motion for additional discovery pertaining to conception and reduction to practice. To the extent Patent Owner argues an earlier effective filing date in its responses and supports that argument with declarations, Petitioner will be permitted by rule to cross examine those witnesses. *See* 37 C.F.R. § 42.51(b)(1)(ii).

Joint Motion to Modify the Default Protective Order

Patent Owner indicated that the parties are in the process of drafting a proposed protective order for these proceedings. The Board referred the parties to the requirements of 37 C.F.R. § 42.54. Should the parties believe there is a need to file certain information under seal at some point in these proceedings, the parties may file a motion to seal containing a proposed protective order. The motion should identify specifically how the proposed protective order differs from the Board's default protective order and explain why such changes are warranted.

The parties also indicated a disagreement as to whether certain attorneys representing Patent Owner in the related litigation and certain experts retained by Patent Owner may participate in these proceedings under the terms of a protective order entered in the related litigation. The parties were advised that such protective order issues can only be resolved by the district court, not the Board.

Motion to Amend

Patent Owner stated that it may file a motion to amend and, if so, will arrange another conference call to discuss specific proposed claim amendments prior to filing. As discussed during the call, the parties should note the guidance regarding motions to amend provided in the Board's Trial Practice Guide and the recent decision in Case IPR2012-00027, Paper 26, dated June 11, 2013.

Privity

Patent Owner reiterated its position that the Petitions are time-barred under 35 U.S.C. § 315(b) because certain application developers who previously were co-defendants of Petitioner in the related litigation (but have now settled) are "privies" of Petitioner and were served with a complaint alleging infringement more than one year before the Petitions were filed. Patent Owner stated that with its responses, Patent Owner intends to file at least one signed indemnification agreement between Petitioner and a developer and argue that the indemnifying party is a privy of Petitioner under *TRW, Inc. v. Ellipse Corp.*, 495 F.2d 314 (7th Cir. 1974), and other case law. Patent Owner sought authorization to file a motion for dismissal under 35 U.S.C. § 315(b) and a motion for additional discovery of other indemnification agreements and joint defense agreements in the related litigation. Petitioner opposed Patent Owner's request, arguing that the Board has already resolved

the privity issue in its previous decisions denying Patent Owner's motion for additional discovery and instituting *inter partes* reviews. See Case IPR2013-00080, Papers 18, 22; Case IPR2013-00081, Papers 17, 21.

Patent Owner has not demonstrated a basis for authorizing a motion for additional discovery as "necessary in the interest of justice" under 35 U.S.C. § 316(a)(5) and 37 C.F.R. § 42.51(b)(2), or explained why the present circumstances are any different from the facts presented when the Board made its earlier decisions. Patent Owner, therefore, is not authorized to file any motions pertaining to alleged privity. Patent Owner is free to make its privity argument in its responses and submit additional evidence on the matter to the extent it is permitted by law.

Deposition of Mr. Schneier

Patent Owner requested authorization to depose Petitioner's declarant, Bruce Schneier, for two days and to video-record and submit the deposition under 37 C.F.R. § 42.53(a). Given the number of claims and prior art references at issue, as well as the fact that there are two proceedings and two lengthy declarations from Mr. Schneier, Patent Owner will be permitted two days (of seven hours each) for cross-examination of Mr. Schneier. Patent Owner also is authorized to video-record the deposition, as doing so only preserves the opportunity for the Board to review the video if necessary. Patent Owner must obtain permission

from the Board prior to submitting any portion of the video as an exhibit in these proceedings. Should Patent Owner believe there is a need to do so after the deposition, Patent Owner should request another conference call.

Exhibit 1041 in Case IPR2013-00080

Petitioner filed its Petition in Case IPR2013-00080 on December 14, 2012, and included with the Petition an incorrect version of Exhibit 1041. Petitioner filed an “updated” version of the exhibit on December 17, 2012. Based on Petitioner’s representation that the only modification to the exhibit was a change from landscape to portrait orientation, the Board in a previous Order renumbered the original version as Exhibit 4002 to avoid confusion in the record. Case IPR2013-00080, Paper 21. It appears, however, that the “updated” version also corrected an error where certain claim charts in the original version incorrectly used the claims of the ’889 patent rather than the ’403 patent. During the call, Patent Owner requested authorization to file a motion to strike the “updated” version of Exhibit 1041. Petitioner argued that the error was a clerical mistake and resulted in no prejudice to Patent Owner.

The Board encouraged the parties to work together to resolve the issue and required Patent Owner to notify the Board by email to Trials@uspto.gov by 12:00 PM Eastern Time on July 2, 2013 if it maintained its objection. Having not heard from Patent

Owner, the Board considers the issue resolved. In future filings, the parties should refer to the “updated” Exhibit 1041 rather than the original version, which was renumbered as Exhibit 4002.

In consideration of the foregoing, it is hereby:

ORDERED that all due dates set forth in the Scheduling Orders remain unchanged;

FURTHER ORDERED that Petitioner is authorized under 37 C.F.R. § 42.51(b)(2) to file a motion for additional discovery of invalidity expert reports served by Patent Owner in litigations involving the challenged patents by July 9, 2013, limited to five pages;

FURTHER ORDERED that Patent Owner is authorized to file an opposition by July 16, 2013, also limited to five pages, and Patent Owner’s opposition shall state whether any of the prior art references on which the Board instituted a trial in the instant proceedings were addressed in any of the invalidity expert reports;

FURTHER ORDERED that the motion and opposition shall be filed in both Case IPR2013-00080 and Case IPR2013-00081 using the heading on the first page of this Order;

FURTHER ORDERED that no other discovery motions are authorized at this time;

FURTHER ORDERED that Patent Owner is authorized to file a motion to amend no later than DUE DATE 1; and

FURTHER ORDERED that Patent Owner is authorized to depose Mr. Schneier for two days (of seven hours each) and may video-record the deposition, but must obtain the Board's permission prior to submitting any portion of the video as an exhibit in these proceedings.

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APPENDIX G

UNITED STATES PATENT
AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.

Petitioner

v.

ACHATES REFERENCE PUBLISHING, INC.

Patent Owner

Case IPR2013-00081

Patent 5,982,889

Before HOWARD B. BLANKENSHIP, JUSTIN T.
ARBES, and THOMAS L. GIANNETTI, *Administrative
Patent Judges*.

ARBES, *Administrative Patent Judge*.

DECISION

Institution of *Inter Partes* Review

37 C.F.R. §42.108

Paper 21

Entered: June 3, 2013

Apple Inc. filed a Petition (“Pet.”) to institute an *inter partes* review of claims 1-4 of Patent 5,982,889 (the “’889 patent”) pursuant to 35 U.S.C. § 311 *et seq.* Patent Owner Achates Reference Publishing, Inc.

filed a preliminary response (“Prelim. Resp.”) to the Petition. We have jurisdiction under 35 U.S.C. § 314. For the reasons that follow, the Board has determined to institute an *inter partes* review.

I. BACKGROUND

The standard for instituting an *inter partes* review is set forth in 35 U.S.C. § 314(a):

THRESHOLD – The Director may not authorize an *inter partes* review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

Petitioner challenges claims 1-4 of the ’889 patent as anticipated under 35 U.S.C. § 102(e) and as obvious under 35 U.S.C. § 103(a). Pet. 2-3. We grant the petition as to claims 1-4 on certain grounds as discussed below.

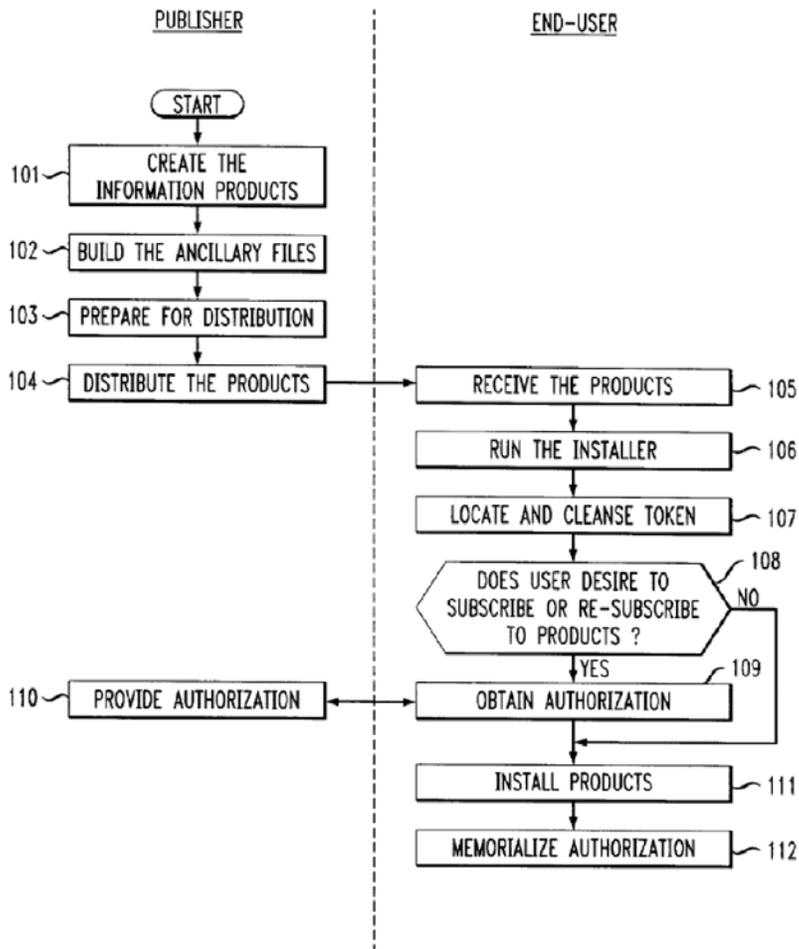
A. *The ’889 Patent (Ex. 1001)*

The ’889 patent, entitled “Method and Apparatus for Distributing Information Products,” issued on November 9, 1999 based on Application 08/845,805, filed April 30, 1997.

The '889 patent relates to “distributing and installing computer programs and data.” Col. 1, ll. 6-9. The patent describes a need in the art to prevent piracy of information products, such as, for example, when a user obtains a computer program improperly or when a user purchases one copy of a program and installs it on multiple computers without authorization. Col. 1, ll. 12-60. The patent discloses methods of “distributing one or more information products together . . . while reserving to the publisher the ability to control which products are actually installed on an end-user’s computer.” Col. 1, l. 66-col. 2, l. 4.

Figure 1 of the patent, reproduced below, depicts the interaction between a publisher and end-user (e.g., an individual purchasing a piece of software):

FIG. 1



The preferred embodiment described in the patent operates as follows. In steps 101-102, the publisher creates a set of information products and other files. Col. 3, ll. 34-40; col. 5, ll. 45-50. The patent describes a "plurality of web pages that constitute

some of the legislative, administrative and judicial materials associated with patent law,” where the web pages include hyperlinks to each other, as an exemplary information product. Col. 2, l. 64-col. 3, l. 1; col. 4, ll. 9-15. In step 103, the publisher encrypts the information products with a string as the encryption key. Col. 8, ll. 3645. In step 104, the information products are distributed to the end-user (e.g., on a CD-ROM or electronically over the Internet) along with an “installer” program that runs on the end-user’s computer and allows the publisher to “control how and under what circumstances the information products are installed on the end-user’s computer.” Col. 2, ll. 39-48; col. 8, l. 65-col. 9, l. 3. The installer knows the cryptosystem and key for decrypting the information products. Col. 8, ll. 57-59.

In steps 105-106, the end-user receives the information products and runs the installer. Col. 9, ll. 4-15. In step 107, the installer checks to see whether the end-user’s computer has a previously-stored, encrypted “token” indicating that the publisher granted authorization earlier to install the information products (e.g., when an end-user has a subscription to receive multiple products over time). Col. 9, ll. 16-31. In step 108, the end-user is asked whether he or she wants to subscribe to the information products. Col. 10, ll. 56-62. If so, in steps 109-110, the end-user “acquires the installer[’]s cooperation to decrypt and install the respective information products” by transmitting information to the publisher, receiving a “launch code” from the publisher in response,

and entering the “launch code” into the installer. Col. 10, l. 63-col. 11, l. 9; Fig. 4. Specifically, the end-user contacts the publisher (e.g., via telephone or the Internet) and provides (1) the end-user’s name and address; (2) the end-user’s method of payment; (3) the name of the requested information products; and (4) a serial number R generated by the installer. Col. 11, ll. 10-33. After verifying the payment, the publisher provides to the end-user a “launch code” comprising “(1) a[n] authentication code; (2) an indication of the name of the end-user; (3) a list of the information products to which the end-user has been granted access; and (4) an indication of when the authorization for each information product expires,” encrypted using R as the key. Col. 11, ll. 34-49. The end-user enters the launch code into the installer, and the installer decrypts the launch code using R as the key to extract the authentication code contained therein. Col. 11, ll. 47-54. If the authentication code matches what the installer expects, the launch code is authentic. Col. 11, ll. 50-65; col. 12, ll. 25-49. The information products can be installed in step 111 and the encrypted “token” on the end-user’s computer is updated in step 112 if necessary (the “token” contains the same four pieces of information as the launch code). *Id.*; col. 9, ll. 40-47. By generating a new R each time the installer requests a launch code, the disclosed method “prevent[s] the end-user from using a single launch code to install the information products on multiple computers.” Col. 11, l. 66-col. 12, l. 2.

B. Exemplary Claim

Claim 1 of the '889 patent is exemplary of the claims at issue:

1. A method comprising the steps of:

generating a string, R;

encrypting a first authentication code, an indicium of an end-user's identity, an indicium of a first information product, and an indicium of a second information product with said string, R, as the key to create a launch code;

decrypting said launch code with said string, R, to recover said authentication code, said indicium of said end-user's identity, said indicium of said first information product and said indicium of said second information product; and

installing said first information product and said second information product onto a computer associated with said end-user.

C. The Prior Art

Petitioner relies on the following prior art:

1. Patent 5,949,876, filed Jan. 8, 1997, issued Sept. 7, 1999 ("Ginter") (Ex. 1005) (claims priority to Application 08/388,107, filed Feb. 13, 1995);

2. Patent 5,864,620, filed Apr. 24, 1996, issued Jan. 26, 1999 ("Pettitt") (Ex. 1006);

3. Patent 5,933,497, filed Jan. 29, 1993, issued Aug. 3, 1999 (“Beetcher”) (Ex. 1007) (claims priority to Application 07/629,295, filed Dec. 14, 1990); and

4. Patent 6,134,324, filed May 29, 1997, issued Oct. 17, 2000 (“Bohannon”) (Ex. 1008) (claims priority to Application 07/739,206, filed July 31, 1991).

D. The Asserted Grounds

Petitioner challenges claims 1-4 of the ’889 patent on the following grounds (Pet. 8-38):¹

Claims 1-3 under 35 U.S.C. § 102(e) as being anticipated by Ginter;

Claim 4 under 35 U.S.C. § 103(a) as being unpatentable over Ginter in view of Beetcher;

Claim 1 under 35 U.S.C. § 102(e) as being anticipated by Pettitt;

Claims 1-4 under 35 U.S.C. § 103(a) as being unpatentable over Pettitt in view of Ginter, Beetcher, and/or Bohannon;

Claims 1-4 under 35 U.S.C. § 102(e) as being anticipated by Beetcher;

¹ The grounds of unpatentability listed on pages 2-3 of the Petition are slightly different from the grounds argued in the body of the Petition. We refer herein to what is argued in the body of the Petition.

Claims 1-4 under 35 U.S.C. § 103(a) as being unpatentable over Beetcher in view of Ginter, Pettitt, and/or Bohannon;

Claims 1-4 under 35 U.S.C. § 102(e) as being anticipated by Bohannon; and

Claims 1-4 under 35 U.S.C. § 103(a) as being unpatentable over Bohannon in view of Ginter and/or Beetcher.

E. Claim Interpretation

Consistent with the statute and legislative history of the America Invents Act (AIA), the Board will interpret claims using “the broadest reasonable construction in light of the specification of the patent in which [they] appear[.]” 37 C.F.R. § 42.100(b); *see also* Office Patent Trial Practice Guide, 77 Fed. Reg. 48756, 48766 (Aug. 14, 2012).

There is a “heavy presumption” that a claim term carries its ordinary and customary meaning. *CCS Fitness, Inc. v. Brunswick Corp.*, 288 F.3d 1359, 1366 (Fed. Cir. 2002). However, a “claim term will not receive its ordinary meaning if the patentee acted as his own lexicographer and clearly set forth a definition of the disputed claim term in either the specification or prosecution history.” *Id.* “Although an inventor is indeed free to define the specific terms used to describe his or her invention, this must be done with reasonable clarity, deliberateness, and precision.” *In re Paulsen*, 30 F.3d 1475, 1480 (Fed. Cir. 1994).

Also, we must be careful not to read a particular embodiment appearing in the written description into the claim if the claim language is broader than the embodiment. *See In re Van Geuns*, 988 F.2d 1181, 1184 (Fed. Cir. 1993) (“[L]imitations are not to be read into the claims from the specification.”).

We note that the ’889 patent currently is being asserted in *Achates Reference Publishing, Inc. v. Symantec Corp., et al.*, E.D. Tex. Case No. 2:11-cv-00294-JRG-RSP (the “related litigation”). *See* Pet. 1-2; Paper 9 at 2. In that case, the district court issued an order interpreting certain claim terms in the ’889 patent. Ex. 2007.

For purposes of this decision, we construe certain claim limitations as follows:

1. “*Authentication Code*” (*Claim 1*)

Claim 1 recites “encrypting a first authentication code” and other data “with said string, R, as the key to create a launch code,” and “decrypting said launch code with said string, R, to recover said authentication code” and the other data. Dependent claim 2 recites creating and encrypting a “token comprising a second authentication code” and other data.

Petitioner does not propose a specific interpretation for “authentication code,” but argues that the Specification describes the code as “a string of bits used to determine whether a launch code and token are authentic and not corrupt,” and states that Patent Owner in the related litigation proposed an

interpretation of a “code used to infer the integrity of a message being sent.” Pet. 6 (citing Ex. 1034 at 15). Patent Owner argues that the term means a “data sequence readable by a computer and indicative of whether the token or launch code is acceptable,” which is how the district court interpreted the term. *See* Ex. 2007 at 4-6; Prelim. Resp. 22 (arguing that the district court’s interpretations should be adopted).

The parties do not contend that “authentication code” is a term of art known to those of ordinary skill, and we discern no specific definition for the term in the Specification of the ’889 patent. The Specification states that “[t]he authentication code is advantageously a 32-bit or longer string that is known to the installer and publisher and is not generally known to the public.” Ex. 1001, col. 9, ll. 65-67. In the exemplary embodiments described in the Specification, an “authentication code” is part of the encrypted “launch code” (provided to the end-user’s computer) or encrypted “token” (stored on the end-user’s computer). *Id.*, col. 9, ll. 39-64; col. 11, ll. 34-43. The end-user’s computer decrypts the launch code or token to recover the authentication code contained therein, and compares it to an authentication code “known” to the installer. *Id.*, col. 10, ll. 30-36; col. 11, ll. 50-54. If there is a match, “the installer infers that the launch code is authentic” or “acceptable,” or that “the token is genuine and has not been doctored.” *Id.*, col. 10, ll. 36-45; col. 11, ll. 54-65; Fig. 4, step 419. The Specification therefore describes the use of an “authentication code” in exemplary embodiments for determining

the acceptability of a launch code or token, but does not indicate that the term itself is defined by that function. Nor does the surrounding language of the claims indicate that “authentication code” should be so defined. We therefore do not interpret the term according to any other function it may perform and, applying the broadest reasonable interpretation of the claim in light of the Specification, interpret “authentication code” to mean a code for authenticating data.

2. “Installing” (Claim 1)

Claim 1 recites “installing said first information product and said second information product onto a computer associated with said end-user.” Again, Petitioner does not propose a specific interpretation for “installing,” but points out that Patent Owner in the related litigation proposed an interpretation of “granting an end-user’s computer access to an information product(s).” Pet. 7-8 (citing Ex. 1034 at 28-29). Patent Owner argues that the term means “placing in a position so as to be ready for use,” which is how the district court interpreted the term. *See* Ex. 2007 at 9-10; Prelim. Resp. 22 (arguing that the district court’s interpretations should be adopted).

We agree with Patent Owner’s proposed interpretation as the ordinary and customary meaning of the term. *See, e.g.*, Ex. 2007 at 9 (citing a dictionary definition of “install” as “[t]o take software from the distribution files, which can be on floppy disks,

CD-ROM, tapes, or on a remote networked computer, and place it in its permanent location from where it will be executed”) (emphasis removed). The interpretation is also consistent with the Specification, which states that information products are “install[ed] . . . on the end-user’s computer in well-known fashion” and describes a set of web pages on patent law installed on the end-user’s computer for the end-user to “use.” Ex. 1001, col. 2, l. 64-col. 5, l. 18; col. 12, ll. 33-35. Petitioner’s cited interpretation deals with “access” to the information products, which is not consistent with the ordinary meaning of “installing” or its usage in the Specification.

Applying the broadest reasonable interpretation of the claim in light of the Specification, we interpret “installing” to mean placing in a position so as to be ready for use.

3. “Launch Code” (Claim 1)

The parties agree that in the context of claim 1, “launch code” means “password.” See Pet. 7; Prelim. Resp. 22 (arguing that the district court’s interpretations should be adopted); Ex. 2007 at 13; Ex. 1001, col. 11, ll. 1-6. We agree that the parties’ definition represents the broadest reasonable interpretation in light of the Specification and adopt it for purposes of this decision.

4. *“Token” (Claim 2)*

The parties agree that in the context of claim 2, “token” means “a data structure indicating that an end-user’s computer is granted access to certain information products.” *See* Pet. 8; Prelim. Resp. 22 (arguing that the district court’s interpretations should be adopted); Ex. 2007 at 14-16; Ex. 1001, col. 9, ll. 32-38. We agree that the parties’ definition represents the broadest reasonable interpretation in light of the Specification and adopt it for purposes of this decision.

5. *Other Terms*

All other terms in claims 1-4 are given their ordinary and customary meaning and need not be further construed at this time.

II. ANALYSIS

We turn now to Petitioner’s asserted grounds of unpatentability and Patent Owner’s arguments in its preliminary response to determine whether Petitioner has met the threshold standard of 35 U.S.C. § 314(a).

A. *Whether the Petition Should be Denied for Failure to Comply With Statutory Requirements*

As an initial matter, Patent Owner argues in its preliminary response that the Petition should be

denied for failure to comply with the statutory requirements for instituting an *inter partes* review. Prelim. Resp. 6-21. First, Patent Owner argues that the Petition is time-barred under 35 U.S.C. § 315(b), which provides that an *inter partes* review may not be instituted based on a petition “filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent.” *Id.* at 6-10. Patent Owner contends that “at least some” of the remaining seven co-defendants in the related litigation² were served more than one year before December 14, 2012 (the filing date of the Petition in the instant proceeding) and are real-parties-in-interest or privies of Petitioner. *Id.* Second, Patent Owner contends that Petitioner does not “identif[y] all real parties in interest” as required by 35 U.S.C. § 312(a)(2). *Id.*; see Pet. 1 (identifying Apple Inc. as the only real party-in-interest).³

Whether a non-party is a “real party-in-interest” or “privy” for purposes of an *inter partes* review proceeding is a “highly fact-dependent question” that takes into account how courts generally have used the

² Patent Owner identifies the remaining co-defendants as Electronic Arts, Inc.; GlobalSCAPE Inc.; Native Instruments Software Synthesis GmbH and Native Instruments North America, Inc.; QuickOffice, Inc.; SolarWinds Inc.; Stardock Systems Inc.; and Symantec Corporation. Prelim. Resp. 7 (citing Exs. 1037, 2005).

³ In an earlier Order, we denied Patent Owner’s request for additional discovery relating to these two arguments. Paper 17.

terms to “describe relationships and considerations sufficient to justify applying conventional principles of estoppel and preclusion.” Office Patent Trial Practice Guide, 77 Fed. Reg. 48756, 48759 (Aug. 14, 2012) (“Trial Practice Guide”). Whether parties are in privity, for instance, depends on whether the relationship between a party and its alleged privy is “sufficiently close such that both should be bound by the trial outcome and related estoppels.” *Id.* Depending on the circumstances, a number of factors may be relevant to the analysis, including whether the non-party “exercised or could have exercised control over a party’s participation in a proceeding” or whether the non-party is responsible for funding and directing the proceeding. *Id.* at 48759-60. We also find guidance in the Supreme Court’s decision in *Taylor v. Sturgell*, 553 U.S. 880 (2008), which sets forth the general rule under federal common law that a person not a party to a lawsuit is not bound by a judgment in that suit, subject to certain exceptions, including the following:

[N]onparty preclusion may be justified based on a variety of pre-existing “substantive legal relationship[s]” between the person to be bound and a party to the judgment. Qualifying relationships include, but are not limited to, preceding and succeeding owners of property, bailee and bailor, and assignee and assignor. These exceptions originated “as much from the needs of property law as from the values of preclusion by judgment.”

553 U.S. at 894 (citations omitted); *see* Trial Practice Guide at 48759 (citing *Taylor*).

Patent Owner contends that “at least some” of the co-defendants in the related litigation had a pre-existing substantive legal relationship with Petitioner and, therefore, are real-parties-in-interest or privies of Petitioner under *Taylor*. Prelim. Resp. 9-10. In support of its position, Patent Owner cites a publicly available software development kit (SDK) agreement that Petitioner allegedly enters into with iPhone application developers like the co-defendants. *Id.* at 10-14. The SDK agreement includes a clause requiring the developer to indemnify Petitioner for third party patent infringement claims:

To the extent permitted by law, *You agree to indemnify, defend and hold harmless Apple, its directors, officers, employees, independent contractors and agents (each an “Apple Indemnified Party”) from any and all claims, losses, liabilities, damages, expenses and costs (including without limitation attorneys fees and court costs) (collectively “Losses”) incurred by an Apple Indemnified Party as a result of Your breach of this Agreement, a breach of any certification, covenant, representation or warranty made by You in this Agreement, any claims that Your Applications violate or infringe any third party intellectual property or proprietary rights, or otherwise related to or arising from Your use of the SDK, Your Application(s) or Your development of Applications.*

...

In no event may You enter into any settlement or like agreement with a third party that affects Apple's rights or binds Apple in any way, without the prior written consent of Apple.

Ex. 2006 § 6 (emphasis added). Patent Owner argues that under California law, an indemnification relationship is indicative of the indemnitor being a real party-in-interest or privy of the indemnitee, citing an excerpt from a California Practice Guide (Paper 12). Prelim. Resp. 12-14.

We first note that Patent Owner provides no proof that any of the co-defendants in the related litigation ever signed the SDK agreement. Patent Owner only provides evidence that “[a]t least defendants Electronic Arts, QuickOffice, and Symantec” sold applications through the Apple App Store. *Id.* at 10 (citing Exs. 2008-10). The fact that these co-defendants sold applications through the Apple App Store does not demonstrate that they signed the specific SDK agreement cited by Patent Owner (Ex. 2006).

Even assuming that the indemnification provision of the SDK agreement applies to the co-defendants, however, the provision is not indicative of the co-defendants being real parties-in-interest or privies of Petitioner. The agreement does not give the developer the right to intervene or control Petitioner's defense to any charge of patent infringement, nor has Patent Owner argued that to be the case for the co-defendants in the related litigation. Indemnification is not one of the “substantive legal relationships”

cited in *Taylor* (e.g., assignee-assignor), and is significantly different from those relationships, which involve successive interests in property. Further, Patent Owner’s sole legal authority regarding indemnification – a California Practice Guide excerpt – is inapplicable, as it relates to subrogation claims where a “person obligated to pay for a *loss caused by another* may, by virtue of his or her payment, become subrogated to whatever claim the payee has *against the person causing the loss.*” See Paper 12 § 2:28 (emphasis added). We are not persuaded by Patent Owner’s subrogation argument. For example, with subrogation an insurance company that pays an insured for injuries caused to the insured by a third party can then stand in the shoes of the insured to sue the third party. *Id.* §§ 2:28, 30. By contrast, under the indemnification provision in the SDK agreement, an indemnifying developer would be paying Petitioner for patent infringement liability incurred by Petitioner, not paying for a loss caused by a third party and then standing in Petitioner’s shoes to sue the third party.

Further, Petitioner and its co-defendants have distinct interests in the related litigation such that, at least based on the facts available to us, it does not appear that Petitioner would be estopped by any judgment against one of the co-defendants. Patent Owner accuses Petitioner in the related litigation of infringing the ’889 patent based on Petitioner’s own actions as well as those of defendant QuickOffice, Inc. (“QuickOffice”). Ex. 1037 ¶¶ 51-52. Likewise, Patent Owner accuses QuickOffice of infringement based on

activities relating to the Apple App Store and other systems (e.g., the Amazon Appstore for Android). Ex. 1038 at 84-90. Thus, even if a judgment were obtained against one or more of the co-defendants, Petitioner would still be exposed to an adverse judgment based on its own actions and would, therefore, assert its own defenses independent of the co-defendants. This further indicates that the relationship between Petitioner and the co-defendants is not of the type that would make the co-defendants real parties-in-interest or privies of Petitioner.

We also disagree with Patent Owner's reading of the indemnification clause in the SDK agreement. Patent Owner suggests that because the clause obligates the indemnitor to pay for "losses" incurred by Petitioner, the co-defendants would be required to pay "Petitioner's legal fees . . . in this *Inter Partes* Review" and "if Petitioner were to enter into a settlement agreement with Patent Owner in this *Inter Partes* Review that resulted in monetary damages being paid." Prelim. Resp. 13. We see no such requirement in the indemnification clause, as it relates only to "losses" incurred by Petitioner as a result of "any claims that [the indemnitor's] Applications violate or infringe any third party intellectual property," which is not an issue in this proceeding. *See* Ex. 2006 § 6. Patent Owner also points to the portion of the indemnification clause precluding the indemnitor from entering into a settlement with a third party that affects or binds Petitioner without Petitioner's consent. Prelim. Resp. 13-14 (citing Ex. 2006 § 6). We

do not see the relevance of this clause, as the co-defendants are not parties to this proceeding and have no ability to settle on behalf of Petitioner.

Finally, Patent Owner argues that the co-defendants should be considered privies because privity is a determination made in “equity” and Petitioner has “other avenues” available to challenge the claims of the ’889 patent, such as *ex parte* reexamination or arguing invalidity in the related litigation. Prelim. Resp. 17-18 (citing *Taylor*, 553 U.S. at 899). Patent Owner further contends that this proceeding presents a “unique set of circumstances” given Petitioner’s addition as a co-defendant in the related litigation before the new AIA joinder rules went into effect (which Patent Owner argues were designed to minimize the opportunity for a defendant to have “two bites at the apple” in challenging the claims of a patent). *Id.* at 19-21. According to Patent Owner, if the co-defendants are not privies, they would not be estopped from challenging validity based on a final decision in this proceeding, and therefore “Petitioner may get the benefit of a district court finding of invalidity over prior art that Petitioner has unsuccessfully raised in this *Inter Partes* Review, and the statutory estoppel provisions of 35 U.S.C. § 315(e) that should apply to Petitioner would be effectively vitiated.” *Id.*

Contrary to Patent Owner’s arguments, Petitioner is not bound by any law or regulation to choose only one “avenue,” or to choose one “avenue” over another, for challenging the claims of the ’889 patent.

Indeed, the AIA contemplates multiple, simultaneous proceedings challenging validity (e.g., in the district court) or patentability (e.g., in an *ex parte* reexamination or *inter partes* review). See, e.g., 35 U.S.C. §§ 315(a)(3) (“counterclaim challenging the validity of a claim of a patent”), 315(d) (“if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the *inter partes* review or other proceeding or matter may proceed”). The scenario Patent Owner describes – where one defendant in a case files a petition for *inter partes* review and is later estopped after a final decision in the review, but the other defendants do not file or join the petition and are not estopped – is certainly possible under the statute. But the fact that there are other defendants in a related litigation who are not parties to an *inter partes* review does not automatically make them privies of the petitioner. In short, we see nothing unique about Patent Owner’s situation that would justify finding the co-defendants to be privies of Petitioner.

We are not persuaded that any of the co-defendants in the related litigation are real-parties-in-interest or privies of Petitioner and, therefore, do not deny the Petition for failure to comply with the statutory requirements for instituting an *inter partes* review.

B. Patent Owner's Other Arguments

Patent Owner in its preliminary response makes a number of other arguments, which we now address. We disagree that the Petition should be denied for the reasons argued by Patent Owner.

First, Patent Owner argues that Petitioner proposed alternative claim interpretations instead of a single interpretation in violation of 37 C.F.R. § 42.104(b)(3), which requires a petitioner to identify “[Now the challenged claim is to be construed.” Prelim. Resp. 21-22. Patent Owner does not identify the disputed alternative interpretations, but presumably refers to Petitioner’s citations to both Patent Owner’s proposed interpretations in the related litigation and the district court’s adopted interpretations. *See, e.g.*, Pet. 6-8. We read Petitioner’s position to be that either interpretation is appropriate. As Petitioner has identified how the challenged claims should be construed, we are not persuaded that the Petition should be denied.⁴ Patent Owner also contends that Petitioner’s interpretations are “unreasonable,” but does not state what effect (if any) the alleged error has on Petitioner’s asserted grounds of unpatentability. *See* Prelim. Resp. 21-22.

⁴ In the future, to avoid any confusion, a petitioner should affirmatively set forth in the Petition how *it* believes the challenged claim is to be construed, rather than merely referring to a position taken by the patent owner in related litigation. *See* 37 C.F.R. § 42.104(b)(3).

Second, Patent Owner argues that the effective filing date of the '889 patent is disputed, but does not give any reason why an earlier effective filing date would mean Petitioner has not established a reasonable likelihood of prevailing on any of its asserted grounds of unpatentability. *See id.* at 22-23.

Third, Patent Owner contends that Petitioner's proposed definition of a person of ordinary skill in the art is incorrect and that "the proper level of skill should be a person with at least five years of experience and or academic training in professional software development having experience with client-server software and operating systems, and at least a basic working knowledge of computer security and cryptography." *Id.* at 23. Again, Patent Owner does not tie the issue of the level of ordinary skill to the merits of any of Petitioner's asserted grounds of unpatentability.

Fourth, Patent Owner "urges that the Board should not consider any of Petitioner's Proposed Statement of Facts that have not been admitted by Patent Owner." *Id.* at 23-25. While we do not deem any facts denied by Patent Owner as admitted for purposes of this proceeding, we consider the factual record as a whole (including Petitioner's arguments in the Petition, Petitioner's statement of material facts, Patent Owner's arguments in the preliminary response, and Patent Owner's response to the statement of material facts) in determining whether Petitioner has met the threshold standard for instituting an *inter partes* review.

Fifth, Patent Owner objects to the statement on page 39 of the Petition that “Petitioner reserves the right to identify alternative theories or evidence responsive to the contentions of the Patent Owner to establish claims 1-4 are unpatentable over the identified prior art,” arguing that Petitioner cannot demonstrate a reasonable likelihood of prevailing on an unidentified ground of unpatentability. *See* Pet. 39; Prelim. Resp. 25. On this issue we agree with Patent Owner. A petition must identify with particularity each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that support the grounds for the challenge to each claim. 35 U.S.C. § 312(a)(3); *see also* 37 C.F.R. § 42.104(b) (petition must identify specific statutory grounds, “where each element of the claim is found in the prior art patents or printed publications relied upon,” and “the supporting evidence relied upon to support the challenge and the relevance of the evidence to the challenge raised”). To the extent Petitioner’s statement is a suggestion of additional unspecified grounds, the Petition does not satisfy the requirements. We therefore consider only the specifically identified grounds of unpatentability in the Petition in determining whether Petitioner has met the threshold standard for instituting an *inter partes* review.

C. Grounds Based on Ginter (Ex. 1005)

Petitioner contends that claims 1-3 are anticipated by Ginter under 35 U.S.C. § 102(e) and that claim 4 is unpatentable over Ginter in view of Beetcher

under 35 U.S.C. § 103(a). Pet. 24-33. To support its assertions, Petitioner relies on the Declaration of Bruce Schneier (Ex. 1003). Patent Owner presents no argument regarding Petitioner's grounds of unpatentability based on Ginter in its preliminary response. We conclude that Petitioner has established a reasonable likelihood of prevailing on its assertion that claims 1-3 are anticipated and claim 4 is unpatentable for the reasons explained below.

Ginter discloses computer systems providing a "distributed virtual distribution environment (VDE)" that "help[s] to ensure that information is accessed and used only in authorized ways." Ginter, Abstract. Electronic content is stored in "objects" (also called "containers") for distribution to users, and access to the content is regulated via a permission record (PERC) associated with the content and provided to the user (separately or with the object). *Id.*, col. 13, l. 46-col. 14, l. 20; col. 58, l. 61-col. 59, l. 11; col. 147, l. 33-59 ("no end user may use or access a VDE object unless a permissions record 808 has been delivered to the end user"); Fig. 5A. PERC 808 "specifies the rights associated with the object 300 such as, for example, who can open the container 302, who can use the object's contents, who can distribute the object, and what other control mechanisms must be active." *Id.*, col. 58, l. 67-col. 59, l. 5. "For example, permissions record 808 may specify a user's rights to use, distribute and/or administer the container 302 and its content." *Id.*, col. 59, ll. 5-7. For certain types of objects, the PERC is encrypted along with the

object using a symmetric key and later decrypted on the user's machine. *Id.*, col. 199, ll. 1-6; col. 129, ll. 50-54; col. 133, ll. 50-53; col. 208, l. 65-col. 209, l. 20. Ginter discloses that the PERC can contain an "object ID" that identifies the VDE object, as well as multiple "key blocks" that store decryption keys utilized to access content in "data blocks" within the object. *Id.*, col. 127, l. 45-col. 128, l. 2; col. 151, ll. 9-35; Fig. 26A. Ginter also discloses the use of a "validation tag" for "confirming the identity and correctness of received, VDE protected, information," and a "digital signature" to be verified against an expected digital signature. *Id.*, col. 12, ll. 27-33; col. 151, ll. 9-35; col. 215, ll. 7-63; Fig. 26A.

Petitioner argues that Ginter discloses all of the limitations of claims 1-3, relying on the analysis of Mr. Schneier in support. Pet. 24-32; Ex. 1003 ¶¶ 121-93. For example, Petitioner contends that Ginter discloses a "string, R" (the symmetric key), and encrypting a "first authentication code" (digital signatures or validation tags), "indicium of an end-user's identity" (the PERC specifying "who" can open the container, use the object's contents, etc.), and indicia of first and second "information product[s]" (key blocks or object IDs) to create a "launch code" (PERC), as recited in claim 1. *Id.* As to dependent claim 4, Petitioner contends that Beetcher teaches the additional claim feature of "identical" strings R (for encrypting a launch code) and T (for encrypting a token). Pet. 32-33; Ex. 1003 ¶¶ 194-99 (relying on Beetcher, col. 7, ll. 39-42; col. 9, ll. 55-60). Petitioner

argues that based on Beetcher, a person of ordinary skill in the art would have been able to modify the Ginter system to use the same key for encrypting and re-encrypting the PERC and would have had reason to do so, relying on the analysis of Mr. Schneier in support. Pet. 32-33 (citing Ex. 1003 ¶¶ 197-99). Upon review of Petitioner's analysis and supporting evidence, which is unrebutted by Patent Owner, we determine that Petitioner's asserted grounds of unpatentability have merit.

We are persuaded by the analysis set forth in the Petition and accompanying declaration that there is a reasonable likelihood that Petitioner will prevail on its assertion that claims 1-3 are anticipated by Ginter under 35 U.S.C. § 102(e) and claim 4 is unpatentable over Ginter in view of Beetcher under 35 U.S.C. § 103(a).

D. Grounds Based on Pettitt (Ex. 1006)

Petitioner contends that claim 1 is anticipated by Pettitt under 35 U.S.C. § 102(e) and that claims 1-4 are unpatentable over Pettitt in view of Ginter, Beetcher, and/or Bohannon under 35 U.S.C. § 103(a). Pet. 33-38. In its preliminary response, Patent Owner presents no argument regarding Petitioner's grounds of unpatentability based on Pettitt. We conclude that Petitioner has established a reasonable likelihood of prevailing on its assertion that claims 1-4 are unpatentable for the reasons explained below.

Pettitt discloses a system for “controlling distribution of software in a multitiered distribution chain” and “distinguishing authorized users from unauthorized users.” Pettitt, col. 1, ll. 7-10. Figure 2, reproduced below, depicts the entities involved in providing software 13, namely author 12, license clearing house (LCH) 14, distributor 16, reseller 17, and user 18:

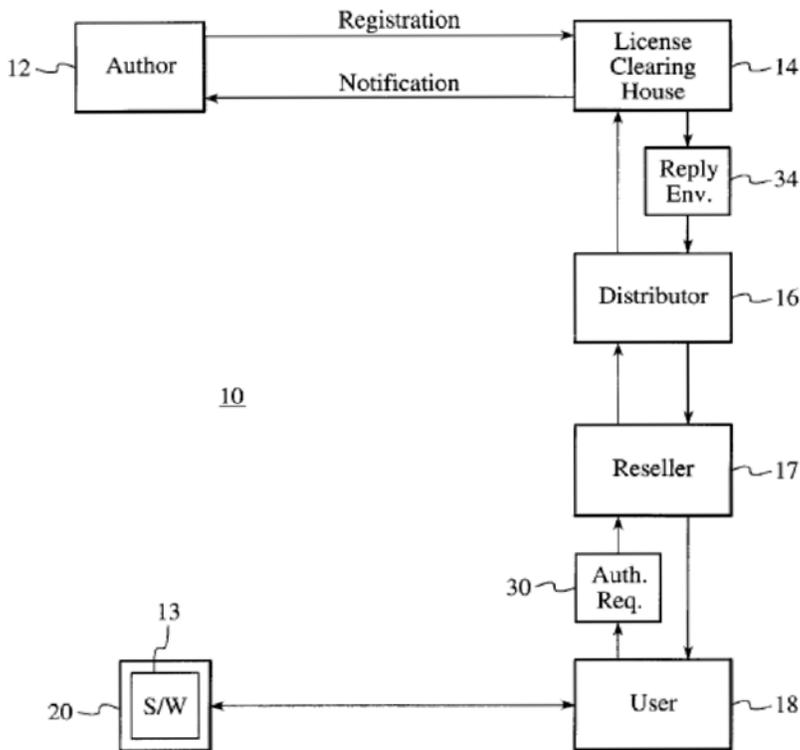


FIG. 2

Software 13 is packed into a digital shipping container 20, encrypted with a master key, and provided to user 18 (e.g., sold by reseller 17 to the public). *Id.*, col. 3, ll. 38-56. To purchase a license and unlock the

container, user 18 sends an authorization request 30 including information identifying the software, user, and desired method of payment. *Id.*, col. 4, ll. 10-19. The distribution entities communicate with each other to validate the user's payment and authorize the transaction. *Id.*, col. 4, ll. 20-62. If authorized, LCH 14 creates a reply envelope 34 including:

1. information identifying the software,
2. information identifying the user,
3. the digital signature of the reseller,
4. the digital signature of the distributor,
5. a master key that unlocks the software container 20 (if the transaction has been authorized), and
6. a digital authorization certificate.

Id., col. 4, l. 63-col. 5, l. 5. LCH 14 encrypts the contents of the reply envelope with the reseller's public key, digitally signs the envelope with the LCH's digital signature, and sends it back through the distribution chain. *Id.*, col. 5, ll. 14-28. Reseller 17 authenticates the digital signature, decrypts the reply envelope using the reseller's public key, and sends the contents of the reply envelope to user 18. *Id.*, col. 5, ll. 45-55. User 18 then "uses the authorization certificate and the master key to unlock the software container 20 and install the software." *Id.*, col. 5, ll. 56-63.

Petitioner contends that Pettitt discloses all of the limitations of claim 1. Pet. 33-35. For example, Petitioner argues that Pettitt discloses a “string, R” (the reseller’s public key), and encrypting a “first authentication code” (the digital signature of the LCH or the digital authorization certificate), an “indicium of an end-user’s identity” (information identifying the user), and an “indicium of a first information product” (information identifying the software) to create a “launch code” (the reply envelope), as recited in claim 1. *Id.*

We conclude that Petitioner has made a threshold showing that Pettitt discloses all of the limitations of claim 1 except one. Claim 1 requires the encryption of both “an indicium of a first information product” and “an indicium of a second information product.” Petitioner asserts that the phrase “information identifying the software” in Pettitt “may refer to multiple indicia of ‘information products’ (*e.g.*, multiple programs, text, videos, audio, images) within the meaning of the ’889 patent,” relying on the analysis of Mr. Schneier in support. Pet. 34-35 (citing Ex. 1003 ¶¶ 215-17); *see* Pettitt, col. 4, l. 66. We disagree that Pettitt’s “information identifying the software” amounts to indicia of two information products because the reference refers to a user purchasing a single piece of software, not multiple information products at once. *See, e.g.*, Pettitt, col. 2, l. 59-col. 3, l. 1; col. 4, ll. 8-19. Petitioner therefore has not shown a reasonable likelihood of prevailing on its proposed anticipation ground.

Petitioner has shown a reasonable likelihood, however, that claim 1 is obvious over Pettitt in view of Beetcher. *See* Pet. 36-38. Beetcher discloses the distribution of “multiple software modules on a single generic medium” where each customer receives a “unique entitlement key, enabling the customer to run only those software modules to which he is licensed.” Ex. 1007, col. 4, ll. 34-46; col. 6, ll. 20-40 (product entitlement flags 205, “each corresponding to a product number”). Petitioner asserts that a person of ordinary skill in the art would have been able to modify the Pettitt system to allow for distribution, at once, of multiple software products, as taught by Beetcher, and would have had reason to do so, relying on the analysis of Mr. Schneier in support. Pet. 36-38 (citing Ex. 1003 ¶¶ 218-21). Petitioner likewise contends that the limitations of dependent claims 2-4 are taught by the combination of Pettitt and Beetcher. Pet. 37-38; Ex. 1003 ¶¶ 236-49. For example, with respect to claim 2, Pettitt does not re-encrypt the contents of the reply envelope (the claimed “token” according to Petitioner), but Petitioner contends that it would have been obvious to a person of ordinary skill in the art to do so based on Beetcher. Pet. 37-38; Ex. 1003 ¶¶ 236-45 (citing Beetcher, col. 10, ll. 27-31). Petitioner has met its burden as to claims 2-4.

We are persuaded by the analysis set forth in the Petition and accompanying declaration, which is un-rebutted by Patent Owner, that there is a reasonable likelihood that Petitioner will prevail on its assertion

that claims 1-4 are unpatentable over Pettitt in view of Beetcher under 35 U.S.C. § 103(a). To the extent Petitioner relies on other combinations of references for alleged obviousness of the claims, the grounds are denied as redundant given our determination regarding the combination of Pettitt and Beetcher. *See* Pet. 36 (“Claims 1-4 Would Have Been Obvious Based on Pettitt in View of at Least Ginter, Beetcher, *and/or* Bohannon”) (emphasis added); 37 C.F.R. § 42.108. Further, as explained above, Petitioner has not shown a reasonable likelihood of prevailing on its assertion that claim 1 is anticipated by Pettitt under 35 U.S.C. § 102(e), and the Petition, therefore, is denied as to that ground as well.

E. Grounds Based on Beetcher (Ex. 1007)

Petitioner contends that claims 1-4 are anticipated by Beetcher under 35 U.S.C. § 102(e) and that claims 1-4 are unpatentable over Beetcher in view of Ginter, Pettitt, and/or Bohannon under 35 U.S.C. § 103(a). Pet. 816. In its preliminary response, Patent Owner presents no argument regarding Petitioner’s grounds of unpatentability based on Beetcher. We conclude that Petitioner has established a reasonable likelihood of prevailing on its assertion that claims 1-4 are unpatentable for the reasons explained below.

Beetcher discloses a system for “restricting the ability of a computer user to use licensed software in a manner inconsistent with the license.” Beetcher, col.

1, ll. 9-12. Figure 1, reproduced below, depicts distributor and customer devices:

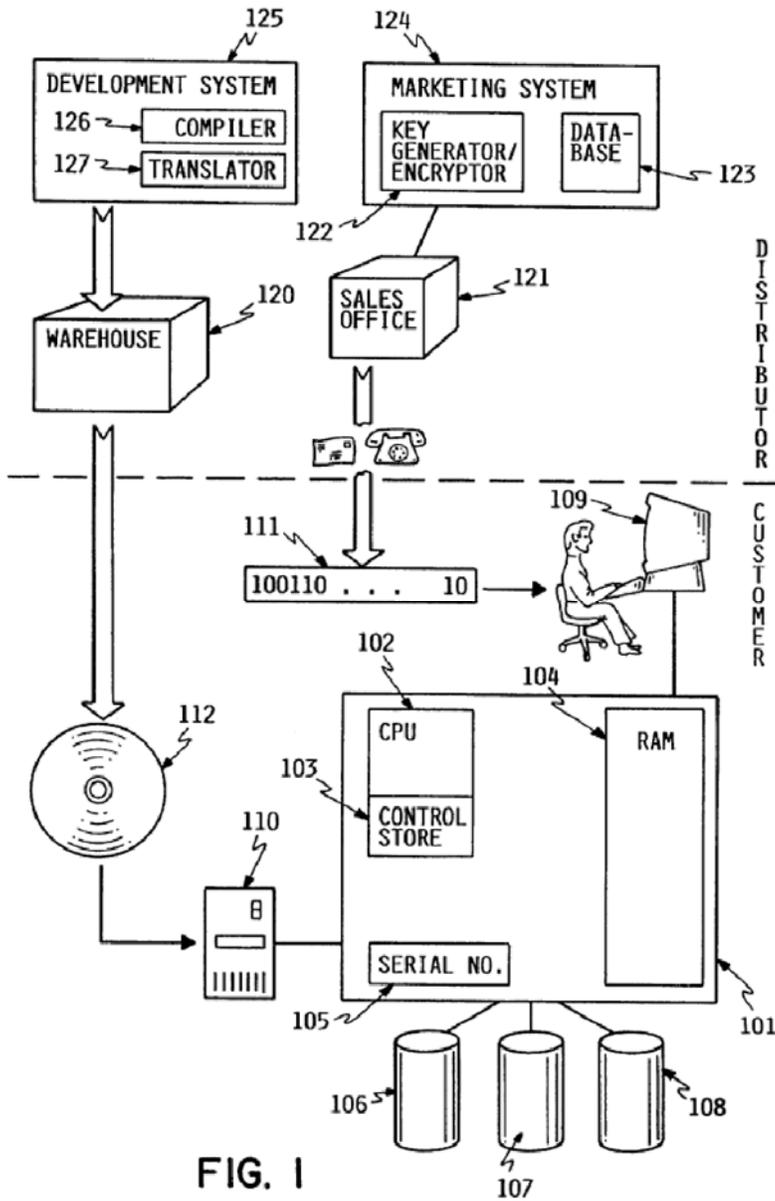


FIG. 1

The customer's computer has a machine serial number 105. *Id.*, col. 5, ll. 17-23. A "generic set of software modules" stored on software media 112 is distributed to the customer separately from encrypted entitlement key 111, which "contains information enabling system 101 to determine which software modules are entitled to execute on it." *Id.*, col. 5, l. 65-col. 6, l. 7. The customer "load[s] the desired software modules from [software media 112 and] unit 110 into system 101, and store[s] the software modules on storage devices 106-108." *Id.*, col. 6, ll. 11-15. Entitlement key 111 includes certain information, such as software version field 202, machine serial number field 204, and product entitlement flags 205, "each corresponding to a product number" for a product that the customer may be authorized to use. *Id.*, col. 6, ll. 20-40; Fig. 2. Entitlement key 111 is encrypted using a machine key derived from machine serial number 105. *Id.*, col. 5, ll. 44-50; col. 9, ll. 55-60. The customer receives encrypted entitlement key 111 and enters it into the computer. *Id.*, col. 9, ll. 51-52. The customer's computer then decodes encrypted entitlement key 111 using the machine key, stores the key in an encoded product key table, and stores the key and software version number in a product lock table. *Id.*, col. 6, l. 66-col. 7, l. 42. Products are unlocked "on demand." *Id.*, col. 10, ll. 2039. "Upon first execution of a previously unentitled software product," an unlock routine "fetches the encrypted entitlement key from the appropriate entry in [the] encoded product key table," "obtains the machine key," "decodes the entitlement key," and sets the product lock table accordingly if the

entitlement key indicates that the user is entitled to use the software. *Id.*

Petitioner argues that Beetcher discloses all of the limitations of claim 1. Pet. 8-11. For example, Petitioner contends that Beetcher discloses a “string, R” (the machine key), and encrypting a “first authentication code” (the software version number or machine serial number), an “indicium of an end-user’s identity” (the machine serial number), and indicia of first and second “information product[s]” (the entitlement flags) to create a “launch code” (the entitlement key), as recited in claim 1. *Id.*

Similar to the grounds pertaining to Pettitt discussed above, we conclude that Petitioner has made a threshold showing that Beetcher discloses all but one of the limitations of claim 1, and therefore has not shown a reasonable likelihood of prevailing on its proposed anticipation ground. Also like the grounds pertaining to Pettitt, though, Petitioner has shown a reasonable likelihood that claim 1 is obvious. Claim 1 requires the encryption of a “first authentication code.” As explained above, we interpret “authentication code” to mean a code for authenticating data. Petitioner argues that either the version number or machine serial number can be considered an “authentication code,” but does not explain sufficiently how either number is for authenticating data. Pet. 10 (citing Ex. 1003 ¶ 273). Indeed, the numbers appear to be used for different purposes. *See, e.g.*, Beetcher, col. 10, ll. 2-5, 56-60 (version number stored in the product lock table and used during execution).

Nevertheless, Petitioner contends that a person of ordinary skill in the art would have been able to modify the Beetcher system to use a digital signature as taught by Ginter (instead of or along with the version number) and would have had reason to do so, relying on the analysis of Mr. Schneier in support. Pet. 13-14 (citing Ex. 1003 ¶¶ 275-78).

Petitioner also contends that the limitations of dependent claims 2-4 are taught by Beetcher. Pet. 12-13; Ex. 1003 ¶¶ 294-98. Petitioner has met its burden as to claims 2-4 as well.

We are persuaded by the analysis set forth in the Petition and accompanying declaration, which is unrebutted by Patent Owner, that there is a reasonable likelihood that Petitioner will prevail on its assertion that claims 1-4 are unpatentable over Beetcher in view of Ginter. To the extent Petitioner relies on other combinations of references for alleged obviousness of the claims, the grounds are denied as redundant given our determination regarding the combination of Beetcher and Ginter. *See* Pet. 13 (“Claims 1-4 Would Have Been Obvious Based on Beetcher in View of at Least Ginter, Pettitt, *and/or* Bohannon”) (emphasis added); 37 C.F.R. § 42.108. Further, as explained above, Petitioner has not shown a reasonable likelihood of prevailing on its assertion that claims 1-4 are anticipated by Beetcher under 35 U.S.C. § 102(e), and the Petition, therefore, is denied as to that ground as well.

F. Grounds Based on Bohannon (Ex. 1008)

Petitioner contends that claims 1-4 are anticipated by Bohannon under 35 U.S.C. § 102(e) and that claims 1-4 are unpatentable over Bohannon in view of Ginter and/or Beetcher under 35 U.S.C. § 103(a). Pet. 16-24. These asserted grounds are denied as redundant in light of our determination that there is a reasonable likelihood that the challenged claims are unpatentable based on the grounds of unpatentability on which we institute an *inter partes* review. See 37 C.F.R. § 42.108.

G. Conclusion

We conclude that Petitioner has demonstrated a reasonable likelihood of prevailing on the following grounds of unpatentability asserted in the Petition:

Claims 1-3 under 35 U.S.C. § 102(e) as being anticipated by Ginter;

Claim 4 under 35 U.S.C. § 103(a) as being unpatentable over Ginter in view of Beetcher;

Claims 1-4 under 35 U.S.C. § 103(a) as being unpatentable over Pettitt in view of Beetcher; and

Claims 1-4 under 35 U.S.C. § 103(a) as being unpatentable over Beetcher in view of Ginter.

III. ORDER

In consideration of the foregoing, it is hereby:

ORDERED that the Petition is granted as to claims 1-4 of the '889 patent;

FURTHER ORDERED that pursuant to 35 U.S.C. § 314(a), *inter partes* review of the '889 patent is hereby instituted commencing on the entry date of this Order, and pursuant to 35 U.S.C. § 314(c) and 37 C.F.R. § 42.4, notice is hereby given of the institution of a trial;

FURTHER ORDERED that the trial is limited to the grounds identified above and no other grounds set forth in the Petition as to claims 1-4 are authorized; and

FURTHER ORDERED that an initial conference call with the Board is scheduled for 2:00 PM Eastern Time on July 1, 2013. The parties are directed to the Office Patent Trial Practice Guide, 77 Fed. Reg. 48756, 48765-66 (Aug. 14, 2012), for guidance in preparing for the initial conference call, and should come prepared to discuss any proposed changes to the Scheduling Order entered herewith and any motions the parties anticipate filing during the trial.

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APPENDIX H

UNITED STATES PATENT
AND TRADEMARK OFFICE

BEFORE THE PATENT
TRIAL AND APPEAL BOARD

APPLE INC.

Petitioner

v.

ACHATES REFERENCE PUBLISHING, INC.

Patent Owner

Case IPR2013-00080

Patent 6,173,403

Before HOWARD B. BLANKENSHIP, JUSTIN T.
ARBES, and GREGG I. ANDERSON, *Administrative
Patent Judges*.

ARBES, *Administrative Patent Judge*.

DECISION

Institution of *Inter Partes* Review

37 C.F.R. § 42.108

Paper 22

Entered: June 3, 2013

Apple Inc. filed a Petition (“Pet.”) to institute an
inter partes review of claims 1-12 and 17-19 of Patent

6,173,403 (the “‘403 patent”) pursuant to 35 U.S.C. § 311 et seq. Patent Owner Achates Reference Publishing, Inc. filed a preliminary response (“Prelim. Resp.”) to the Petition. We have jurisdiction under 35 U.S.C. § 314. For the reasons that follow, the Board has determined to institute an *inter partes* review.

I. BACKGROUND

The standard for instituting an *inter partes* review is set forth in 35 U.S.C. § 314(a):

THRESHOLD – The Director may not authorize an *inter partes* review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

Petitioner challenges claims 1-12 and 17-19 of the ‘403 patent as anticipated under 35 U.S.C. § 102(e) and as obvious under 35 U.S.C. § 103(a). Pet. 2-3. We grant the petition as to claims 1-12 and 17-19 on certain grounds as discussed below.

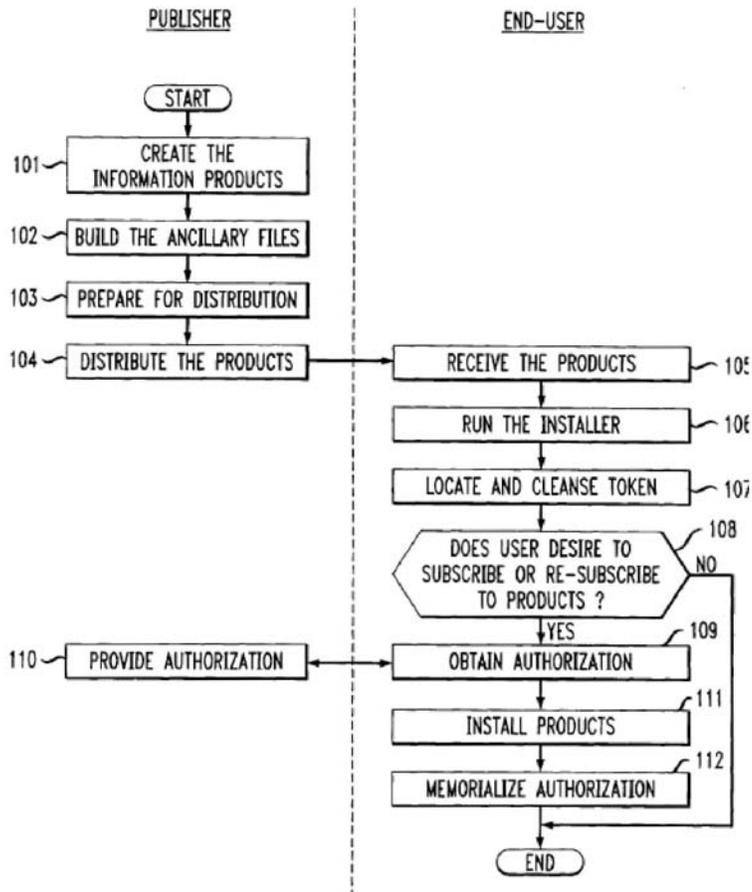
A. *The ‘403 Patent (Ex. 1039)*

The ‘403 patent, entitled “Method and Apparatus for Distributing Information Products,” issued on January 9, 2001 based on Application 09/288,012, filed

April 8, 1999. The '403 patent is a continuation-in-part of Application 08/845,805, filed April 30, 1997, which issued as Patent 5,982,889 (the "889 patent"). The '889 patent is the subject of Case IPR2013-00081.

The '403 patent relates to "distributing and installing computer programs and data." Col. 1, ll. 10-13. The patent describes a need in the art to prevent piracy of information products, such as, for example, when a user obtains a computer program improperly or when a user purchases one copy of a program and installs it on multiple computers without authorization. Col. 1, ll. 16-64. The patent discloses methods of "distributing one or more information products together . . . while reserving to the publisher the ability to control which products are actually installed on an end-user's computer." Col. 2, ll. 2-7.

Figure 1 of the patent, reproduced below, depicts the interaction between a publisher and end-user (e.g., an individual purchasing a piece of software):



The preferred embodiment described in the patent operates as follows. In steps 101-102, the publisher creates a set of information products and other files. Col. 3, ll. 32-38; col. 5, ll. 29-34. The patent describes a "plurality of web pages that constitute some of the legislative, administrative and judicial materials associated with patent law," where the web pages include hyperlinks to each other, as an exemplary information product. Col. 2, l. 64-col. 3, l. 1; col.

4, ll. 4-9. In step 103, the publisher encrypts the information products with a string as the encryption key. Col. 7, ll. 33-42. In step 104, the information products are distributed to the end-user (e.g., on a CD-ROM or electronically over the Internet) along with an “installer” program that runs on the end-user’s computer and allows the publisher to “control how and under what circumstances the information products are installed on the end-user’s computer.” Col. 2, ll. 37-47; col. 7, ll. 61-67. The installer knows the cryptosystem and key for decrypting the information products. Col. 7, ll. 53-57.

In steps 105-106, the end-user receives the information products and runs the installer. Col. 8, ll. 1-12. In step 107, the installer checks to see whether the end-user’s computer has a previously-stored, encrypted “token” indicating that the publisher granted authorization earlier to install the information products (e.g., when an end-user has a subscription to receive multiple products over time). Col. 8, ll. 13-27. In step 108, the end-user is asked whether he or she wants to subscribe to the information products. Col. 9, ll. 51-57. If so, in steps 109-110, the end-user “acquires the installer’s cooperation to decrypt and install the respective information products” by transmitting information to the publisher, receiving a “launch code” from the publisher in response, and entering the “launch code” into the installer. Col. 9, l. 58-col. 10, l. 4; Fig. 4. Specifically, the end-user contacts the publisher (e.g., via telephone or the Internet) and provides (1) the end-user’s name and address; (2) the

end-user's method of payment; (3) the name of the requested information products; and (4) a serial number R generated by the installer. Col. 10, ll. 5-28. After verifying the payment, the publisher provides to the end-user a "launch code" comprising "(1) an authentication code; (2) an indicium of the name of the end-user; (3) a list of the information products to which the end-user has been granted access; and (4) an indicium of when the authorization for each information product expires," encrypted using R as the key. Col. 10, ll. 29-44. The end-user enters the launch code into the installer, and the installer decrypts the launch code using R as the key to extract the authentication code contained therein. Col. 10, ll. 42-49. If the authentication code matches what the installer expects, the launch code is authentic. Col. 10, ll. 45-60; col. 11, ll. 16-37. The information products can be installed in step 111 and the encrypted "token" on the end-user's computer is updated in step 112 if necessary (the "token" contains the same four pieces of information as the launch code). *Id.*; col. 8, ll. 36-43. By generating a new R each time the installer requests a launch code, the disclosed method "prevent[s] the end-user from using a single launch code to install the information products on multiple computers." Col. 10, ll. 61-64.

B. Exemplary Claims

Claims 1 and 17 of the '403 patent are exemplary of the claims at issue:

1. A method comprising:

receiving an encrypted launch code;

decrypting said encrypted launch code with a string, R, as the key to recover a first candidate authentication code and an indicium of a first information product; and

installing said first information product onto said computer when said candidate authorization code matches a first known authorization code.

17. A method comprising:

reading an encrypted token from a computer;

decrypting said encrypted token with a string, T, as the key to recover a token that comprises an indicium of a first information product;

modifying said token to comprise an indicium of a second information product;

encrypting said token with said string, T, as the key to create a newly encrypted token; and

storing said newly encrypted token on said computer.

C. The Prior Art

Petitioner relies on the following prior art:

1. Patent 5,949,876, filed Jan. 8, 1997, issued Sept. 7, 1999 (“Ginter”) (Ex. 1005) (claims priority to Application 08/388,107, filed Feb. 13, 1995);

2. Patent 5,864,620, filed Apr. 24, 1996, issued Jan. 26, 1999 (“Pettitt”) (Ex. 1006);

3. Patent 5,933,497, filed Jan. 29, 1993, issued Aug. 3, 1999 (“Beetcher”) (Ex. 1007) (claims priority to Application 07/629,295, filed Dec. 14, 1990);

4. Patent 6,134,324, filed May 29, 1997, issued Oct. 17, 2000 (“Bohannon”) (Ex. 1008) (claims priority to Application 07/739,206, filed July 31, 1991); and

5. Bruce Schneier, *Applied Cryptography, Second Edition: Protocols, Algorithms, and Source Code in C* (1996) (“*Applied Cryptography*”) (Ex. 1024).

D. The Asserted Grounds

Petitioner challenges claims 1-12 and 17-19 of the ‘403 patent on the following grounds (Pet. 8-39):¹

¹ The grounds of unpatentability listed on pages 2-3 of the Petition are slightly different from the grounds argued in the body of the Petition. We refer herein to what is argued in the body of the Petition.

Claims 1-7, 9-12, and 17-19 under 35 U.S.C. § 102(e) as being anticipated by Ginter;

Claim 8 under 35 U.S.C. § 103(a) as being unpatentable over Ginter in view of Beetcher;

Claims 1 and 2 under 35 U.S.C. § 102(e) as being anticipated by Pettitt;

Claims 1, 2, 4, 5, 7, and 9 under 35 U.S.C. § 103(a) as being unpatentable over Pettitt in view of Ginter, Beetcher, and/or Bohannon;

Claims 1-12 and 17-19 under 35 U.S.C. § 102(e) as being anticipated by Beetcher;

Claims 1-12 and 17-19 under 35 U.S.C. § 103(a) as being unpatentable over Beetcher in view of Ginter, Pettitt, Bohannon, and/or *Applied Cryptography*;

Claims 1, 2, 4, 5, 7, and 9 under 35 U.S.C. § 102(e) as being anticipated by Bohannon; and

Claims 1, 2, 4, 5, 7, and 9 under 35 U.S.C. § 103(a) as being unpatentable over Bohannon in view of Ginter, Beetcher, Pettitt, and/or *Applied Cryptography*.

E. Claim Interpretation

Consistent with the statute and legislative history of the America Invents Act (AIA), the Board will interpret claims using “the broadest reasonable construction in light of the specification of the patent in

which [they] appear[].” 37 C.F.R. § 42.100(b); *see also* Office Patent Trial Practice Guide, 77 Fed. Reg. 48756, 48766 (Aug. 14, 2012).

There is a “heavy presumption” that a claim term carries its ordinary and customary meaning. *CCS Fitness, Inc. v. Brunswick Corp.*, 288 F.3d 1359, 1366 (Fed. Cir. 2002). However, a “claim term will not receive its ordinary meaning if the patentee acted as his own lexicographer and clearly set forth a definition of the disputed claim term in either the specification or prosecution history.” *Id.* “Although an inventor is indeed free to define the specific terms used to describe his or her invention, this must be done with reasonable clarity, deliberateness, and precision.” *In re Paulsen*, 30 F.3d 1475, 1480 (Fed. Cir. 1994). Also, we must be careful not to read a particular embodiment appearing in the written description into the claim if the claim language is broader than the embodiment. *See In re Van Geuns*, 988 F.2d 1181, 1184 (Fed. Cir. 1993) (“[L]imitations are not to be read into the claims from the specification.”).

We note that the ‘403 patent currently is being asserted in *Achates Reference Publishing, Inc. v. Symantec Corp., et al.*, E.D. Tex. Case No. 2:11-cv-00294-JRG-RSP (the “related litigation”). *See* Pet. 1-2; Paper 7 at 2. In that case, the district court issued an order interpreting certain claim terms in the ‘403 patent. Ex. 2007.

For purposes of this decision, we construe certain claim limitations as follows:

1. “Authentication Code” (Claim 1)

Claim 1 recites “decrypting said encrypted launch code with a string, R, as the key to recover a first candidate authentication code” and other data. Dependent claim 4 recites “creating a token comprising a second known authentication code” and other data.

Petitioner does not propose a specific interpretation for “authentication code,” but argues that the Specification describes the code as “a string of bits used to determine whether a launch code and token are authentic and not corrupt,” and states that Patent Owner in the related litigation proposed an interpretation of a “code used to infer the integrity of a message being sent.” Pet. 6 (citing Ex. 1034 at 15). Patent Owner argues that the term means a “data sequence readable by a computer and indicative of whether the token or launch code is acceptable,” which is how the district court interpreted the term. *See* Ex. 2007 at 4-6; Prelim. Resp. 22 (arguing that the district court’s interpretations should be adopted).

The parties do not contend that “authentication code” is a term of art known to those of ordinary skill, and we discern no specific definition for the term in the Specification of the ‘403 patent. The Specification states that “[t]he authentication code is advantageously a 32-bit or longer string that is known to the installer and publisher and is not generally known to the public.” Ex. 1039, col. 8, ll. 60-62. In the exemplary embodiments described in the Specification, an “authentication code” is part of the encrypted “launch

code” (provided to the end-user’s computer) or encrypted “token” (stored on the end-user’s computer). *Id.*, col. 8, ll. 35-59; col. 10, ll. 29-39. The end-user’s computer decrypts the launch code or token to recover the authentication code contained therein, and compares it to an authentication code “known” to the installer. *Id.*, col. 9, ll. 25-31; col. 10, l. 45-49. If there is a match, “the installer infers that the launch code is authentic” or “acceptable,” or that “the token is genuine and has not been doctored.” *Id.*, col. 9, ll. 31-40; col. 10, ll. 49-60; Fig. 4, step 419. The Specification therefore describes the use of an “authentication code” in exemplary embodiments for determining the acceptability of a launch code or token, but does not indicate that the term itself is defined by that function. Nor does the surrounding language of the claims indicate that “authentication code” should be so defined. We therefore do not interpret the term according to any other function it may perform and, applying the broadest reasonable interpretation of the claim in light of the Specification, interpret “authentication code” to mean a code for authenticating data.

2. “Candidate Authorization Code” and
“Known Authorization Code” (Claim 1)

Claim 1 recites “decrypting said encrypted launch code . . . to recover a first candidate *authentication code*” and “installing said first information product onto said computer when said candidate *authorization code* matches a first known *authorization code*.”

Claim 9 similarly recites “recovering from said encrypted token . . . to recover a second candidate *authentication code*” and “installing said first information product onto said computer when said second candidate *authorization code* matches said second known *authorization code*.” Petitioner argues that “said authorization code” in the claims lacks antecedent basis, and cites a statement made by Patent Owner during the prosecution of Application 09/758,111 (an abandoned continuation of the ‘403 patent) that “[a]lthough ‘authentication’ and ‘authorization’ sound similar, they have important differences in meaning.” Ex. 1032 at 65; *see* Pet. 6-7. Petitioner contends that the Board “should consider” the ambiguity in the “authentication”/“authorization” claim language in interpreting the claims. Pet. 6-7. Notably, however, Petitioner does not propose its own interpretation or explain what impact the alleged ambiguity has in this proceeding.

Patent Owner argues that the district court’s interpretation should be adopted for purposes of this proceeding. *See* Prelim. Resp. 22. Specifically, the district court concluded that the use of “authorization code” reflects a drafting error, and interpreted “candidate authorization code” to be “candidate authentication code” and “known authorization code” to be “known authentication code.” Ex. 2007 at 6-8 (citing *Novo Indus., L.P. v. Micro Molds Corp.*, 350 F.3d 1348, 1354 (Fed. Cir. 2003) (“a district court can act to correct an error in a patent by interpretation of the patent where no certificate of correction has been

issued . . . only if (1) the correction is not subject to reasonable debate based on consideration of the claim language and the specification and (2) the prosecution history does not suggest a different interpretation of the claims”). Patent Owner also acknowledged during the related litigation that the use of “authorization code” rather than “authentication code” was an “inadvertent” error. Ex. 1034 at 16-17, 21-22.

We agree that the use of “authorization code” in the claims appears to be a drafting error. Claim 1 recites decrypting a launch code to recover a “candidate authentication code” and installing an information product when “said candidate authorization code” matches a “known authorization code.” The Specification contains a very similar disclosure, but uses “authentication code” rather than “authorization code.” The Specification describes how an installer “recovers the candidate authentication code from the decrypted launch code and determines if the candidate authentication code matches the authentication code known to the installer.” Ex. 1039, col. 10, ll. 46-54; *see also id.*, col. 9, ll. 27-40. Also, the Detailed Description in the Specification consistently uses “authentication code” in describing the encryption/decryption process and does not use the term “authorization code.” A person of ordinary skill in the art would read the claim language in light of this disclosure in the Specification.

At this stage of the proceeding, and based on the record currently before us, we conclude that the broadest reasonable interpretation of the claim

language is that “candidate authorization code” means “candidate authentication code” and “known authorization code” means “known authentication code.”²

3. “Installing” (Claim 1)

Claim 1 recites “installing said first information product onto said computer when said candidate authorization code matches a first known authorization code.” Again, Petitioner does not propose a specific interpretation for “installing,” but points out that Patent Owner in the related litigation proposed an interpretation of “granting an end-user’s computer access to an information product(s).” Pet. 7-8 (citing Ex. 1034 at 28-29). Patent Owner argues that the term means “placing in a position so as to be ready for use,” which is how the district court interpreted the term. *See* Ex. 2007 at 9-10; Prelim. Resp. 22 (arguing that the district court’s interpretations should be adopted).

We agree with Patent Owner’s proposed interpretation as the ordinary and customary meaning of the term. *See, e.g.,* Ex. 2007 at 9 (citing a dictionary definition of “install” as “[t]o take software from the distribution files, which can be on floppy disks, CD-ROM, tapes, or on a remote networked computer, and place it in its permanent location from where it will

² We note that because an *inter partes* review is being instituted, Patent Owner will have an opportunity to move to amend the claims. *See* 37 C.F.R. § 42.121(a).

be executed”) (emphasis removed). The interpretation is also consistent with the Specification, which states that information products are “install[ed] . . . on the end-user’s computer in well-known fashion” and describes a set of web pages on patent law installed on the end-user’s computer for the end-user to “use.” Ex. 1039, col. 2, l. 64-col. 5, l. 4; col. 11, ll. 23-25. Petitioner’s cited interpretation deals with “access” to the information products, which is not consistent with the ordinary meaning of “installing” or its usage in the Specification.

Applying the broadest reasonable interpretation of the claim in light of the Specification, we interpret “installing” to mean placing in a position so as to be ready for use.

4. “Launch Code” (Claim 1)

The parties agree that in the context of claim 1, “launch code” means “password.” See Pet. 7; Prelim. Resp. 22 (arguing that the district court’s interpretations should be adopted); Ex. 2007 at 13; Ex. 1039, col. 9, l. 63-col. 10, l. 1. We agree that the parties’ definition represents the broadest reasonable interpretation in light of the Specification and adopt it for purposes of this decision.

5. “Token” (Claims 4 and 17)

The parties agree that in the context of claims 4 and 17, “token” means “a data structure indicating

that an end-user's computer is granted access to certain information products." *See* Pet. 8; Prelim. Resp. 22 (arguing that the district court's interpretations should be adopted); Ex. 2007 at 14-16; Ex. 1039, col. 8, ll. 28-32. We agree that the parties' definition represents the broadest reasonable interpretation in light of the Specification and adopt it for purposes of this decision.

6. *Other Terms*

All other terms in claims 1-12 and 17-19 are given their ordinary and customary meaning and need not be further construed at this time.

II. ANALYSIS

We turn now to Petitioner's asserted grounds of unpatentability and Patent Owner's arguments in its preliminary response to determine whether Petitioner has met the threshold standard of 35 U.S.C. § 314(a).

A. Whether the Petition Should be Denied for Failure to Comply With Statutory Requirements

As an initial matter, Patent Owner argues in its preliminary response that the Petition should be denied for failure to comply with the statutory requirements for instituting an *inter partes* review. Prelim. Resp. 6-21. First, Patent Owner argues that the Petition is time-barred under 35 U.S.C. § 315(b), which

provides that an *inter partes* review may not be instituted based on a petition “filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent.” *Id.* at 6-10. Patent Owner contends that “at least some” of the remaining seven co-defendants in the related litigation³ were served more than one year before December 14, 2012 (the filing date of the Petition in the instant proceeding) and are real-parties-in-interest or privies of Petitioner. *Id.* Second, Patent Owner contends that Petitioner does not “identif[y] all real parties in interest” as required by 35 U.S.C. § 312(a)(2). *Id.*; see Pet. 1 (identifying Apple Inc. as the only real party-in-interest).⁴

Whether a non-party is a “real party-in-interest” or “privy” for purposes of an *inter partes* review proceeding is a “highly fact-dependent question” that takes into account how courts generally have used the terms to “describe relationships and considerations sufficient to justify applying conventional principles of estoppel and preclusion.” Office Patent Trial Practice Guide, 77 Fed. Reg. 48756, 48759 (Aug. 14,

³ Patent Owner identifies the remaining co-defendants as Electronic Arts, Inc.; GlobalSCAPE Inc.; Native Instruments Software Synthesis GmbH and Native Instruments North America, Inc.; QuickOffice, Inc.; SolarWinds Inc.; Stardock Systems Inc.; and Symantec Corporation. Prelim. Resp. 7 (citing Exs. 1037, 2005).

⁴ In an earlier Order, we denied Patent Owner’s request for additional discovery relating to these two arguments. Paper 18.

2012) (“Trial Practice Guide”). Whether parties are in privity, for instance, depends on whether the relationship between a party and its alleged privy is “sufficiently close such that both should be bound by the trial outcome and related estoppels.” *Id.* Depending on the circumstances, a number of factors may be relevant to the analysis, including whether the non-party “exercised or could have exercised control over a party’s participation in a proceeding” or whether the non-party is responsible for funding and directing the proceeding. *Id.* at 48759-60. We also find guidance in the Supreme Court’s decision in *Taylor v. Sturgell*, 553 U.S. 880 (2008), which sets forth the general rule under federal common law that a person not a party to a lawsuit is not bound by a judgment in that suit, subject to certain exceptions, including the following:

[N]onparty preclusion may be justified based on a variety of pre-existing “substantive legal relationship[s]” between the person to be bound and a party to the judgment. Qualifying relationships include, but are not limited to, preceding and succeeding owners of property, bailee and bailor, and assignee and assignor. These exceptions originated “as much from the needs of property law as from the values of preclusion by judgment.”

553 U.S. at 894 (citations omitted); *see* Trial Practice Guide at 48759 (citing *Taylor*).

Patent Owner contends that “at least some” of the co-defendants in the related litigation had a pre-existing substantive legal relationship with Petitioner

and, therefore, are real-parties-in-interest or privies of Petitioner under Taylor. Prelim. Resp. 9-10. In support of its position, Patent Owner cites a publicly available software development kit (SDK) agreement that Petitioner allegedly enters into with iPhone application developers like the co-defendants. *Id.* at 10-14. The SDK agreement includes a clause requiring the developer to indemnify Petitioner for third party patent infringement claims:

To the extent permitted by law, You agree to indemnify, defend and hold harmless Apple, its directors, officers, employees, independent contractors and agents (each an "Apple Indemnified Party") from any and all claims, losses, liabilities, damages, expenses and costs (including without limitation attorneys fees and court costs) (collectively "Losses") incurred by an Apple Indemnified Party as a result of Your breach of this Agreement, a breach of any certification, covenant, representation or warranty made by You in this Agreement, any claims that Your Applications violate or infringe any third party intellectual property or proprietary rights, or otherwise related to or arising from Your use of the SDK, Your Application(s) or Your development of Applications.

...

In no event may You enter into any settlement or like agreement with a third party that affects Apple's rights or binds Apple in

any way, without the prior written consent of Apple.

Ex. 2006 § 6 (emphasis added). Patent Owner argues that under California law, an indemnification relationship is indicative of the indemnitor being a real party-in-interest or privy of the indemnitee, citing an excerpt from a California Practice Guide (Paper 12). Prelim. Resp. 12-14.

We first note that Patent Owner provides no proof that any of the codefendants in the related litigation ever signed the SDK agreement. Patent Owner only provides evidence that “[a]t least defendants Electronic Arts, QuickOffice, and Symantec” sold applications through the Apple App Store. *Id.* at 10 (citing Exs. 2008-10). The fact that these co-defendants sold applications through the Apple App Store does not demonstrate that they signed the specific SDK agreement cited by Patent Owner (Ex. 2006).

Even assuming that the indemnification provision of the SDK agreement applies to the co-defendants, however, the provision is not indicative of the co-defendants being real parties-in-interest or privies of Petitioner. The agreement does not give the developer the right to intervene or control Petitioner’s defense to any charge of patent infringement, nor has Patent Owner argued that to be the case for the co-defendants in the related litigation. Indemnification is not one of the “substantive legal relationships” cited in *Taylor* (e.g., assignee-assignor), and is significantly different from those relationships, which

involve successive interests in property. Further, Patent Owner's sole legal authority regarding indemnification – a California Practice Guide excerpt – is inapplicable, as it relates to subrogation claims where a “person obligated to pay for a *loss caused by another* may, by virtue of his or her payment, become subrogated to whatever claim the payee has *against the person causing the loss.*” See Paper 12 § 2:28 (emphasis added). We are not persuaded by Patent Owner's subrogation argument. For example, with subrogation an insurance company that pays an insured for injuries caused to the insured by a third party can then stand in the shoes of the insured to sue the third party. *Id.* §§ 2:28, 30. By contrast, under the indemnification provision in the SDK agreement, an indemnifying developer would be paying Petitioner for patent infringement liability incurred by Petitioner, not paying for a loss caused by a third party and then standing in Petitioner's shoes to sue the third party.

Further, Petitioner and its co-defendants have distinct interests in the related litigation such that, at least based on the facts available to us, it does not appear that Petitioner would be estopped by any judgment against one of the co-defendants. Patent Owner accuses Petitioner in the related litigation of infringing the '403 patent based on Petitioner's own actions as well as those of defendant QuickOffice, Inc. (“QuickOffice”). Ex. 1037 ¶¶ 51-52. Likewise, Patent Owner accuses QuickOffice of infringement based on activities relating to the Apple App Store and other systems (e.g., the Amazon Appstore for Android). Ex.

1038 at 84-90. Thus, even if a judgment were obtained against one or more of the co-defendants, Petitioner would still be exposed to an adverse judgment based on its own actions and would, therefore, assert its own defenses independent of the co-defendants. This further indicates that the relationship between Petitioner and the codefendants is not of the type that would make the co-defendants real parties-in-interest or privies of Petitioner.

We also disagree with Patent Owner's reading of the indemnification clause in the SDK agreement. Patent Owner suggests that because the clause obligates the indemnitor to pay for "losses" incurred by Petitioner, the co-defendants would be required to pay "Petitioner's legal fees . . . in this *Inter Partes* Review" and "if Petitioner were to enter into a settlement agreement with Patent Owner in this *Inter Partes* Review that resulted in monetary damages being paid." Prelim. Resp. 13. We see no such requirement in the indemnification clause, as it relates only to "losses" incurred by Petitioner as a result of "any claims that [the indemnitor's] Applications violate or infringe any third party intellectual property," which is not an issue in this proceeding. *See* Ex. 2006 § 6. Patent Owner also points to the portion of the indemnification clause precluding the indemnitor from entering into a settlement with a third party that affects or binds Petitioner without Petitioner's consent. Prelim. Resp. 13-14 (citing Ex. 2006 § 6). We do not see the relevance of this clause, as the

co-defendants are not parties to this proceeding and have no ability to settle on behalf of Petitioner.

Finally, Patent Owner argues that the co-defendants should be considered privies because privity is a determination made in “equity” and Petitioner has “other avenues” available to challenge the claims of the ‘403 patent, such as *ex parte* reexamination or arguing invalidity in the related litigation. Prelim. Resp. 17-18 (citing *Taylor*, 553 U.S. at 899). Patent Owner further contends that this proceeding presents a “unique set of circumstances” given Petitioner’s addition as a co-defendant in the related litigation before the new AIA joinder rules went into effect (which Patent Owner argues were designed to minimize the opportunity for a defendant to have “two bites at the apple” in challenging the claims of a patent). *Id.* at 19-21. According to Patent Owner, if the co-defendants are not privies, they would not be estopped from challenging validity based on a final decision in this proceeding, and therefore “Petitioner may get the benefit of a district court finding of invalidity over prior art that Petitioner has unsuccessfully raised in this *Inter Partes* Review, and the statutory estoppel provisions of 35 U.S.C. § 315(e) that should apply to Petitioner would be effectively vitiated.” *Id.*

Contrary to Patent Owner’s arguments, Petitioner is not bound by any law or regulation to choose only one “avenue,” or to choose one “avenue” over another, for challenging the claims of the ‘403 patent. Indeed, the AIA contemplates multiple, simultaneous

proceedings challenging validity (e.g., in the district court) or patentability (e.g., in an *ex parte* reexamination or *inter partes* review). *See, e.g.*, 35 U.S.C. §§ 315(a)(3) (“counterclaim challenging the validity of a claim of a patent”), 315(d) (“if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the *inter partes* review or other proceeding or matter may proceed”). The scenario Patent Owner describes – where one defendant in a case files a petition for *inter partes* review and is later estopped after a final decision in the review, but the other defendants do not file or join the petition and are not estopped – is certainly possible under the statute. But the fact that there are other defendants in a related litigation who are not parties to an *inter partes* review does not automatically make them privies of the petitioner. In short, we see nothing unique about Patent Owner’s situation that would justify finding the co-defendants to be privies of Petitioner.

We are not persuaded that any of the co-defendants in the related litigation are real-parties-in-interest or privies of Petitioner and, therefore, do not deny the Petition for failure to comply with the statutory requirements for instituting an *inter partes* review.

B. Patent Owner’s Other Arguments

Patent Owner in its preliminary response makes a number of other arguments, which we now address.

We disagree that the Petition should be denied for the reasons argued by Patent Owner.

First, Patent Owner argues that Petitioner proposed alternative claim interpretations instead of a single interpretation in violation of 37 C.F.R. § 42.104(b)(3), which requires a petitioner to identify “[h]ow the challenged claim is to be construed.” Prelim. Resp. 21-22. Patent Owner does not identify the disputed alternative interpretations, but presumably refers to Petitioner’s citations to both Patent Owner’s proposed interpretations in the related litigation and the district court’s adopted interpretations. *See, e.g.*, Pet. 6-8. We read Petitioner’s position to be that either interpretation is appropriate. As Petitioner has identified how the challenged claims should be construed, we are not persuaded that the Petition should be denied.⁵ Patent Owner also contends that Petitioner’s interpretations are “unreasonable,” but does not state what effect (if any) the alleged error has on Petitioner’s asserted grounds of unpatentability. *See* Prelim. Resp. 21-22.

Second, Patent Owner argues that the effective filing date of the ‘403 patent is disputed, but does not give any reason why an earlier effective filing date would mean Petitioner has not established a

⁵ In the future, to avoid any confusion, a petitioner should affirmatively set forth in the Petition how it believes the challenged claim is to be construed, rather than merely referring to a position taken by the patent owner in related litigation. *See* 37 C.F.R. § 42.104(b)(3).

reasonable likelihood of prevailing on any of its asserted grounds of unpatentability. *See id.* at 22-23.

Third, Patent Owner contends that Petitioner's proposed definition of a person of ordinary skill in the art is incorrect and that "the proper level of skill should be a person with at least five years of experience and or academic training in professional software development having experience with client-server software and operating systems, and at least a basic working knowledge of computer security and cryptography." *Id.* at 23. Again, Patent Owner does not tie the issue of the level of ordinary skill to the merits of any of Petitioner's asserted grounds of unpatentability.

Fourth, Patent Owner "urges that the Board should not consider any of Petitioner's Proposed Statement of Facts that have not been admitted by Patent Owner." *Id.* at 23-25. While we do not deem any facts denied by Patent Owner *as* admitted for purposes of this proceeding, we consider the factual record as a whole (including Petitioner's arguments in the Petition, Petitioner's statement of material facts, Patent Owner's arguments in the preliminary response, and Patent Owner's response to the statement of material facts) in determining whether Petitioner has met the threshold standard for instituting an *inter partes* review.

Fifth, Patent Owner objects to the statement on page 40 of the Petition that "Petitioner reserves the right to identify alternative theories or evidence

responsive to the contentions of the Patent Owner to establish claims 1-12 and 17-19 [] are unpatentable over the identified prior art,” arguing that Petitioner cannot demonstrate a reasonable likelihood of prevailing on an unidentified ground of unpatentability. See Pet. 40; Prelim. Resp. 25. On this issue we agree with Patent Owner. A petition must identify with particularity each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim. 35 U.S.C. § 312(a)(3); *see also* 37 C.F.R. § 42.104(b) (petition must identify specific statutory grounds, “where each element of the claim is found in the prior art patents or printed publications relied upon,” and “the supporting evidence relied upon to support the challenge and the relevance of the evidence to the challenge raised”). To the extent Petitioner’s statement is a suggestion of additional unspecified grounds, the Petition does not satisfy the requirements. We therefore consider only the specifically identified grounds of unpatentability in the Petition in determining whether Petitioner has met the threshold standard for instituting an *inter partes* review.

C. Grounds Based on Ginter (Ex. 1005)

Petitioner contends that claims 1-7, 9-12, and 17-19 are anticipated by Ginter under 35 U.S.C. § 102(e) and that claim 8 is unpatentable over Ginter in view of Beetcher under 35 U.S.C. § 103(a). Pet. 8-17. To support its assertions, Petitioner relies on the Declaration of Bruce Schneier (Ex. 1041). Patent Owner

presents no argument regarding Petitioner's grounds of unpatentability based on Ginter in its preliminary response. We conclude that Petitioner has established a reasonable likelihood of prevailing on its assertion that claims 1-7, 9-12, and 17-19 are anticipated and claim 8 is unpatentable for the reasons explained below.

Ginter discloses computer systems providing a "distributed virtual distribution environment (VDE)" that "help[s] to ensure that information is accessed and used only in authorized ways." Ginter, Abstract. Electronic content is stored in "objects" (also called "containers") for distribution to users, and access to the content is regulated via a permission record (PERC) associated with the content and provided to the user (separately or with the object). *Id.*, col. 13, l. 46-col. 14, l. 20; col. 58, l. 61-col. 59, l. 11; Fig. 5A; col. 147, ll. 33-59 ("no end user may use or access a VDE object unless a permissions record 808 has been delivered to the end user"). PERC 808 "specifies the rights associated with the object 300 such as, for example, who can open the container 302, who can use the object's contents, who can distribute the object, and what other control mechanisms must be active." *Id.*, col. 58, l. 67-col. 59, l. 5. "For example, permissions record 808 may specify a user's rights to use, distribute and/or administer the container 302 and its content." *Id.*, col. 59, ll. 5-7. For certain types of objects, the PERC is encrypted along with the object using a symmetric key and later decrypted on the user's machine. *Id.*, col. 199, ll. 1-6; col. 129, ll. 50-54;

col. 133, ll. 50-53; col. 208, l. 65-col. 209, l. 20. Ginter discloses that the PERC can contain an “object ID” that identifies the VDE object, as well as multiple “key blocks” that store decryption keys utilized to access content in “data blocks” within the object. *Id.*, col. 127, l. 45-col. 128, l. 2; col. 151, ll. 9-35; Fig. 26A. Ginter also discloses the use of a “validation tag” for “confirming the identity and correctness of received, VDE protected, information,” and a “digital signature” to be verified against an expected digital signature. *Id.*, col. 12, ll. 27-33; col. 151, ll. 9-35; col. 215, ll. 7-63.

Petitioner argues that Ginter discloses all of the limitations of claims 1-7, 9-12, and 17-19, relying on the analysis of Mr. Schneier in support. Pet. 9-16; Ex. 1041 ¶¶ 135-307. For example, Petitioner contends that Ginter discloses receiving and decrypting an encrypted “launch code” (PERC) with a “string, R” (a decryption key) to recover a “first candidate authentication code” (digital signature or validation tag) and an “indicium of a first information product” (key blocks or object IDs), and installing the first information product when there is a match, as recited in claim 1. *Id.* As to dependent claim 8, Petitioner contends that Beetcher teaches the additional claim feature of strings R (for decrypting a launch code) and T (for encrypting a token) that are the “same.” Pet. 16-17; Ex. 1041 ¶¶ 254-59. Petitioner argues that based on Beetcher, a person of ordinary skill in the art would have been able to modify the Ginter system to use the same key for decrypting and re-encrypting

the PERC and would have had reason to do so, relying on the analysis of Mr. Schneier in support. *Id.* Upon review of Petitioner's analysis and supporting evidence, which is un rebutted by Patent Owner, we determine that Petitioner's asserted grounds of unpatentability have merit.

We are persuaded by the analysis set forth in the Petition and accompanying declaration that there is a reasonable likelihood that Petitioner will prevail on its assertion that claims 1-7, 9-12, and 17-19 are anticipated by Ginter under 35 U.S.C. § 102(e) and claim 8 is unpatentable over Ginter in view of Beetcher under 35 U.S.C. § 103(a).

D. Grounds Based on Pettitt (Ex. 1006)

Petitioner contends that claims 1 and 2 are anticipated by Pettitt under 35 U.S.C. § 102(e) and that claims 1, 2, 4, 5, 7, and 9 are unpatentable over Pettitt in view of Ginter, Beetcher, and/or Bohannon under 35 U.S.C. § 103(a). Pet. 26-34. In its preliminary response, Patent Owner presents no argument regarding Petitioner's grounds of unpatentability based on Pettitt. We conclude that Petitioner has established a reasonable likelihood of prevailing on its assertion that claim 1 is anticipated and claims 2, 4, 5, 7, and 9 are unpatentable for the reasons explained below.

Pettitt discloses a system for "controlling distribution of software in a multitiered distribution chain" and "distinguishing authorized users from

unauthorized users.” Pettitt, col. 1, ll. 7-10. Figure 2, reproduced below, depicts the entities involved in providing software 13, namely author 12, license clearing house (LCH) 14, distributor 16, reseller 17, and user 18:

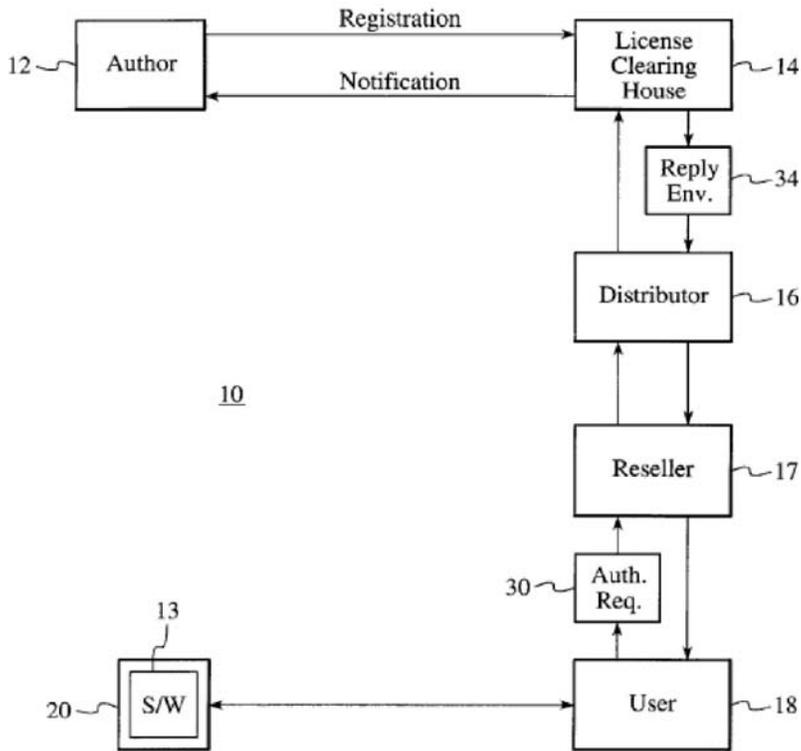


FIG. 2

Software 13 is packed into a digital shipping container 20, encrypted with a master key, and provided to user 18 (e.g., sold by reseller 17 to the public). *Id.*, col. 3, ll. 28-56. To purchase a license and unlock the container, user 18 sends an authorization request 30 including information identifying the software,

user, and desired method of payment. *Id.*, col. 4, ll. 10-19. The distribution entities communicate with each other to validate the user's payment and authorize the transaction. *Id.*, col. 4, ll. 20-62. If authorized, LCH 14 creates a reply envelope 34 including:

1. information identifying the software,
2. information identifying the user,
3. the digital signature of the reseller,
4. the digital signature of the distributor,
5. a master key that unlocks the software container 20 (if the transaction has been authorized), and
6. a digital authorization certificate.

Id., col. 4, l. 63-col. 5, l. 5. LCH 14 encrypts the contents of the reply envelope with the reseller's public key, digitally signs the envelope with the LCH's digital signature, and sends it back through the distribution chain. *Id.*, col. 5, ll. 14-28. Reseller 17 authenticates the digital signature, decrypts the reply envelope using the reseller's public key, and sends the contents of the reply envelope to user 18. *Id.*, col. 5, ll. 45-55. User 18 then "uses the authorization certificate and the master key to unlock the software container 20 and install the software." *Id.*, col. 5, ll. 56-63.

Petitioner argues that claim 1 is anticipated by Pettitt. Pet. 26-28. Petitioner contends that Pettitt discloses receiving and decrypting an encrypted "launch

code” (the reply envelope) with a “string, R” (the reseller’s public key) to recover a “first candidate authentication code” (the digital signature of the LCH) and an “indicium of a first information product” (information identifying the software), and installing the first information product when there is a match, as recited in claim 1. *Id.* Upon review of Petitioner’s analysis and supporting evidence, which is unrebutted by Patent Owner, we determine that Petitioner’s asserted ground of anticipation of claim 1 has merit.

Petitioner also argues that claim 2 is anticipated by Pettitt or unpatentable over Pettitt in view of other references, such as Beetcher. Claim 2 requires decrypting the launch code to recover an indicium of a “second information product.” Petitioner asserts that the information identifying the software in Pettitt “may comprise a list of discrete data elements (e.g., multiple programs), that comprise a software product,” relying on the analysis of Mr. Schneier in support. Pet. 28-29 (citing Ex. 1041 ¶¶ 450-58). We disagree that Pettitt’s “information identifying the software” amounts to indicia of two information products because the reference refers to a user purchasing a single piece of software, not multiple information products at once. *See, e.g.*, Pettitt, col. 2, l. 59-col. 3, l. 1; col. 4, ll. 8-19, 66. Petitioner therefore has not shown a reasonable likelihood of prevailing on its proposed anticipation ground as to claim 2.

Petitioner has shown a reasonable likelihood, however, that claim 2 is obvious over Pettitt in view of Beetcher. *See* Pet. 29-30. Beetcher discloses the

distribution of “multiple software modules on a single generic medium” where each customer receives a “unique entitlement key, enabling the customer to run only those software modules to which he is licensed.” Ex. 1007, col. 4, ll. 34-46; col. 6, ll. 20-40 (product entitlement flags 205, “each corresponding to a product number”). Petitioner asserts that a person of ordinary skill in the art would have been able to modify the Pettitt system to allow for distribution, at once, of multiple software products, as taught by Beetcher, and would have had reason to do so, relying on the analysis of Mr. Schneier in support. Pet. 29-30 (citing Ex. 1041 ¶¶ 314-17, 472-478). Petitioner likewise contends that the limitations of dependent claims 4, 5, 7, and 9 are taught by the combination of Pettitt and Beetcher. Pet. 30-33; Ex. 1041 ¶¶ 479-503. Petitioner has met its burden as to claims 2, 4, 5, 7, and 9.

We are persuaded by the analysis set forth in the Petition and accompanying declaration, which is unrebutted by the Patent Owner, that there is a reasonable likelihood that Petitioner will prevail on its assertion that claim 1 is anticipated by Pettitt under 35 U.S.C. § 102(e) and claims 2, 4, 5, 7, and 9 are unpatentable over Pettitt in view of Beetcher under 35 U.S.C. § 103(a). To the extent Petitioner relies on other combinations of references for alleged obviousness of the claims, the grounds are denied as redundant given our determination regarding the combination of Pettitt and Beetcher. *See* Pet. 329-33 (“Obvious Over Pettitt and Other Prior Art”); 37

C.F.R. § 42.108. Further, as explained above, Petitioner has not shown a reasonable likelihood of prevailing on its assertion that claim 2 is anticipated by Pettitt under 35 U.S.C. § 102(e), and the Petition, therefore, is denied as to that ground as well.

E. Grounds Based on Beetcher (Ex. 1007)

Petitioner contends that claims 1-12 and 17-19 are anticipated by Beetcher under 35 U.S.C. § 102(e) and that claims 1-12 and 17-19 are unpatentable over Beetcher in view of Ginter, Pettitt, Bohannon, and/or *Applied Cryptography* under 35 U.S.C. § 103(a).⁶ Pet. 18-26. In its preliminary response, Patent Owner presents no argument regarding Petitioner's grounds of unpatentability based on Beetcher. We conclude that Petitioner has established a reasonable likelihood of prevailing on its assertion that claims 17-19 are anticipated and claims 1-12 are unpatentable for the reasons explained below.

Beetcher discloses a system for “restricting the ability of a computer user to use licensed software in a manner inconsistent with the license.” Beetcher, col. 1, ll. 9-12. Figure 1, reproduced below, depicts distributor and customer devices:

⁶ Although Petitioner states the ground of unpatentability as “based on Beetcher considered in view of one or more of Ginter, Pettitt, and *Applied Cryptography*,” Petitioner also relies on Bohannon in arguing that the claims are unpatentable. See Pet. 3, 25-26.

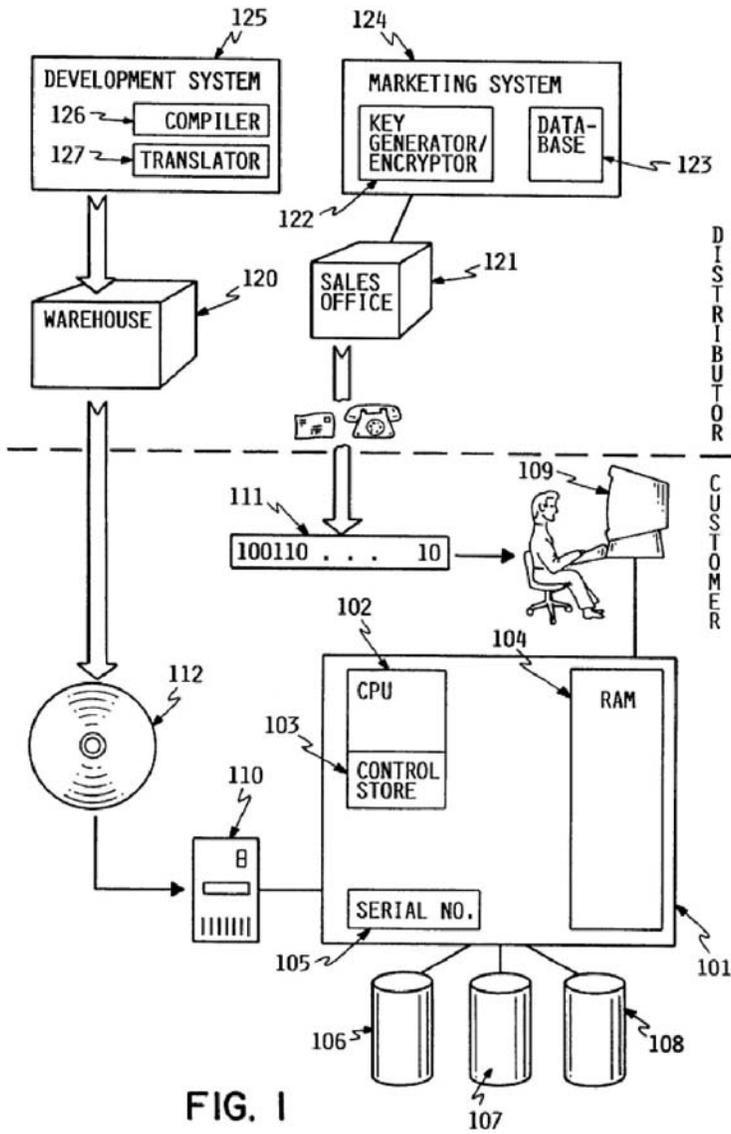


FIG. 1

The customer's computer has a machine serial number 105. *Id.*, col. 5, ll. 17-23. A "generic set of software modules" stored on software media 112 is distributed

to the customer separately from encrypted entitlement key 111, which “contains information enabling system 101 to determine which software modules are entitled to execute on it.” *Id.*, col. 5, l. 65-col. 6, l. 7. The customer “load[s] the desired software modules from [software media 112 and] unit 110 into system 101, and store[s] the software modules on storage devices 106-108.” *Id.*, col. 6, ll. 11-15. Entitlement key 111 includes certain information, such as software version field 202, machine serial number field 204, and product entitlement flags 205, “each corresponding to a product number” for a product that the customer may be authorized to use. *Id.*, col. 6, ll. 20-40; Fig. 2. Entitlement key 111 is encrypted using a machine key derived from machine serial number 105. *Id.*, col. 5, ll. 44-50; col. 9, ll. 55-60. The customer receives encrypted entitlement key 111 and enters it into the computer. *Id.*, col. 9, ll. 51-52. The customer’s computer then decodes encrypted entitlement key 111 using the machine key, stores the key in an encoded product key table, and stores the key and software version number in a product lock table. *Id.*, col. 6, l. 66-col. 7, l. 42. Products are unlocked “on demand.” *Id.*, col. 10, ll. 20-39. “Upon first execution of a previously unentitled software product,” an unlock routine “fetches the encrypted entitlement key from the appropriate entry in [the] encoded product key table,” “obtains the machine key,” “decodes the entitlement key,” and sets the product lock table accordingly if the entitlement key indicates that the user is entitled to use the software. *Id.*

Petitioner argues that claim 1 is anticipated by Beetcher. Pet. 18-26. Petitioner contends that Beetcher discloses receiving and decrypting an encrypted “launch code” (the entitlement key) with a “string, R” (the machine key) to recover a “first candidate authentication code” (the software version number or machine serial number) and an “indicium of a first information product” (an entitlement flag), and installing the first information product when there is a match, as recited in claim 1. *Id.*

We conclude that Petitioner has not made a threshold showing that Beetcher discloses two of the limitations of claim 1, but has shown a reasonable likelihood that claim 1 is obvious. First, claim 1 requires decrypting a launch code to recover a “first candidate authentication code.” As explained above, we interpret “authentication code” to mean a code for authenticating data. Petitioner argues that either the version number or machine serial number can be considered an “authentication code,” but does not explain sufficiently how either number is for authenticating data. Pet. 18-19 (citing Ex. 1041 ¶ 348). Indeed, the numbers appear to be used for different purposes. *See, e.g.*, Beetcher, col. 10, ll. 2-5, 56-60 (version number stored in the product lock table and used during execution). Nevertheless, Petitioner contends that a person of ordinary skill in the art would have been able to modify the Beetcher system to use a digital signature *as* taught by Ginter (instead of or along with the version number) and would have had reason

to do so, relying on the analysis of Mr. Schneier in support. Pet. 25 (citing Ex. 1041 ¶¶ 331-37).

Second, claim 1 requires “installing said first information product onto said computer when said candidate authorization code matches a first known authorization code.” As explained above, we interpret “installing” to mean placing in a position so as to be ready for use. Petitioner argues that in *Beetcher*, “when a software product is first *executed*, the entitlement key from the product key table is checked to verify entitlement,” and if the end-user is entitled, “*execution* of the software is permitted.” Pet. 19 (emphasis added) (citing Ex. 1041 ¶¶ 362, 364). The portions of *Beetcher* relied upon by Petitioner appear to relate to execution of software after the software already has been made available for use, not placing software in a position so as to be ready for use. Again, however, Petitioner contends that a person of ordinary skill in the art would have been able to modify the *Beetcher* system to “require a user to input the entitlement key before copying the software onto the computer system” as taught by Bohannon and would have had reason to do so, relying on the analysis of Mr. Schneier in support. Pet. 26 (citing Ex. 1041 ¶¶ 365-67); *see* Bohannon, col. 3, ll. 24-37. Petitioner has demonstrated a reasonable likelihood that independent claim 1, as well as dependent claims 2-12, which depend from claim 1, are unpatentable over *Beetcher* in view of Ginter and Bohannon.

Petitioner also argues that claims 17-19 are anticipated by *Beetcher*. Pet. 24 (citing Ex. 1041

¶¶ 420-32). Upon review of Petitioner's analysis and supporting evidence, which is unrebutted by Patent Owner, we determine that Petitioner's asserted ground of anticipation of claims 17-19 has merit.

We are persuaded by the analysis set forth in the Petition and accompanying declaration, which is unrebutted by Patent Owner, that there is a reasonable likelihood that Petitioner will prevail on its assertion that claims 17-19 are anticipated by Beetcher under 35 U.S.C. § 102(e) and claims 1-12 are unpatentable over Beetcher in view of Ginter and Bohannon under 35 U.S.C. § 103(a). To the extent Petitioner relies on other combinations of references for alleged obviousness of the claims, the grounds are denied as redundant given our determination regarding the combination of Beetcher, Ginter, and Bohannon. *See* Pet. 25-26; 37 C.F.R. § 42.108. Further, as explained above, Petitioner has not shown a reasonable likelihood of prevailing on its assertion that claims 1-12 are anticipated by Beetcher under 35 U.S.C. § 102(e), and the Petition, therefore, is denied as to that ground as well.

F. Grounds Based on Bohannon (Ex. 1008)

Petitioner contends that claims 1, 2, 4, 5, 7, and 9 are anticipated by Bohannon under 35 U.S.C. § 102(e) and that claims 1, 2, 4, 5, 7, and 9 are unpatentable over Bohannon in view of Ginter, Beetcher, Pettitt, and/or *Applied Cryptography* under 35 U.S.C. § 103(a). Pet. 33-39. These asserted grounds are denied as redundant in light of our determination that there is a reasonable likelihood that the challenged claims are

unpatentable based on the grounds of unpatentability on which we institute an *inter partes* review. See 37 C.F.R. § 42.108.

G. Conclusion

We conclude that Petitioner has demonstrated a reasonable likelihood of prevailing on the following grounds of unpatentability asserted in the Petition:

Claims 1-7, 9-12, and 17-19 under 35 U.S.C. § 102(e) as being anticipated by Ginter;

Claim 8 under 35 U.S.C. § 103(a) as being unpatentable over Ginter in view of Beetcher;

Claim 1 under 35 U.S.C. § 102(e) as being anticipated by Pettit; Claims 2, 4, 5, 7, and 9 under 35 U.S.C. § 103(a) as being unpatentable over Pettit in view of Beetcher;

Claims 17-19 under 35 U.S.C. § 102(e) as being anticipated by Beetcher; and

Claims 1-12 under 35 U.S.C. § 103(a) as being unpatentable over Beetcher in view of Ginter and Bohannon.

III. ORDER

In consideration of the foregoing, it is hereby:

ORDERED that the Petition is granted as to claims 1-12 and 17-19 of the '403 patent;

FURTHER ORDERED that pursuant to 35 U.S.C. § 314(a), *inter partes* review of the '403 patent is

hereby instituted commencing on the entry date of this Order, and pursuant to 35 U.S.C. § 314(c) and 37 C.F.R. § 42.4, notice is hereby given of the institution of a trial;

FURTHER ORDERED that the trial is limited to the grounds identified above and no other grounds set forth in the Petition as to claims 1-12 and 17-19 are authorized; and

FURTHER ORDERED that an initial conference call with the Board is scheduled for 2:00 PM Eastern Time on July 1, 2013. The parties are directed to the Office Patent Trial Practice Guide, 77 Fed. Reg. 48756, 48765-66 (Aug. 14, 2012), for guidance in preparing for the initial conference call, and should come prepared to discuss any proposed changes to the Scheduling Order entered herewith and any motions the parties anticipate filing during the trial.

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APPENDIX I

UNITED STATES PATENT
AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL
AND APPEAL BOARD

APPLE INC.
Petitioner

v.

ACHATES REFERENCE PUBLISHING, INC.
Patent Owner

Case IPR2013-00080 (Patent 6,173,403)
Case IPR2013-00081 (Patent 5,982,889)¹

Before THOMAS L. GIANNETTI, *Lead Administrative Patent Judge*, HOWARD B. BLANKENSHIP, and JUSTIN T. ARBES, *Administrative Patent Judges*.

ARBES, *Administrative Patent Judge*.

DECISION

Achates Motion for Additional Discovery
37 C.F.R. § 42.51(b)(2)

(Paper 18 Entered: April 3, 2013)

¹ This decision addresses an issue that is identical in both cases. We therefore exercise our discretion to issue one Order to be filed in each case. The parties, however, are not authorized to use this style heading for any subsequent papers.

Introduction

Patent Owner Achates Reference Publishing, Inc. (“Achates”) filed a motion for additional discovery in the instant proceedings and Petitioner Apple Inc. (“Apple”) filed an opposition.² For the reasons stated below, Achates’s motion is *denied*.

Achates’s motion seeks the following discovery from Apple:

1. Produce copies of any and all agreements related to rights, obligations or indemnification responsibilities for allegations of infringement of third party intellectual property rights among or between Petitioner and any Defendant in the Texas litigation relating to “apps” by these defendants that were made available on the Apple App Store between January 2010 and July 2011.

2. Produce copies of any and all joint defense agreements related to the Texas litigation among Petitioner and any Defendant in the Texas Litigation.

Mot., Attach. A. Achates contends that the requested information is relevant to determining whether Apple’s co-defendants in the related litigation, *Achates Reference Publishing, Inc. v. Symantec Corp.*,

² IPR2013-00080, Papers 10 (“Mot.”), 13 (“Opp.”); TR2013-00081, Papers 11, 13. While the analysis herein applies to both proceedings, we refer to the papers filed in Case IPR2013-00080 for convenience.

et al., E.D. Tex. Case No. 2:11-cv-00294-JRG-RSP, are real parties-in-interest or privies of Apple. Mot. at 2-4. According to Achates, while Apple was named as a defendant in the litigation less than one year before filing its petitions for *inter partes* review, Apple's co-defendants were served more than one year prior. *Id.* at 1-2. Therefore, if any of the co-defendants are real parties-in-interest or privies of Apple, an *inter partes* review may not be instituted under the one-year bar provision of 35 U.S.C. § 315(b) ("An *inter partes* review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent."). Mot. at 1-2. Similarly, if any of the co-defendants are real parties-in-interest for purposes of the instant proceedings, Apple did not correctly identify all of the real parties-in-interest in its petitions as required by 35 U.S.C. § 312(a)(2). *See* Pet. 1 (identifying Apple as the only real party-in-interest).

Analysis

Pursuant to the America Invents Act (AIA), certain discovery is available in *inter partes* review proceedings. 35 U.S.C. § 316(a)(5); *see* 37 C.F.R. §§ 42.51-53. Discovery in an *inter partes* review proceeding, however, is less than what is normally available in district court patent litigation, as Congress intended *inter partes* review to be a quick and cost effective alternative to litigation. *See* H. Rep. No.

112-98 at 45-48 (2011). A party seeking discovery beyond what is expressly permitted by rule must do so by motion, and “must show that such additional discovery is in the interests of justice.” 37 C.F.R. § 42.51(b)(2)(i); *see* 35 U.S.C. §316(a)(5). The legislative history of the AIA makes clear that additional discovery should be confined to “particular limited situations, such as minor discovery that PTO finds to be routinely useful, or to discovery that is justified by the special circumstances of the case.” 154 Cong. Rec. S9988-89 (daily ed. Sept. 27, 2008) (statement of Sen. Kyl). In light of this, and given the statutory deadlines required by Congress for *inter partes* review proceedings, the Board will be conservative in authorizing additional discovery. *See id.*

An important factor in determining whether additional discovery is in the interests of justice is whether there exists more than a “mere possibility” or “mere allegation that something useful [to the proceeding] will be found.” *See* Order – Authorizing Motion for Additional Discovery, IPR2012-00001, Paper 20 at 2-3 (explaining a number of important factors to be taken into account in determining whether additional discovery is warranted). This requires the party seeking discovery to come forward with some factual evidence or support for its request.

The only evidence cited by Achates in its motion is a publicly available software development kit (SDK) agreement that Apple allegedly enters into with iPhone application developers like the co-defendants in the related litigation. *See Mot.* 4-5

(citing Ex. 2006). Achates points to the indemnification clause in section 6 of the agreement, which states that the developer agrees to indemnify Apple against “any claims that [the developer’s] Applications violate or infringe any third party intellectual property or proprietary rights.” Ex. 2006 § 6. Achates contends that under California law, an indemnification relationship is indicative of the indemnitor being a real party-in-interest or privy of the indemnitee. Mot. 3-5.

Whether a non-party is a “real party-in-interest” or “privy” for purposes of an *inter partes* review proceeding is a “highly fact-dependent question” that takes into account how courts generally have used the terms to “describe relationships and considerations sufficient to justify applying conventional principles of estoppel and preclusion.” Office Patent Trial Practice Guide, 77 Fed. Reg. 48756, 48759 (Aug. 14, 2012) (“Trial Practice Guide”). Whether parties are in privity, for instance, depends on whether the relationship between a party and its alleged privy is “sufficiently close such that both should be bound by the trial outcome and related estoppels.” *Id.* Depending on the circumstances, a number of factors may be relevant to the analysis, including whether the non-party “exercised or could have exercised control over a party’s participation in a proceeding” or whether the non-party is responsible for funding and directing the proceeding. *Id.* at 48759-60. We also find guidance in the Supreme Court’s decision in *Taylor v. Sturgell*, 553 U.S. 880 (2008), which sets forth the general rule under federal common law that a person not a party

to a lawsuit is not bound by a judgment in that suit, subject to certain exceptions, including the following:

[N]onparty preclusion may be justified based on a variety of pre-existing “substantive legal relationship[s]” between the person to be bound and a party to the judgment. Qualifying relationships include, but are not limited to, preceding and succeeding owners of property, bailee and bailor, and assignee and assignor. These exceptions originated “as much from the needs of property law as from the values of preclusion by judgment.”

553 U.S. at 894 (citations omitted); see Trial Practice Guide at 48759 (citing *Taylor*).

Achates provides no proof that any of Apple’s co-defendants in the related litigation have signed the SDK agreement. But even assuming that the indemnification provision of the SDK agreement applies to Apple’s co-defendants in the related litigation, we are not persuaded that the provision would be indicative of the co-defendants being real parties-in-interest or privies of Apple. The agreement does not give the developer the right to intervene or control Apple’s defense to any charge of patent infringement, nor has Achates argued that to be the case for the co-defendants in the related litigation. Indemnification is not one of the “substantive legal relationships” cited in *Taylor* (e.g., assignee-assignor), and is significantly different from those relationships, which involve successive interests in property. Further, Achates’s sole legal authority – a California Practice

Guide excerpt – is inapplicable, as it relates to subrogation claims where a “person obligated to pay for a loss caused by another may, by virtue of his or her payment, become subrogated to whatever claim the payee has *against the person causing the loss.*” See Paper 12 § 2:28 (emphasis added). We are not persuaded by Achates’s subrogation argument. For example, with subrogation an insurance company that pays an insured for injuries caused to the insured by a third party can then stand in the shoes of the insured to sue the third party. *Id.* §§ 2:28, 30. By contrast, under the indemnification provision in the SDK agreement, an indemnifying developer would be paying Apple for patent infringement liability incurred by Apple, not paying for a loss caused by a third party and then standing in Apple’s shoes to sue the third party. Thus, Achates has not shown a sufficient basis for why the indemnification provision in the SDK agreement would justify discovery of the requested agreements between Apple and the co-defendants.

Moreover, as Apple points out, Apple and its co-defendants have distinct interests in the related litigation such that, at least *based* on the facts available to us, it does not appear that Apple would be estopped by any judgment against one of the co-defendants. See Opp. at 2-3. Achates accuses Apple of infringing the two patents at issue based on Apple’s own actions as well as those of defendant QuickOffice, Inc. (“QuickOffice”). Ex. 1037 ¶¶1151-52. Likewise, Achates accuses QuickOffice of infringement

based on activities relating to the Apple App Store and other systems (e.g., the Amazon Appstore for Android). Ex. 1038 at 84-90. Thus, even if a judgment were obtained against one or more of the co-defendants Apple would still be exposed to an adverse judgment based on its own actions and would therefore assert its own defenses independent of Apple's co-defendants. This further indicates that the relationship between Apple and the co-defendants is not of the type that would make the co-defendants real parties-in-interest or privies of Apple.

The evidence and argument presented by Achates amount to only a mere allegation and speculation that one or more of the co-defendants are real parties-in-interest or privies of Apple, and do not convince us that the requested additional discovery is likely to uncover information useful to the instant proceedings. Achates therefore has not met its burden to demonstrate that additional discovery is in the interests of justice.

Finally, Achates's delay in requesting additional discovery weighs against granting the motion. As the plaintiff in the related litigation filed in 2011, Achates was well aware of the relevant dates on which Apple and the co-defendants were served with a complaint, but waited until nearly three months after Apple's petitions were filed and one week prior to the due date for its preliminary responses to make its request.

In consideration of the foregoing, it is hereby:

ORDERED that Achates's motion for additional discovery is *denied*.

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APPENDIX J**RELEVANT STATUTORY
AND REGULATORY PROVISIONS**

* * *

1. 35 U.S.C. 6 provides:**§ 6. Patent Trial and Appeal Board**

(a) **IN GENERAL.** – There shall be in the Office a Patent Trial and Appeal Board. The Director, the Deputy Director, the Commissioner for Patents, the Commissioner for Trademarks, and the administrative patent judges shall constitute the Patent Trial and Appeal Board. The administrative patent judges shall be persons of competent legal knowledge and scientific ability who are appointed by the Secretary, in consultation with the Director. Any reference in any Federal law, Executive order, rule, regulation, or delegation of authority, or any document of or pertaining to the Board of Patent Appeals and Interferences is deemed to refer to the Patent Trial and Appeal Board.

(b) **DUTIES.** – The Patent Trial and Appeal Board shall –

(1) on written appeal of an applicant, review adverse decisions of examiners upon applications for patents pursuant to section 134(a);

(2) review appeals of reexaminations pursuant to section 134(b);

(3) conduct derivation proceedings pursuant to section 135; and

(4) conduct inter partes reviews and post-grant reviews pursuant to chapters 31 and 32.

(c) 3-MEMBER PANELS. – Each appeal, derivation proceeding, post-grant review, and inter partes review shall be heard by at least 3 members of the Patent Trial and Appeal Board, who shall be designated by the Director. Only the Patent Trial and Appeal Board may grant rehearings.

(d) TREATMENT OF PRIOR APPOINTMENTS. – The Secretary of Commerce may, in the Secretary's discretion, deem the appointment of an administrative patent judge who, before the date of the enactment of this subsection, held office pursuant to an appointment by the Director to take effect on the date on which the Director initially appointed the administrative patent judge. It shall be a defense to a challenge to the appointment of an administrative patent judge on the basis of the judge's having been originally appointed by the Director that the administrative patent judge so appointed was acting as a de facto officer.

* * *

2. 35 U.S.C. 135 provides:

§ 135. Derivation Proceedings

(a) Institution of proceeding. –

(1) **IN GENERAL.** – An applicant for patent may file a petition with respect to an invention to institute a derivation proceeding in the Office. The petition shall set forth with particularity the basis for finding that an individual named in an earlier application as the inventor or a joint inventor derived such invention from an individual named in the petitioner’s application as the inventor or a joint inventor and, without authorization, the earlier application claiming such invention was filed. Whenever the Director determines that a petition filed under this subsection demonstrates that the standards for instituting a derivation proceeding are met, the Director may institute a derivation proceeding.

(2) **TIME FOR FILING.** – A petition under this section with respect to an invention that is the same or substantially the same invention as a claim contained in a patent issued on an earlier application, or contained in an earlier application when published or deemed published under section 122(b), may not be filed unless such petition is filed during the 1-year period following the date on which the patent containing such claim was granted or the earlier application containing such claim was published, whichever is earlier.

(3) **EARLIER APPLICATION.** – For purposes of this section, an application shall not be deemed to be an earlier application with respect to an invention, relative to another application, unless a claim to the invention was or could have been made in such application having an effective filing date that is earlier than the effective filing

date of any claim to the invention that was or could have been made in such other application.

(4) NO APPEAL. – A determination by the Director whether to institute a derivation proceeding under paragraph (1) shall be final and not appealable.

(b) DETERMINATION BY PATENT TRIAL AND APPEAL BOARD. – In a derivation proceeding instituted under subsection (a), the Patent Trial and Appeal Board shall determine whether an inventor named in the earlier application derived the claimed invention from an inventor named in the petitioner’s application and, without authorization, the earlier application claiming such invention was filed. In appropriate circumstances, the Patent Trial and Appeal Board may correct the naming of the inventor in any application or patent at issue. The Director shall prescribe regulations setting forth standards for the conduct of derivation proceedings, including requiring parties to provide sufficient evidence to prove and rebut a claim of derivation.

(c) DEFERRAL OF DECISION. – The Patent Trial and Appeal Board may defer action on a petition for a derivation proceeding until the expiration of the 3-month period beginning on the date on which the Director issues a patent that includes the claimed invention that is the subject of the petition. The Patent Trial and Appeal Board also may defer action on a petition for a derivation proceeding, or stay the proceeding after it has been instituted, until the

termination of a proceeding under chapter 30, 31, or 32 involving the patent of the earlier applicant.

(d) EFFECT OF FINAL DECISION. – The final decision of the Patent Trial and Appeal Board, if adverse to claims in an application for patent, shall constitute the final refusal by the Office on those claims. The final decision of the Patent Trial and Appeal Board, if adverse to claims in a patent, shall, if no appeal or other review of the decision has been or can be taken or had, constitute cancellation of those claims, and notice of such cancellation shall be endorsed on copies of the patent distributed after such cancellation.

(e) SETTLEMENT. – Parties to a proceeding instituted under subsection (a) may terminate the proceeding by filing a written statement reflecting the agreement of the parties as to the correct inventor of the claimed invention in dispute. Unless the Patent Trial and Appeal Board finds the agreement to be inconsistent with the evidence of record, if any, it shall take action consistent with the agreement. Any written settlement or understanding of the parties shall be filed with the Director. At the request of a party to the proceeding, the agreement or understanding shall be treated as business confidential information, shall be kept separate from the file of the involved patents or applications, and shall be made available only to Government agencies on written request, or to any person on a showing of good cause.

(f) **ARBITRATION.** – Parties to a proceeding instituted under subsection (a) may, within such time as may be specified by the Director by regulation, determine such contest or any aspect thereof by arbitration. Such arbitration shall be governed by the provisions of title 9, to the extent such title is not inconsistent with this section. The parties shall give notice of any arbitration award to the Director, and such award shall, as between the parties to the arbitration, be dispositive of the issues to which it relates. The arbitration award shall be unenforceable until such notice is given. Nothing in this subsection shall preclude the Director from determining the patentability of the claimed inventions involved in the proceeding.

* * *

3. 35 U.S.C. 141 provides:

§ 141. Appeal to Court of Appeals for the Federal Circuit

(a) **EXAMINATIONS.** – An applicant who is dissatisfied with the final decision in an appeal to the Patent Trial and Appeal Board under section 134(a) may appeal the Board's decision to the United States Court of Appeals for the Federal Circuit. By filing such an appeal, the applicant waives his or her right to proceed under section 145.

(b) **REEXAMINATIONS.** – A patent owner who is dissatisfied with the final decision in an appeal of a reexamination to the Patent Trial and Appeal Board

under section 134(b) may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit.

(c) POST-GRANT AND INTER PARTES REVIEWS. – A party to an inter partes review or a post-grant review who is dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) or 328(a) (as the case may be) may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit.

(d) DERIVATION PROCEEDINGS. – A party to a derivation proceeding who is dissatisfied with the final decision of the Patent Trial and Appeal Board in the proceeding may appeal the decision to the United States Court of Appeals for the Federal Circuit, but such appeal shall be dismissed if any adverse party to such derivation proceeding, within 20 days after the appellant has filed notice of appeal in accordance with section 142, files notice with the Director that the party elects to have all further proceedings conducted as provided in section 146. If the appellant does not, within 30 days after the filing of such notice by the adverse party, file a civil action under section 146, the Board's decision shall govern the further proceedings in the case.

* * *

4. 35 U.S.C. 303 provides:

§ 303. Determination of issue by Director.

(a) Within three months following the filing of a request for reexamination under the provisions of section 302, the Director will determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On his own initiative, and any time, the Director may determine whether a substantial new question of patentability is raised by patents and publications discovered by him or cited under the provisions of section 301 or 302. The existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office.

(b) A record of the Director's determination under subsection (a) of this section will be placed in the official file of the patent, and a copy promptly will be given or mailed to the owner of record of the patent and to the person requesting reexamination, if any.

(c) A determination by the Director pursuant to subsection (a) of this section that no substantial new question of patentability has been raised will be final and nonappealable. Upon such a determination, the Director may refund a portion of the reexamination fee required under section 302.

* * *

5. 35 U.S.C. 311 provides:

§ 311. Inter partes review

(a) IN GENERAL. – Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent. The Director shall establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review.

(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.

(c) FILING DEADLINE. – A petition for inter partes review shall be filed after the later of either –

(1) the date that is 9 months after the grant of a patent; or

(2) if a post-grant review is instituted under chapter 32, the date of the termination of such post-grant review.

* * *

6. 35 U.S.C. 312 provides:

§ 312. Petitions

(a) REQUIREMENTS OF PETITION. – A petition filed under section 311 may be considered only if –

(1) the petition is accompanied by payment of the fee established by the Director under section 311;

(2) the petition identifies all real parties in interest;

(3) the petition identifies, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim, including –

(A) copies of patents and printed publications that the petitioner relies upon in support of the petition; and

(B) affidavits or declarations of supporting evidence and opinions, if the petitioner relies on expert opinions;

(4) the petition provides such other information as the Director may require by regulation; and

(5) the petitioner provides copies of any of the documents required under paragraphs (2), (3), and (4) to the patent owner or, if applicable, the designated representative of the patent owner.

(b) PUBLIC AVAILABILITY. – As soon as practicable after the receipt of a petition under section 311, the Director shall make the petition available to the public.

* * *

7. 35 U.S.C. 313 provides:

§ 313. Preliminary response to petition

If an inter partes review petition is filed under section 311, the patent owner shall have the right to file a preliminary response to the petition, within a time period set by the Director, that sets forth reasons why no inter partes review should be instituted based upon the failure of the petition to meet any requirement of this chapter.

* * *

8. 35 U.S.C. 314 provides:

§ 314. Institution of inter partes review

(a) THRESHOLD. – The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

(b) TIMING. – The Director shall determine whether to institute an inter partes review under this

chapter pursuant to a petition filed under section 311 within 3 months after –

(1) receiving a preliminary response to the petition under section 313; or

(2) if no such preliminary response is filed, the last date on which such response may be filed.

(c) NOTICE. – The Director shall notify the petitioner and patent owner, in writing, of the Director's determination under subsection (a), and shall make such notice available to the public as soon as is practicable. Such notice shall include the date on which the review shall commence.

(d) NO APPEAL. – The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.

* * *

9. 35 U.S.C. 315 provides:

§ 315. Relation to other proceedings or actions

(a) INFRINGER'S CIVIL ACTION. –

(1) INTER PARTES REVIEW BARRED BY CIVIL ACTION. – An inter partes review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.

(2) STAY OF CIVIL ACTION. – If the petitioner or real party in interest files a civil action challenging the validity of a claim of the patent on or

after the date on which the petitioner files a petition for inter partes review of the patent, that civil action shall be automatically stayed until either –

(A) the patent owner moves the court to lift the stay;

(B) the patent owner files a civil action or counterclaim alleging that the petitioner or real party in interest has infringed the patent; or

(C) the petitioner or real party in interest moves the court to dismiss the civil action.

(3) TREATMENT OF COUNTERCLAIM. – A counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging the validity of a claim of a patent for purposes of this subsection.

(b) PATENT OWNER'S ACTION. – An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

(c) JOINDER. – If the Director institutes an inter partes review, the Director, in his or her discretion, may join as a party to that inter partes review any person who properly files a petition under section 311

that the Director, after receiving a preliminary response under section 313 or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under section 314.

(d) MULTIPLE PROCEEDINGS. – Notwithstanding sections 135(a), 251, and 252, and chapter 30, during the pendency of an inter partes review, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.

(e) ESTOPPEL. –

(1) PROCEEDINGS BEFORE THE OFFICE. – The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

(2) CIVIL ACTIONS AND OTHER PROCEEDINGS. – The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in part under section 1338 of title

28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

* * *

10. 35 U.S.C. 316 provides:

§ 316. Conduct of inter partes review

(a) REGULATIONS. – The Director shall prescribe regulations –

(1) providing that the file of any proceeding under this chapter shall be made available to the public, except that any petition or document filed with the intent that it be sealed shall, if accompanied by a motion to seal, be treated as sealed pending the outcome of the ruling on the motion;

(2) setting forth the standards for the showing of sufficient grounds to institute a review under section 314(a);

(3) establishing procedures for the submission of supplemental information after the petition is filed;

(4) establishing and governing inter partes review under this chapter and the relationship of such review to other proceedings under this title;

(5) setting forth standards and procedures for discovery of relevant evidence, including that such discovery shall be limited to –

(A) the deposition of witnesses submitting affidavits or declarations; and

(B) what is otherwise necessary in the interest of justice;

(6) prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding;

(7) providing for protective orders governing the exchange and submission of confidential information;

(8) providing for the filing by the patent owner of a response to the petition under section 313 after an inter partes review has been instituted, and requiring that the patent owner file with such response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response;

(9) setting forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims, and ensuring that any information submitted by the patent owner in support of any amendment entered under subsection (d) is made available to the public as part of the prosecution history of the patent;

(10) providing either party with the right to an oral hearing as part of the proceeding;

(11) requiring that the final determination in an inter partes review be issued not later than 1 year after the date on which the Director notices the institution of a review under this chapter, except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months, and may adjust the time periods in this paragraph in the case of joinder under section 315(c);

(12) setting a time period for requesting joinder under section 315(c); and

(13) providing the petitioner with at least 1 opportunity to file written comments within a time period established by the Director.

(b) CONSIDERATIONS. – In prescribing regulations under this section, the Director shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.

(c) PATENT TRIAL AND APPEAL BOARD. – The Patent Trial and Appeal Board shall, in accordance with section 6, conduct each inter partes review instituted under this chapter.

(d) AMENDMENT OF THE PATENT. –

(1) IN GENERAL. – During an inter partes review instituted under this chapter, the patent owner may file 1 motion to amend the patent in 1 or more of the following ways:

(A) Cancel any challenged patent claim.

(B) For each challenged claim, propose a reasonable number of substitute claims.

(2) ADDITIONAL MOTIONS. – Additional motions to amend may be permitted upon the joint request of the petitioner and the patent owner to materially advance the settlement of a proceeding under section 317, or as permitted by regulations prescribed by the Director.

(3) SCOPE OF CLAIMS. – An amendment under this subsection may not enlarge the scope of the claims of the patent or introduce new matter.

(e) EVIDENTIARY STANDARDS. – In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.

* * *

11. 35 U.S.C. 317 provides:

§ 317. Settlement

(a) IN GENERAL. – An inter partes review instituted under this chapter shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed. If the inter partes review is terminated with respect to a petitioner under this section, no estoppel under section 315(e) shall attach to the petitioner, or to the real party in interest or privy of the petitioner, on the basis of that

petitioner's institution of that inter partes review. If no petitioner remains in the inter partes review, the Office may terminate the review or proceed to a final written decision under section 318(a).

(b) **AGREEMENTS IN WRITING.** – Any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in such agreement or understanding, made in connection with, or in contemplation of, the termination of an inter partes review under this section shall be in writing and a true copy of such agreement or understanding shall be filed in the Office before the termination of the inter partes review as between the parties. At the request of a party to the proceeding, the agreement or understanding shall be treated as business confidential information, shall be kept separate from the file of the involved patents, and shall be made available only to Federal Government agencies on written request, or to any person on a showing of good cause.

* * *

12. 35 U.S.C. 318 provides:

§ 318. Decision of the Board

(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).

(b) **CERTIFICATE.** – If the Patent Trial and Appeal Board issues a final written decision under subsection (a) and the time for appeal has expired or any appeal has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable.

(c) **INTERVENING RIGHTS.** – Any proposed amended or new claim determined to be patentable and incorporated into a patent following an inter partes review under this chapter shall have the same effect as that specified in section 252 for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation therefor, before the issuance of a certificate under subsection (b).

(d) **DATA ON LENGTH OF REVIEW.** – The Office shall make available to the public data describing the length of time between the institution of, and the issuance of a final written decision under subsection (a) for, each inter partes review.

* * *

13. 35 U.S.C. 319 provides:

§ 319. Appeal

A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) may appeal the decision pursuant to sections 141 through 144. Any party to the inter partes review shall have the right to be a party to the appeal.

* * *

14. 35 U.S.C. 321 provides:

§ 321. Post-grant review

(a) **IN GENERAL.** – Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute a post-grant review of the patent. The Director shall establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the post-grant review.

(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) or (3) of section 282(b) (relating to invalidity of the patent or any claim).

(c) **FILING DEADLINE.** – A petition for a post-grant review may only be filed not later than the date that is 9 months after the date of the grant of the

patent or of the issuance of a reissue patent (as the case may be).

* * *

15. 35 U.S.C. 322 provides:

§ 322. Petitions

(a) REQUIREMENTS OF PETITION. – A petition filed under section 321 may be considered only if –

(1) the petition is accompanied by payment of the fee established by the Director under section 321;

(2) the petition identifies all real parties in interest;

(3) the petition identifies, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim, including –

(A) copies of patents and printed publications that the petitioner relies upon in support of the petition; and

(B) affidavits or declarations of supporting evidence and opinions, if the petitioner relies on other factual evidence or on expert opinions;

(4) the petition provides such other information as the Director may require by regulation; and

(5) the petitioner provides copies of any of the documents required under paragraphs (2), (3), and (4) to the patent owner or, if applicable, the designated representative of the patent owner.

(b) PUBLIC AVAILABILITY. – As soon as practicable after the receipt of a petition under section 321, the Director shall make the petition available to the public.

* * *

16. 35 U.S.C. 323 provides:

§ 323. Preliminary response to petition

If a post-grant review petition is filed under section 321, the patent owner shall have the right to file a preliminary response to the petition, within a time period set by the Director, that sets forth reasons why no post-grant review should be instituted based upon the failure of the petition to meet any requirement of this chapter.

* * *

17. 35 U.S.C. 324 provides:

§ 324. Institution of post-grant review

(a) THRESHOLD. – The Director may not authorize a post-grant review to be instituted unless the Director determines that the information presented in the petition filed under section 321, if such information is not rebutted, would demonstrate that it is

more likely than not that at least 1 of the claims challenged in the petition is unpatentable.

(b) **ADDITIONAL GROUNDS.** – The determination required under subsection (a) may also be satisfied by a showing that the petition raises a novel or unsettled legal question that is important to other patents or patent applications.

(c) **TIMING.** – The Director shall determine whether to institute a post-grant review under this chapter pursuant to a petition filed under section 321 within 3 months after –

(1) receiving a preliminary response to the petition under section 323; or

(2) if no such preliminary response is filed, the last date on which such response may be filed.

(d) **NOTICE.** – The Director shall notify the petitioner and patent owner, in writing, of the Director’s determination under subsection (a) or (b), and shall make such notice available to the public as soon as is practicable. Such notice shall include the date on which the review shall commence.

(e) **NO APPEAL.** – The determination by the Director whether to institute a post-grant review under this section shall be final and nonappealable.

* * *

18. 35 U.S.C. 326 provides:

§ 326. Conduct of post-grant review

(a) REGULATIONS. – The Director shall prescribe regulations –

(1) providing that the file of any proceeding under this chapter shall be made available to the public, except that any petition or document filed with the intent that it be sealed shall, if accompanied by a motion to seal, be treated as sealed pending the outcome of the ruling on the motion;

(2) setting forth the standards for the showing of sufficient grounds to institute a review under subsections (a) and (b) of section 324;

(3) establishing procedures for the submission of supplemental information after the petition is filed;

(4) establishing and governing a post-grant review under this chapter and the relationship of such review to other proceedings under this title;

(5) setting forth standards and procedures for discovery of relevant evidence, including that such discovery shall be limited to evidence directly related to factual assertions advanced by either party in the proceeding;

(6) prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding;

(7) providing for protective orders governing the exchange and submission of confidential information;

(8) providing for the filing by the patent owner of a response to the petition under section 323 after a post-grant review has been instituted, and requiring that the patent owner file with such response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response;

(9) setting forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims, and ensuring that any information submitted by the patent owner in support of any amendment entered under subsection (d) is made available to the public as part of the prosecution history of the patent;

(10) providing either party with the right to an oral hearing as part of the proceeding;

(11) requiring that the final determination in any post-grant review be issued not later than 1 year after the date on which the Director notices the institution of a proceeding under this chapter, except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months, and may adjust the time periods in this paragraph in the case of joinder under section 325(c); and

(12) providing the petitioner with at least 1 opportunity to file written comments within a time period established by the Director.

(b) CONSIDERATIONS. – In prescribing regulations under this section, the Director shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.

(c) PATENT TRIAL AND APPEAL BOARD. – The Patent Trial and Appeal Board shall, in accordance with section 6, conduct each post-grant review instituted under this chapter.

(d) AMENDMENT OF THE PATENT. –

(1) IN GENERAL. – During a post-grant review instituted under this chapter, the patent owner may file 1 motion to amend the patent in 1 or more of the following ways:

(A) Cancel any challenged patent claim.

(B) For each challenged claim, propose a reasonable number of substitute claims.

(2) ADDITIONAL MOTIONS. – Additional motions to amend may be permitted upon the joint request of the petitioner and the patent owner to materially advance the settlement of a proceeding under section 327, or upon the request of the patent owner for good cause shown.

(3) SCOPE OF CLAIMS. – An amendment under this subsection may not enlarge the scope of the claims of the patent or introduce new matter.

(e) EVIDENTIARY STANDARDS. – In a post-grant review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.

* * *

19. 35 U.S.C. 328 provides:

§ 328. Decision of the Board

(a) FINAL WRITTEN DECISION. – If a post-grant 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 326(d).

(b) CERTIFICATE. – If the Patent Trial and Appeal Board issues a final written decision under subsection (a) and the time for appeal has expired or any appeal has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable.

(c) INTERVENING RIGHTS. – Any proposed amended or new claim determined to be patentable and incorporated into a patent following a post-grant review under this chapter shall have the same effect as that specified in section 252 for reissued patents on the

right of any person who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation therefor, before the issuance of a certificate under subsection (b).

(d) DATA ON LENGTH OF REVIEW. – The Office shall make available to the public data describing the length of time between the institution of, and the issuance of a final written decision under subsection (a) for, each post-grant review.

* * *

20. 35 U.S.C. 329 provides:

§ 329. Appeal

A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 328(a) may appeal the decision pursuant to sections 141 through 144. Any party to the post-grant review shall have the right to be a party to the appeal.

* * *

21. 37 C.F.R. 1.515 provides:

§ 1.515. Determination of the request for *ex parte* reexamination.

(a) Within three months following the filing date of a request for an *ex parte* reexamination, an examiner will consider the request and determine

whether or not a substantial new question of patentability affecting any claim of the patent is raised by the request and the prior art cited therein, with or without consideration of other patents or printed publications. The examiner's determination will be based on the claims in effect at the time of the determination, will become a part of the official file of the patent, and will be mailed to the patent owner at the address as provided for in § 1.33(c) and to the person requesting reexamination.

(b) Where no substantial new question of patentability has been found, a refund of a portion of the fee for requesting *ex parte* reexamination will be made to the requester in accordance with § 1.26(c).

(c) The requester may seek review by a petition to the Director under § 1.181 within one month of the mailing date of the examiner's determination refusing *ex parte* reexamination. Any such petition must comply with § 1.181(b). If no petition is timely filed or if the decision on petition affirms that no substantial new question of patentability has been raised, the determination shall be final and nonappealable.

* * *

22. 37 C.F.R. 1.927 provides:

§ 1.927. Petition to review refusal to order inter partes reexamination.

The third party requester may seek review by a petition to the Director under § 1.181 within one month of the mailing date of the examiner's determination

refusing to order inter partes reexamination. Any such petition must comply with § 1.181(b). If no petition is timely filed or if the decision on petition affirms that a reasonable likelihood that the requester will prevail with respect to at least one of the claims challenged in the request has not been established, the determination shall be final and nonappealable.

* * *

23. 37 C.F.R. 42.4 provides:

§ 42.4. Notice of trial.

(a) *Institution of trial.* The Board institutes the trial on behalf of the Director.

(b) Notice of a trial will be sent to every party to the proceeding. The entry of the notice institutes the trial.

(c) The Board may authorize additional modes of notice, including:

(1) Sending notice to another address associated with the party, or

(2) Publishing the notice in the Official Gazette of the United States Patent and Trademark Office or the *Federal Register*.

* * *

24. 37 C.F.R. 42.71 provides:

§ 42.71. Decision on petitions or motions.

(a) *Order of consideration.* The Board may take up petitions or motions for decisions in any order, may grant, deny, or dismiss any petition or motion, and may enter any appropriate order.

(b) *Interlocutory decisions.* A decision on a motion without a judgment is not final for the purposes of judicial review. If a decision is not a panel decision, the party may request that a panel rehear the decision. When rehearing a non-panel decision, a panel will review the decision for an abuse of discretion. A panel decision on an issue will govern the trial.

(c) *Petition decisions.* A decision by the Board on whether to institute a trial is final and nonappealable. A party may request rehearing on a decision by the Board on whether to institute a trial pursuant to paragraph (d) of this section. When rehearing a decision on petition, a panel will review the decision for an abuse of discretion.

(d) *Rehearing.* A party dissatisfied with a decision may file a request for rehearing, without prior authorization from the Board. The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an

opposition, or a reply. A request for rehearing does not toll times for taking action. Any request must be filed:

(1) Within 14 days of the entry of a non-final decision or a decision to institute a trial as to at least one ground of unpatentability asserted in the petition; or

(2) Within 30 days of the entry of a final decision or a decision not to institute a trial.

* * *

25. 37 C.F.R. 42.100 provides:

§ 42.100. Procedure; pendency.

(a) An *inter partes* review is a trial subject to the procedures set forth in subpart A of this part.

(b) A claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears.

(c) An *inter partes* review proceeding shall be administered such that pendency before the Board after institution is normally no more than one year. The time can be extended by up to six months for good cause by the Chief Administrative Patent Judge, or adjusted by the Board in the case of joinder.

* * *

26. 37 C.F.R. 42.101 provides:

§ 42.101 Who may petition for *inter partes* review.

A person who is not the owner of a patent may file with the Office a petition to institute an *inter partes* review of the patent unless:

(a) Before the date on which the petition for review is filed, the petitioner or real party-in-interest filed a civil action challenging the validity of a claim of the patent;

(b) The petition requesting the proceeding is filed more than one year after the date on which the petitioner, the petitioner's real party-in-interest, or a privy of the petitioner is served with a complaint alleging infringement of the patent; or

(c) The petitioner, the petitioner's real party-in-interest, or a privy of the petitioner is estopped from challenging the claims on the grounds identified in the petition.

* * *

27. 37 C.F.R. 42.103 provides:

§ 42.103. *Inter partes* review fee

(a) An *inter partes* review fee set forth in § 42.15(a) must accompany the petition.

(b) No filing date will be accorded to the petition until full payment is received.

* * *

28. 37 C.F.R. 42.104 provides:

§ 42.104. Content of petition.

In addition to the requirements of §§ 42.6, 42.8, 42.22, and 42.24, the petition must set forth:

(a) *Grounds for standing.* The petitioner must certify that the patent for which review is sought is available for *inter partes* review and that the petitioner is not barred or estopped from requesting an *inter partes* review challenging the patent claims on the grounds identified in the petition.

(b) *Identification of challenge.* Provide a statement of the precise relief requested for each claim challenged. The statement must identify the following:

(1) The claim;

(2) The specific statutory grounds under 35 U.S.C. 102 or 103 on which the challenge to the claim is based and the patents or printed publications relied upon for each ground;

(3) How the challenged claim is to be construed. Where the claim to be construed contains a means-plus-function or step-plus-function limitation as permitted under 35 U.S.C. 112(f), the construction of the claim must identify the specific portions of the specification that describe the structure, material, or acts corresponding to each claimed function;

(4) How the construed claim is unpatentable under the statutory grounds identified in paragraph (b)(2) of this section. The petition

must specify where each element of the claim is found in the prior art patents or printed publications relied upon; and

(5) The exhibit number of the supporting evidence relied upon to support the challenge and the relevance of the evidence to the challenge raised, including identifying specific portions of the evidence that support the challenge. The Board may exclude or give no weight to the evidence where a party has failed to state its relevance or to identify specific portions of the evidence that support the challenge.

(c) A motion may be filed that seeks to correct a clerical or typographical mistake in the petition. The grant of such a motion does not change the filing date of the petition.

* * *

29. 37 C.F.R. 42.106 provides:

§ 42.106. Filing date.

(a) *Complete petition.* A petition to institute *inter partes* review will not be accorded a filing date until the petition satisfies all of the following requirements:

- (1) Complies with § 42.104;
- (2) Effects service of the petition on the correspondence address of record as provided in § 42.105(a); and
- (3) Is accompanied by the fee to institute required in § 42.15(a).

(b) *Incomplete petition.* Where a party files an incomplete petition, no filing date will be accorded, and the Office will dismiss the petition if the deficiency in the petition is not corrected within one month from the notice of an incomplete petition.

* * *

30. 37 C.F.R. 42.107 provides:

§ 42.107. Preliminary response to petition.

(a) The patent owner may file a preliminary response to the petition. The response is limited to setting forth the reasons why no *inter partes* review should be instituted under 35 U.S.C. 314. The response can include evidence except as provided in paragraph (c) of this section. The preliminary response is subject to the page limits under § 42.24.

(b) *Due date.* The preliminary response must be filed no later than three months after the date of a notice indicating that the request to institute an *inter partes* review has been granted a filing date. A patent owner may expedite the proceeding by filing an election to waive the patent owner preliminary response.

(c) *No new testimonial evidence.* The preliminary response shall not present new testimony evidence beyond that already of record, except as authorized by the Board.

(d) *No amendment.* The preliminary response shall not include any amendment.

(e) *Disclaim Patent Claims.* The patent owner may file a statutory disclaimer under 35 U.S.C. 253(a) in compliance with § 1.321(a) of this chapter, disclaiming one or more claims in the patent. No *inter partes* review will be instituted based on disclaimed claims.

* * *

31. 37 C.F.R. 42.108 provides:

§ 42.108. Institution of *inter partes* review.

(a) When instituting *inter partes* review, the Board may authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim.

(b) At any time prior to institution of *inter partes* review, the Board may deny some or all grounds for unpatentability for some or all of the challenged claims. Denial of a ground is a Board decision not to institute *inter partes* review on that ground.

(c) *Sufficient grounds.* *Inter partes* review shall not be instituted for a ground of unpatentability unless the Board decides that the petition supporting the ground would demonstrate that there is a reasonable likelihood that at least one of the claims challenged in the petition is unpatentable. The Board's decision will take into account a patent owner preliminary response where such a response is filed.

* * *

32. 37 C.F.R. 42.300 provides:

§ 42.300. Procedure; pendency

(a) A covered business method patent review is a trial subject to the procedures set forth in subpart A of this part and is also subject to the post-grant review procedures set forth in subpart C except for §§ 42.200, 42.201, 42.202, and 42.204.

(b) A claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears.

(c) A covered business method patent review proceeding shall be administered such that pendency before the Board after institution is normally no more than one year. The time can be extended by up to six months for good cause by the Chief Administrative Patent Judge.

(d) The rules in this subpart are applicable until September 15, 2020, except that the rules shall continue to apply to any petition for a covered business method patent review filed before the date of repeal.
