

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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**FACEBOOK, INC. and INSTAGRAM, LLC,**  
Petitioners,

v.

**SKKY, LLC,**  
Patent Owner.

Case CBM2017-00006  
Patent 9,215,310 B2

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**PETITIONERS' NOTICE OF APPEAL**

Pursuant to 37 C.F.R. § 90.2(a) and 35 U.S.C. § 142, Facebook, Inc. and Instagram, LLC, (“Petitioners”) hereby appeal to the United States Court of Appeals for the Federal Circuit from the Patent Trial and Appeal Board’s (“Board’s”) Institution Decision entered April 11, 2017 (Paper 9), the Board’s Decision on Petitioners’ Request for Rehearing entered November 9, 2017 (Paper 12), and from all underlying and related findings, orders, decisions, rulings and opinions. *See Wi-Fi One, LLC v. Broadcom Corp.*, Appeal Nos. 2015-1944, -1945, -1946 (Fed. Cir. Jan. 8, 2018) (en banc).

Copies of the Board’s Institution Decision and Decision on Petitioners’ Request for Rehearing are attached hereto.

For the limited purpose of providing the Director with the information requested in 37 C.F.R. § 90.2(a)(3)(ii), Petitioners further indicate that the issues on appeal may include, but are not limited to: the Board’s determination that U.S. Patent No. 9,215,310 is not a covered business method patent and not eligible for Covered Business Method Patent Review, the Board’s interpretation of 37 C.F.R. §§ 42.207, 42.301(a), and related statutes, regulations, rules, and legal authorities, the Board’s determination to not consider Claims 2, 4, 11, and 14 for Covered Business Method Patent Review eligibility due to the Patent Owner’s post-filing statutory disclaimer, the findings, rulings and conclusions supporting or relating to

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those determinations, and any other issues decided adversely to Petitioners in any orders, decisions, ruling, or opinions.

Simultaneous with this submission, a copy of this Notice of Appeal is being filed with the Clerk of the United States Court of Appeals for the Federal Circuit, together with the requisite fee in the amount of \$500. In addition, a copy of this Notice of Appeal is being filed with the Patent Trial and Appeal Board and served upon counsel of record for Skky, LLC.

DATED: January 11, 2018

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**CERTIFICATE OF FILING**

Pursuant to 37 C.F.R. §§ 90.2(a)(1) and 104.2(b), the undersigned hereby certifies that on January 11, 2018, the original of the foregoing Notice of Appeal was filed with the Director of the United States Patent and Trademark Office **by hand-delivery**, at the following address:

Director of the United States Patent and Trademark Office  
c/o Office of General Counsel  
10B20, Madison Building East  
600 Dulany Street  
Alexandria, VA 22314-5793

In addition, pursuant to 37 C.F.R. § 90.2(a)(1) and 37 C.F.R. § 42.6(b), the undersigned certifies that on January 11, 2018, a copy of the foregoing Notice of Appeal was filed **electronically** with the Board through the Board's Patent Review Processing System.

In addition, pursuant to 37 C.F.R. § 90.2(a)(2), Federal Circuit Rule 15(a)(1), and instructions received, the undersigned certifies that on January 11, 2018, the requisite fee for the appeal and a true and correct copy of the foregoing Notice of Appeal were **electronically** filed with the Clerk of Court of the United States Court of Appeals for the Federal Circuit at the following address <http://ecf.cafc.uscourts.gov>.

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Patent No. 9,215,310

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**CERTIFICATE OF SERVICE**

Pursuant to 37 CFR § 42.6(e)(4) and 37 C.F.R. § 90.2(a)(3)(ii), the undersigned certifies that on January 11, 2018, a true and correct copy of the foregoing the Notice of Appeal was served **via email** on the patent owner by serving the correspondence email addresses of record below:

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Before KARL D. EASTHOM, WILLIAM V. SAINDON, and  
CHRISTOPHER G. PAULRAJ, *Administrative Patent Judges*.

EASTHOM, *Administrative Patent Judge*.

DECISION

*Denying Institution of Covered Business Method Patent Review*  
37 C.F.R. § 42.208

## I. INTRODUCTION

Petitioner, collectively Facebook, Inc. and Instagram, LLC, filed a Petition (Paper 1, “Pet.”) requesting covered business method (“CBM”) patent review of claims 1–14 of U.S. Patent No. 9,215,310 B2 (Ex. 1001, the “’310 patent”) under Section 18 of the Leahy-Smith America Invents Act, Pub. L. No. 112–29, 125 Stat. 284, 329 (2011) (“AIA”). Patent Owner, Skky, LLC, filed a Preliminary Response. Paper 6 (“Prelim. Resp.”). With its Preliminary Response, Patent Owner provided evidence (Ex. 2001) that it filed with the Office a statutory disclaimer of claims 2, 4, 11, and 14 of the ’310 patent pursuant to 37 C.F.R. § 1.321(a). Prelim. Resp. 2 (citing Ex. 2001). After the Preliminary Response, Petitioner filed a Preliminary Reply to Patent Owner’s Preliminary Response, as authorized by the panel pursuant an e-mail request by Petitioner, to address the consequences of Patent Owner’s disclaimer of claims 2, 4, 11, and 14. Paper 7 (“Pet. Prelim. Reply”). In response to the Preliminary Reply, Patent Owner filed a Preliminary Sur-Reply, also as authorized by the panel. Paper 8 (“PO Sur-Reply”).

We have jurisdiction under 35 U.S.C. § 324(a).

Section 18(a)(1) of the AIA provides that a covered business method patent review “shall be regarded as, and shall employ the standards and procedures of, a post-grant review” with certain exceptions not relevant here. Under 35 U.S.C. § 324(a), a post-grant review cannot be “instituted unless the Director determines that the information presented in the petition . . . would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”



Upon consideration of the record, we determine that the '310 patent is not a covered business method patent and accordingly deny the Petition.

*A. Related Matters*

Petitioner states that Patent Owner asserted the '310 patent against Petitioner in pending litigation, namely *Skky, LLC v. Facebook, Inc.*, No. 16:cv-00094 (D. Minn.) (filed Jan. 15, 2016). *See* Pet. 3. Petitioner lists related PTAB proceedings as follows: CBM2016-00091 (challenging U.S. Pat. No. 9,037,502, a continuation of the same application to which the '310 patent also claims priority); and IPR2014-01236 (challenging U.S. Patent No. 7,548,875, the grandparent to the '310 patent). *Id.* at 1–2. In addition to CBM2016-00091, Patent Owner lists several related PTAB proceedings and other related matters. *See* Paper 4, 2–3. Listed PTAB proceedings involving the instant parties include the following: CBM2017-00002; CBM2017-00003; CBM2017-00007; IPR2017-00088; IPR2017-00089; and IPR2017-00092; IPR2017-00097. *Id.* at 2.

*B. The '310 Patent*

The '310 patent describes a method for delivering audio and/or visual media files, including recordings of songs, musical compositions, ringtones, video, films, television shows, and personal recordings, wirelessly or non-wirelessly to devices for playback of the content, with or without an Internet connection. Ex. 1001, Abstract, 1:19–21.

Figure 5 of the '801 patent follows:

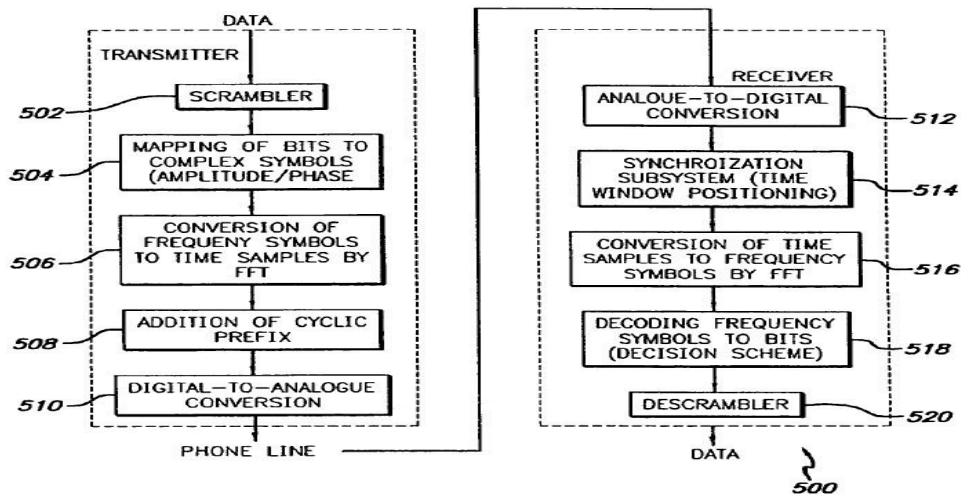


FIG. 5

According to the Specification, Figure 5 depicts a flow chart for delivering data content by transmitting data over an audio channel of a wireless telephone. *See* Ex. 1001, 16:29–36. Data transmission method 500 includes transferring data from a server by converting stored digital information to analog information (i.e., D/A conversion, step 510) wherein the server transmits the signal to a receiver using an orthogonal frequency-division multiplex scheme (OFDM). *See id.* at 16:29–17:46; Ex. 1002 ¶¶ 42–45, 93–95. Prior to the D/A conversion, the transmitter scrambles data representing a data file (502), maps that to complex frequency symbols (504), converts that to time samples using a Fast Fourier Transform (FFT) (506), and adds a cyclic prefix (508). Ex. 1001, 16:37–41. After the D/A conversion and OFDM modulation, a telephone receiver decodes the modulated symbols by a reverse conversion process (i.e., an analog to digital (A/D) conversion process) to recover the transmitted audio or video file to be stored as digital information (512–520). *See id.* at 16:41–46, 18:5–11.

*C. Challenged Claim 1*

Claim 1, the sole independent challenged claim of the '310 patent, follows:

1. A method for wirelessly transmitting over a cellular network a data file between a cellular phone and a server, the server comprising a non-transitory virtual storage locker, the method comprising:

creating the virtual storage locker associated with the cellular phone;

receiving a data file from the cellular phone, said cellular phone including a receiver and a digital signal processor configured for receiving and processing data files transmitted by orthogonal frequency-division multiplex modulation;

storing, in the virtual storage locker, the data file received from the cellular phone;

receiving a request for the data file; and providing for the transmission of the data file to the cellular phone using orthogonal frequency-division multiplex (OFDM) modulation in response to the received request from the cellular phone.

Ex. 1001, 32:62–33:13.

*D. The Alleged Grounds of Unpatentability*

The Petition asserts the unpatentability of claims 1–14 for failure to recite patent-eligible subject matter under 35 U.S.C. § 101, for failure to correspond in scope with that which the inventor regards as the invention under 35 U.S.C. § 112(b) (pre-AIA 35 U.S.C. § 112 ¶ 2), and for lack of written description under 35 U.S.C. § 112(a) (pre-AIA 35 U.S.C. § 112 ¶ 1). Pet. 35. Based on Patent Owner's disclaimer of claims 2, 4, 11, and 14, only challenges to claims 1, 3, 5–8, 12 and 13 remain. To support its challenges, Petitioner relies on the Declaration of William H. Beckmann, Ph.D. Ex. 1002.

## II. ANALYSIS

### A. *Grounds for Standing*

Section 18 of the AIA created a transitional program for persons who have been sued or charged with infringement of a “covered business method patent.” AIA §§ 18(a)(1)(B), 18(d)(1); *see* 37 C.F.R. § 42.302. As noted above, Petitioner represents that it has been sued for infringement of the ’502 patent in *Skky, LLC v. Facebook, Inc.*, No. 16:cv-00094 (D. Minn.) (filed Jan. 15, 2016). Pet. 3. We determine that the infringement suit confers standing on Petitioner. *See* AIA §§ 18(a)(1)(B), 18(d)(1); 37 C.F.R. § 42.302. Patent Owner does not dispute that Petitioner has standing. *See* Paper 4, 2–3.

### B. *Covered Business Method Patent*

A “covered business method (CBM) patent” is “a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” AIA § 18(d)(1); 37 C.F.R. § 42.301(a). Under AIA § 18(a)(1)(E), “[t]he Director may institute a transitional proceeding only for a patent that *is a covered business method patent.*” (Emphasis added). A patent is eligible for CBM review if it has at least one claim directed to a covered business method. Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,736 (Response to Comment 8).

Addressing the scope of CBM patents, *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1325 (Fed. Cir. 2015) (emphasis added), *cert. denied*, 136 S. Ct. 2510 (2016), explains that

as a matter of statutory construction, the definition of “covered business method patent” is not limited to products and services of only the financial industry, or to patents owned by or directly affecting the activities of financial institutions such as banks and brokerage houses. The plain text of the statutory definition contained in § 18(d)(1)—“performing . . . operations used in the practice, administration, or management of a financial product or service”—on its face covers a wide range of *finance-related activities*. The statutory definition makes no reference to financial institutions as such, and does not limit itself only to those institutions.

Stated differently, the scope of what constitutes a covered business method patent includes a broad array of “monetary matters.” *See SAP Am., Inc. v. Versata Dev. Grp., Inc.*, Case CBM2012-00001, slip op. at 23 (PTAB Jan. 9, 2013) (Paper 36) (“The term financial is an adjective that simply means relating to monetary matters.”).

In two recent cases, PTAB’s reviewing court clarified the scope of CBM review, and held that the Board’s reliance on phrases in the legislative history, i.e., whether the patent claims activities “incidental to” or “complementary to,” a financial activity as the legal standard to determine whether a patent is a CBM patent, was not in accordance with AIA § 18(d)(1). *Unwired Planet, LLC v. Google Inc.*, 841 F.3d 1376, 1379–82 (Fed. Cir. 2016); *Secure Access, LLC v. PNC Bank Nat’l Ass’n*, No. 2016-1353, -- F.3d --, 2017 WL 676601, at \*8 (Fed. Cir. Feb. 21, 2017) (“Consistent with *Unwired Planet*, we hold that the emphasized phrase [i.e., ‘incidental to’ or ‘complementary to’ a financial activity (as set forth in the

legislative history)] is not a part of the statutory definition of what is a CBM patent, and, as we did in *Unwired Planet*, we conclude that such a definition of a CBM patent is beyond the scope of the statutory standard and thus ‘not in accordance with law.’”) (quoting *Unwired Planet*, 841 F.3d at 1382).

### C. Analysis

As noted above, Patent Owner disclaimed claims 2, 4, 11, and 14. Prelim. Resp. 6 (citing Ex. 2001); Pet. Prelim. Reply (addressing the disclaimer); PO Sur-Reply (replying to Pet. Prelim. Reply). Patent Owner argues that for the purpose of determining whether or not to institute a CBM proceeding, the Board must treat disclaimed claims “as never having existed.” Prelim. Resp. 7 (citing *Great West Cas. Co. v. Intellectual Ventures II LLC*, Case CBM2015-00171, slip op. at 7 (PTAB Feb. 9, 2016) (Paper 10)).

Relying on 37 C.F.R. § 42.207 and non-precedential Board cases, Patent Owner contends that “[w]hen a patent owner files a statutory disclaimer with its preliminary response, ‘no post-grant review will be instituted based on disclaimed claims.’” *Id.* at 6 (quoting 37 C.F.R. § 42.207; citing, e.g., *Google Inc. v. SimpleAir, Inc.*, Case CBM2015-00019, slip. op. at 5, (PTAB Aug. 19, 2015) (“Our rules permit a patent owner to file a statutory disclaimer with its preliminary response and no post-grant review will be instituted based on the disclaimed claims.”) (Paper 15, 5)). Patent Owner also contends that pursuant to the disclaimer, “only Petitioners’ arguments relating to claims 1 and 10 remain,” and claims 1 and 10 do not confer CBM status on the ’310 patent. *Id.* at 7, 7–10. The parties agree that claims 1 and 10 recite similar subject matter. *See* Pet. 7 (“Claims 1 and 10 recite similar subject matter. Independent claim 10 is similar to

independent claim 1, but written as a system claim.”); Prelim. Resp. 10 (similar characterization of claims 1 and 10).

Although previous non-precedential PTAB decisions do not bind this panel, several panels confronted with the issue of alleged CBM eligibility on the basis of disclaimed claims have reached the conclusion that the disclaimed claims should be disregarded, as Patent Owner argues. *See, e.g., CoreLogic, Inc. v. Boundary Solutions, Inc.*, Case CBM2016-00016, slip op. at 6–7 (PTAB May 24, 2016) (Paper 9) (“[T]he disclaimed claims should not be consulted when determining whether the patent is a covered business method patent.”); *AT&T Mobility LLC v. Intellectual Ventures II LLC*, Case CBM2015-00185, slip op. at 10 (PTAB May 4, 2016) (Paper 10) (“[W]e will not consider the now-statutorily disclaimed claims in our determination.”); *Great West Casualty Co. v. Intellectual Ventures II LLC*, Case CBM2015-00171, slip op. at 7 (PTAB Feb. 9, 2016) (Paper 10) (“[F]or the purposes of whether or not to institute a covered business method patent review, we treat [the disclaimed claims] as never having existed.”); *Google Inc. v. SimpleAir, Inc.*, Case CBM2015-00019, slip op. at 14–15 (PTAB May 19, 2014) (Paper 11) (“[W]e treat the [challenged] patent as though [the disclaimed claim] never existed.”).

On the other hand, other non-binding PTAB decisions have held that a disclaimed dependent claim that includes finance-related subject matter may be considered for purposes of CBM eligibility when assessing the scope of the claimed subject matter in the parent (non-disclaimed) independent claim. *See, e.g., J.P. Morgan Chase & Co. v. Intellectual Ventures II LLC*, Case CBM2014-00157, slip op. at 2–3 (PTAB Feb. 18, 2015) (Paper 11)

(“[S]tanding for covered business method patent review remains at least because disclaimer of claim 12 does not change the scope of independent claim 1, from which it depends.”).

The majority of PTAB cases cited above track Federal Circuit case law, which treat disclaimed claims in non-CBM contexts as if they never existed. *See Vectra Fitness, Inc. v. TWNK Corp.*, 162 F.3d 1379, 1383 (Fed. Cir. 1998) (“This court has interpreted the term ‘considered as part of the original patent’ in section 253 to mean that the patent is treated as though the disclaimed claims never existed.”); *Guinn v. Kopf*, 96 F.3d 1419, 1422 (Fed. Cir. 1996) (“A statutory disclaimer under 35 U.S.C. § 253 has the effect of canceling the claims from the patent and the patent is viewed as though the disclaimed claims had never existed in the patent.”); *Genetics Inst., LLC v. Novartis Vaccines & Diagnostics, Inc.*, 655 F.3d 1291, 1299 (Fed. Cir. 2011) (holding that the Board’s interference jurisdiction under 35 U.S.C. § 291 requires “the existence of an interference, and a claim that ‘never existed[ ]’ [due to a statutory disclaimer,] *Vectra*, 162 F.3d at 1383, cannot form the basis for an interference”).

Nevertheless, Petitioner contends that because Patent Owner disclaimed claims *after* Petitioner filed its Petition, the disclaimed claims must be considered in determining if the ’310 patent qualifies for CBM review. *See* Pet. Prelim. Reply 2 (arguing that “the disclaimed claims, if considered, will amply qualify the ’310 patent for CBM patent review”). According to Petitioner, not considering the disclaimed claims would violate “the time-of-filing rule,” a rule in federal court litigation that “serves the important policy of preventing a responding party from depriving a forum of



its authority through post-filing manipulation of the facts under the responding party's control.” *Id.* at 3. Petitioner also argues that 37 C.F.R. § 42.207 (upon which Patent Owner relies as noted above and further below), upon which Patent Owner relies, “only prevents the institution of CBM patent review against claims that have been disclaimed.” *Id.* at 5 (emphasis deleted).

Further addressing 37 C.F.R. § 42.207 in the context of the “time-of-filing” rule, Petitioner explains that

[t]he [regulation] is simply one of convenience and administrative economy that obviates the Board from having to pass on the merits of claims that a patent owner itself has abandoned. Nothing in that [regulation] prohibits the Board from relying on a disclaimed claim to determine whether the patent as a whole qualifies as a “covered business method patent” under the AIA at the time the CBM petition is filed. Nor does that [regulation] require that the Board treat disclaimed claims “as if they never existed,” as Patent Owner urges. (Paper 6 at 5–6.) After all, a disclaimer does not erase the existence of the claim from the intrinsic record. *See, e.g., Bd. of Regents of Univ. of Tex. v. BENQ Am. Corp.*, 533 F.3d 1362, 1370 (Fed. Cir. 2008) (reviewing a cancelled dependent claim during claim construction analysis); *Great West Cas. Co. v. Intellectual Ventures II LLC*, CBM2015-00171 (Paper 10), at p. 8 (PTAB Feb. 9, 2016) (“We acknowledge that other panels of the Board have taken the caveat that an otherwise statutorily disclaimed dependent claim, which includes finance-related subject matter, may still be considered . . . [.]”) (internal citations omitted); *J.P. Morgan Chase & Co. v. Intellectual Ventures II LLC*, Case CBM2014-00157, slip op. at 2–3 (PTAB Feb. 18, 2015) (Paper 11) (holding post-institution disclaimer did not alter scope of claims being challenged or justify termination of trial).

Pet. Prelim. Reply 6.

Petitioner makes additional related arguments urging that the adoption of the “time-of-filing” rule. *See id.* at 1–7. Petitioner’s arguments are not

persuasive. Claims 1 and 10 do not recite any financial activity. If anything, considering disclaimed claims 4 and 14, as Petitioner urges, further shows that claims 1 and 10 do not *require* a financial activity, as explained further below. Moreover, as Patent Owner persuasively argues, “[w]hen a patent owner files a statutory disclaimer with its preliminary response, ‘no post-grant review will be instituted based on disclaimed claims.’” Prelim. Resp. 6 (quoting 37 C.F.R. § 42.207). Supporting Patent Owner, AIA § 18 (a)(1)(E) states that “[t]he Director may institute a transitional proceeding only for a patent that *is a covered business method patent.*” (Emphasis added).

Adopting the “time-of-filing” rule, as advanced by Petitioner, would require determining if the ’310 patent *was* a CBM at the time of filing of the Petition, instead of what “*is* a covered business method patent,” AIA § 18 (a)(1)(E), i.e., what *is* a CBM patent *at the time of institution*. Adopting the “time-of-filing” rule also appears to violate 37 C.F.R. § 42.207, which prohibits *instituting* a CBM “*based on disclaimed claims.*” *Id.* (emphasis added). Consistent with the view that a CBM institution determination must focus on the challenged claims existing at least as of the time of institution, *Secure Access*, 2017 WL 676601, at \*8, requires a challenged patent to “*have a claim that contains . . . a financial activity element,*” and *Vectra Fitness, Inc.*, 162 F.3d at 1383, *Guinn*, 96 F.3d at 1422, and *Genetics Inst.*, 655 F.3d at 1299, require treating disclaimed claims as though they never existed. See PO Sur-Reply 2 (“relevant case law directly contradicts Petitioners’ arguments”) (citing *Secure Access* and *Unwired Planet*); see also *Blue Calypso, LLC v. Groupon, Inc.*, 815 F.3d 1331, 1348 (Fed. Cir. 2016) (approving of prior Board decisions that “properly focuse[d] on the

claim language at issue and, finding nothing explicitly or inherently financial in the construed claim language, decline[d] to institute CBM review,” and finding that the challenged patent was eligible for review because the claims recited “an express financial component in the form of a subsidy” that was “central to the operation of the claimed invention”).

Notwithstanding that the focus must be on the challenged claims, Petitioner also contends that the Specification shows that the claimed transmitting step has a financial purpose. For example, Petitioner argues that “the delivery method of the ’310 patent comprises ‘[c]onducting an online purchasing transaction and charging the consumer for the download.’” Pet. 6 (quoting Ex. 1001, 31:54–56). Petitioner quotes the ’310 patent Specification as follows:

[T]he unique delivery method provides a seller or service provider with a convenient and more efficient way of promoting and selling entire sound and image files which include downloadable music, movies, films, shows, and items such as records, cassette tapes, CDs, videos, and DVDs.

Pet. 6 (quoting Ex. 1001, 2:13–17) (emphasis by Petitioner). According to Petitioner, “[t]he claims specifically cover this allegedly unique delivery method.” *Id.*

Despite Petitioner’s citations to the Specification, claims 1 and 10 do not *require* any financial activity as part of the data delivery method. Rather, claims 1 and 10 respectively recite a method and system for delivering a data file to a user’s device from a server using a specific type of modulation, OFDM. The discussion of Figure 5 above shows that important aspects of the disclosed and claimed transmission method highlight the OFDM scheme, without focusing on, let alone requiring, any financial

activity. *See supra* Section 1.B. Although the Specification describes providing a method of purchasing as part of downloading digital content as Petitioner argues, it also implies that any such purchasing constitutes merely an optional part of the invention:

The accessing of sound and/or image files by other electronic devices, such as home phones, computers, pagers, doorbells, alarms, palm pilots, watches, clocks, PDAs etc., for either allowing the consumer to browse, download, hear, view, *and/or purchase* sound recordings, image files, or associated items, or to use sound and/or image clips as alerts is also part of the invention and not limited to solely telephones. *New electronic devices, whose independent purpose is to allow the user to browse, receive, store and play sound and image files, including clips, according to the present invention are also described.*

Ex. 1001, 3:11–21 (emphases added). The Specification also generally touts the invention’s ability to download content “without the need for hand wired plug-in devices or a computer connection to the Internet” as follows:

Furthermore, the delivery of files including clips is not limited to web based applications. Unlike conventional methods which require computer plug-in devices for delivering and transferring digital music, the current invention may use a delivery method which allows the user to browse, download, and listen to or watch sound or image files without the need for hand wired plug-in devices or a computer connection to the Internet.

*Id.* at 3:54–61.

Nevertheless, Petitioner contends that “the claimed method and system of content delivery in independent claims 1 and 10 is financial in nature because, as confirmed by dependent claims 4 and 14, the claimed method and system contemplates financial activity in the form of charging and debiting accounts.” Pet. 8. Petitioner’s arguments show that *contemplating* charging a fee and *requiring* charging or debiting accounts

represent distinct attributes of claims 1 and 10 as compared respectively to disclaimed claims 4 and 14. In other words, Petitioner's characterization of claims 1 and 10 as *contemplating* charging or debiting accounts shows that that claims 1 and 10 do not *require* charging or debiting accounts. Similar reasoning applies to disclaimed dependent claim 11, which recites providing "an audio advertisement" as "at least one of" a myriad of options. The Specification, as described above, supports this understanding, because it shows that purchasing or any financial activity at most constitutes an optional part of the method and system of content delivery as respectively set forth in claims 1 and 10.

In summary, claims 1 and 10 do not require any financial activity, let alone such activity that would confer CBM patent status to the '310 patent. As discussed above, Petitioner's arguments based on the Specification and disclaimed claims do not account for the thrust and holdings of *Secure Access* and *Unwired Planet* and other precedent that collectively indicates a general requirement for treating disclaimed claims as never having existed for purposes related to jurisdiction, and the language of AIA § 18 and 37 C.F.R. § 42.207. Otherwise including the disclaimed claims as additional aids for determining the scope of challenged claims 1 and 10, as Petitioner urges (*see* Pet. Prelim. Reply 6), does not help Petitioner, because the disclaimed claims support the determination that claims 1 and 10 do not require a financial activity, as discussed above.

Petitioner, at best, establishes that the existing challenged claims encompass methods or systems that may include potential financial activity such as a sale. Petitioner's showing is not sufficient, because "[a]ll patents, at some level, relate to potential sale of a good or service." *See Unwired*

*Planet*, 2016 WL 6832978, at \*5. As Patent Owner argues, “[i]t is not enough that a sale has occurred or may occur, or even that the specification speculates such a potential sale might occur.” Prelim. Resp. 11 (quoting *Unwired Planet*, 2016 WL 6832978, at \*8).

Based on the foregoing discussion, Petitioner fails to meet its burden of showing that the ’310 patent is eligible for the transitional covered business method patent review program.

### III. ORDER

In consideration of the foregoing, it is hereby  
ORDERED that pursuant to 35 U.S.C. § 324(a), a covered business method patent review is not instituted as to any claim of the ’310 patent.

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UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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v.

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Patent Owner.

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Before KARL D. EASTHOM, WILLIAM V. SAINDON, and  
CHRISTOPHER G. PAULRAJ, *Administrative Patent Judges*.

EASTHOM, *Administrative Patent Judge*.

DECISION ON PETITIONER'S REQUEST FOR REHEARING  
*37 C.F.R. § 42.71*



## I. INTRODUCTION

Petitioner, collectively Facebook, Inc. and Instagram, LLC, requests rehearing (Paper 10, “Reh’g Req.” or “Rehearing Request”), under 37 C.F.R. § 42.71(c) of our Decision Denying Institution (Paper 9, “Dec. Den’g Inst.”) denying its Petition (Paper 1, “Pet.”). We denied institution on the sole ground that U.S. Patent No. 9,215,310 B2 (Ex. 1001, the “’310 patent”) was not eligible for CBM patent review, because the challenged claims existing at the time of the Decision Denying Institution did not require a financial activity. Dec. Den’g Inst. 15–16.

Upon reconsideration of the record, we maintain our determination that the ’310 patent is not a covered business method patent. Accordingly, we deny the Rehearing Request to the extent it seeks a modification of our Decision Denying Institution.

Prior to its Rehearing Request, Petitioner filed a Petition (Paper 1, “Pet.”) requesting covered business method (“CBM”) patent review of claims 1–14 of the ’310 patent under Section 18 of the Leahy-Smith America Invents Act, Pub. L. No. 112–29, 125 Stat. 284, 329 (2011) (“AIA”). Patent Owner, Skky, LLC, filed a Preliminary Response. Paper 6 (“Prelim. Resp.”). With its Preliminary Response, Patent Owner provided evidence (Ex. 2001) that it filed with the Office a statutory disclaimer of claims 2, 4, 11, and 14 of the ’310 patent pursuant to 37 C.F.R. § 1.321(a). Prelim. Resp. 2 (citing Ex. 2001). After the Preliminary Response, Petitioner filed a Preliminary Reply to Patent Owner’s Preliminary Response, as authorized by the panel pursuant an e-mail request by Petitioner, to address the consequences of Patent Owner’s disclaimer of claim 5. Paper 7 (“Pet. Prelim. Reply”). In response to the Preliminary

Reply, Patent Owner filed a Preliminary Sur-Reply, also as authorized by the panel. Paper 8 (“PO Sur-Reply”).

## II. ANALYSIS

### *A. Standard of Review*

When rehearing a decision on petition, the Board will review the decision for an abuse of discretion. 37 C.F.R. § 42.71(c). “An abuse of discretion occurs if a decision is based on an erroneous interpretation of law, if a factual finding is not supported by substantial evidence, or if the decision represents an unreasonable judgment in weighing relevant factors.” *Arnold P’ship v. Dudas*, 362 F.3d 1338, 1340 (Fed. Cir. 2004). The party requesting rehearing bears the burden of showing an abuse of discretion, and “[t]he request must specifically identify all matters the party believes the Board misapprehended or overlooked.” 37 C.F.R. § 42.71(d).

### *B. The ’310 Patent*

The ’310 patent describes a method for delivering audio and/or visual media files, including recordings of songs, musical compositions, ringtones, video, films, television shows, and personal recordings, wirelessly or non-wirelessly to devices for playback of the content, with or without an Internet connection. Ex. 1001, Abstract, 1:19–21.

### *C. A Covered Business Method (CBM) Patent*

A “covered business method (CBM) patent” is “a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” AIA § 18(d)(1); 37 C.F.R. § 42.301(a). Under AIA § 18(a)(1)(E), “[t]he Director may institute a transitional proceeding only for a patent that *is a covered business method patent.*” (Emphasis

added). A patent is eligible for CBM review if it has at least one claim directed to a covered business method. Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,736 (Response to Comment 8).

#### *D. Discussion*

Petitioner refers the panel to a related CBM proceeding that also involved a disclaimer of claims, *Facebook, Inc. v. Skky, LLC*, Case CBM2016-00091 (PTAB) (“’091 CBM”). *See* Reh’g Req.1. In deciding petitioner’s rehearing request in the ’091 CBM proceeding, the Chief Judge expanded the panel “to provide guidance regarding the effect of . . . disclaimers on CBM patent review eligibility.” ’091 CBM, Paper 12, 3 (rehearing decision). In that case, the expanded panel denied petitioner’s request for rehearing, holding that “CBM patent review eligibility is determined based on the claims of the challenged patent *as they exist at the time of the decision whether to institute*, and statutorily disclaimed claims must be treated as if they never existed.” ’091 CBM, Paper 12, 11 (emphasis added). The instant Rehearing Decision tracks the reasoning and holding of the ’091 CBM rehearing decision.

Similar to petitioner’s arguments presented in the ’091 CBM proceeding, Petitioner argues “a Patent Owner filing a statutory disclaimer of certain claims after the filing of the CBM petition does not extinguish the right of accused infringers (Petitioners here) to challenge the patent in CBM review and should not unilaterally strip the Board of its authority to institute CBM review.” Reh’g Req. 1–2. Citing *Rembrandt Wireless Techs., LP v. Samsung Elecs. Co.*, 853 F.3d 1370, 2017 (Fed. Cir. Apr. 17, 2017),

Petitioner contends that the decision “clarifies the impact of post-filing statutory disclaimers and underscores the points Petitioners previously explained in their preliminary reply.” *Id.* at 3. Namely, Petitioner explains federal courts apply a “time-of-filing” rule for determining federal court jurisdiction, and argues that the Board should use the same rule. *Id.* at 4–9.

Although federal courts apply the rule that “the jurisdiction of the court depends upon the state of things at the time of the action brought,” *Grupo Dataflux v. Atlas Global Grp., L.P.*, 541 U.S. 567, 570 (2004) (quoting *Mollan v. Torrance*, 22 U.S. 537, 539 (1824)), as an administrative agency, the Board has limited authority defined by statute, *see Kilip v. Office of Personnel Mgmt.*, 991 F.2d 1564, 1569 (Fed. Cir. 1993) (“An agency is but a creature of statute. Any and all authority pursuant to which an agency may act ultimately must be grounded in an express grant from Congress.”).

The Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (“AIA”) created a transitional program for the Board to conduct post-grant reviews of a limited set of patents designated as “covered business method patents.” AIA § 18(a). The AIA defines a “covered business method patent” as “a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service.” *Id.* § 18(d)(1). Thus, in order to institute a CBM review proceeding, the statute requires a patent that *claims* a particular type of method or apparatus. *See Secure Access, LLC v. PNC Bank Nat’l Ass’n*, 848 F.3d 1370, 1381 (Fed. Cir. 2017) (“Necessarily, the statutory definition of a CBM patent requires that the patent have a *claim* that contains, however phrased, a financial activity element.” (emphasis added)); *Unwired Planet, LLC v.*

*Google Inc.*, 841 F.3d 1376, 1382 (Fed. Cir. 2016) (CBM patents “are limited to those with *claims* that are directed to methods and apparatuses of *particular types and with particular uses* ‘in the practice, administration, or management of a financial product or service’” (emphasis added)); *Blue Calypso, LLC v. Groupon, Inc.*, 815 F.3d 1331, 1340 (Fed. Cir. 2016) (citing previous Board decisions that “properly focus[e]d on the *claim* language at issue” (emphasis added)).

Under AIA § 18(a)(1)(E), “[t]he Director may *institute* a transitional proceeding only for a patent *that is a covered business method* patent.” (Emphases added). In other words, the decision *at the time of institution* is based upon on what “*is a covered business method* patent,” *id.* (emphasis added), instead of what *was* “a covered business method patent” prior to the disclaimer. *See also* AIA § 18(d)(1) (using the present tense “claims”); 37 C.F.R. § 42.207(e) (when a patent owner files a statutory disclaimer, “[n]o post-grant review will be instituted based on disclaimed claims”). Petitioner’s proposed rule would require the Director to institute a CBM patent review “for a patent that is [not] a covered business method patent,” contrary to AIA § 18(a)(1)(E).

Petitioner’s “time-of-filing” rule also would require the Board to ignore 35 U.S.C. § 253(a) and its effect, as interpreted by the Federal Circuit. 35 U.S.C. § 253(a) authorizes statutory disclaimer of claims as follows:

A patentee, whether of the whole or any sectional interest therein, may, on payment of the fee required by law, make disclaimer of any complete claim, stating therein the extent of his interest in such patent. Such disclaimer shall be in writing, and recorded in the Patent and Trademark Office; and it shall thereafter be considered as part of the original patent to the extent of the

interest possessed by the disclaimant and by those claiming under him.

The Federal Circuit has held consistently that claims disclaimed under § 253(a) should be treated as though they never existed. *See Vectra Fitness, Inc. v. TWNK Corp.*, 162 F.3d 1379, 1383 (Fed. Cir. 1998) (“This court has interpreted the term ‘considered as part of the original patent’ in section 253 to mean that the patent is treated as though the disclaimed claims never existed.”); *Guinn v. Kopf*, 96 F.3d 1419, 1422 (Fed. Cir. 1996) (“A statutory disclaimer under 35 U.S.C. § 253 has the effect of canceling the claims from the patent and the patent is viewed as though the disclaimed claims had never existed in the patent.”); *see also Genetics Inst., LLC v. Novartis Vaccines & Diagnostics, Inc.*, 655 F.3d 1291, 1299 (Fed. Cir. 2011) (holding that the Board’s interference jurisdiction under 35 U.S.C. § 291 required “the existence of an interference, and a claim that ‘never existed’ [due to a statutory disclaimer] cannot form the basis for an interference”).

According to Petitioner, *Rembrandt* clarifies that disclaimers under 35 U.S.C. § 253(a) extinguish only a patent owner’s legal rights—not the rights of others—with regard to the disclaimed claims, pointing to the following language in the decision:

[W]hile we have held that a disclaimer relinquishes the rights of the patent owner, we have never held that the patent owner’s disclaimer relinquishes the rights of the public. Indeed, our precedent and that of other courts have not readily extended the effects of disclaimer to situations where others besides the patentee have an interest that relates to the relinquished claims.

Reh’g Req. 3–4 (quoting *Rembrandt*, 853 F.3d at 1383–84 (emphases by Petitioner)). Petitioner argues that the principle announced in *Rembrandt* “squarely applies to the rights Congress and the PTO granted to accused

infringers under the Covered Business Method patent review program.” *Id.* at 4.

Contrary to Petitioner’s arguments, *Rembrandt* does not address the AIA § 18(a)(1)(E) provision requiring CBM institution to be based on what “is a covered business method patent.” Rather, it involves the patent marking statute, which pertains to giving “notice to the public” that an article is patented. *See* 35 U.S.C. § 287(a); *Rembrandt*, 853 F.3d at 1382–84. In *Rembrandt*, the plaintiff disclaimed claims to avoid a limitation on damages due to a failure to mark in accordance with the marking statute. 853 F.3d at 1382–84. The Federal Circuit vacated and remanded the district court’s denial of the defendant’s motion to bar recovery of pre-notice damages based on the disclaimer, emphasizing the purpose of the marking statute—to protect the public from liability for unknown infringement. *Id.* Because the purpose of marking is to provide public notice, the court reasoned that it was “irreconcilable” for a disclaimer to extinguish the right of the public to utilize unmarked features of a product until receiving notice. *Id.* Protecting the public’s rights was central to the decision, as reflected in the court’s narrow holding: “the marking statute’s focus is not only the rights of the patentee, but the rights of the public . . . . Considering these rights held by the public, we hold that disclaimer cannot serve to retroactively dissolve the § 287(a) marking requirement for a patentee to collect pre-notice damages.” *Id.* at 1384.

In contrast to the patent marking statute at issue in *Rembrandt*, which expressly pertains to rights of the “public,” as well as a defendant’s statutory right to patent infringement defenses and counterclaims, the public generally

does not have an analogous right to institution of a CBM patent review.<sup>1</sup> *See Rembrandt*, 853 F.3d at 1383–84. Although certain individuals or entities who have standing and otherwise meet the statutory requirements may petition for CBM patent review, institution is discretionary, and in exercising this discretion, “[t]he Director may *institute* a transitional proceeding *only* for a patent *that is a covered business method* patent.” *See* AIA § 18(a)(1) (emphases added); 35 U.S.C. § 324(a) (“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.” (emphasis added)); AIA §§ 18(a)(1)(B), 18(d)(1) (standing—petitioner must be “charged with infringement”); 37 C.F.R. §§ 42.4(a) (“The Board institutes the trial on behalf of the Director.”), 42.208(b) (“At any time prior to institution of post-grant review, the Board may deny some or all grounds for unpatentability for some or all of the challenged claims.”), 42.208(b) (petitioner must be “charged with infringement”).

Petitioner’s arguments do not show that *Rembrandt* requires claims disclaimed prior to institution to be considered when determining whether a patent is eligible for CBM patent review at the time of institution.

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<sup>1</sup> In *Secure Access, LLC v. PNC Bank Nat’l Ass’n*, 859 F.3d 998 (Fed. Cir. 2017), the court did not decide the issue controlling the outcome here (i.e., the effect of a pre-institution statutory disclaimer). *See* 859 F.3d 998 at 1003 n.5 (Taranto, J., concurring), 1005 (Lourie, J., dissenting).



Based on the foregoing discussion, Petitioner has not carried its burden of demonstrating that we abused our discretion in not considering disclaimed claims 2, 4, 11, and 14 and denying institution in this proceeding.

### III. ORDER

It is ORDERED that Petitioner's Rehearing Request is *denied*.

CBM2017-00006  
Patent 9,215,310 B2

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