UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner

v.

SMARTFLASH LLC,
Patent Owner

Case CBM2015-00015
Patent 8,118,221 B2

Before the Honorable JENNIFER S. BISK, RAMA G. ELLURU, JEREMY M. PLENZLER, and MATTHEW R. CLEMENTS, *Administrative Patent Judges*.

PETITIONER APPLE INC.'S BRIEF ON ESTOPPEL

TABLE OF CONTENTS

The Board's October 9, 2015 Order (Pap. 42) requested briefing on whether 35 U.S.C. § 325(e)(1), in view of the final written decision in CBM2014-00102 ("CBM-102") invalidating claim 1 of the '221 patent, estops Apple "from arguing [the unpatentability of] claim 1 . . . at the November 9 hearing" in this proceeding. The Board also stated that, "[i]f a party's position is that Apple is not[1] estopped . . . the briefing should address whether there are any restrictions on [the Board's] use of Apple's arguments at the November 9 hearing in [its] final written decision."

Apple respectfully submits that it should not be estopped because it could not "reasonably" have raised its *Alice*-based § 101 ground at the time of the earlier petition, nor is Apple "maintain[ing]" this proceeding by merely participating in oral argument, given that the evidentiary record is closed. If estoppel were to apply, the Board should terminate Apple from this proceeding but proceed to a final written decision, especially in view of the late stage of this case. Further, the Board may use any arguments from the hearing in its final written decision here.

I. Apple Should Not Be Estopped Under 35 U.S.C. § 325(e)(1)

A. Apple Could Not Reasonably Have Raised Its *Alice*-Based § 101 Ground at the Time of Filing the Earlier Petition

[1] It appears the Board likely meant this statement to address the situation where Apple *is* estopped, but in any event the question of restrictions would seem not to otherwise arise (*see* discussion *infra* at § III).

Under 35 U.S.C. § 325(e)(1) (emphases added):

> The petitioner in a [CBM] review of a claim . . . that results in a final written decision under section 328 (a) . . . *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 [CBM] review.

The pertinent estoppel inquiry is not a bright-line test about what could have been written in the Petition. Rather, the "reasonably" language "softens the could-have-raised estoppel" rule in place pre-AIA, which had been "amenable to the interpretation that litigants are estopped from raising any issue that it would have been *physically possible* to raise." 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (emphasis added); *see also* Rules of Practice for Trials, 77 Fed. Reg. 48612, 48638 (Aug. 14, 2012).

Apple could not "reasonably" have raised in its original Petition the *Alice*-based § 101 grounds presented later in its CBM2015-00015 ("CBM-15") Petition because seminal case law relied on did not yet exist. *Alice Corp. Pty. Ltd. v. CLS Bank International*, 134 S. Ct. 2347 (2014) significantly clarified the correct standard for evaluating computer-related patent claims under § 101 (especially system/device claims, like at issue here), but did not issue until after Apple filed its CBM-102 Petition and shortly before filing its Petition here. *Cf. Smartflash LLC v. Apple Inc.*, Nos. 2015-1701, -1707, 2015 WL 4603820, at *13 (Fed. Cir. July 30,

2015) (Newman, J., dissenting) ("That Apple waited while this section 101 issue was wending its way to Court review and resolution was not imprudent. . . .").

The Board has previously acknowledged the impact *Alice* had on CBM proceedings, confirming the different treatment of § 101 pre- and post-*Alice*. For example, in *Westlake Servs., LLC v. Credit Acceptance Corp.*, CBM2014-00176, the Board ***did not institute*** review of certain system claims on § 101 grounds in a prior petition, reasoning that they "recited specific computer components and interactions between those components." *See* Inst. Dec., 2015 WL 576798 at *5 (Feb. 9, 2015). *Alice* later issued, and the Supreme Court also vacated and remanded the Federal Circuit's *Ultramercial II* decision, causing the Federal Circuit to reverse its earlier holding (*Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709 (Fed. Cir. 2014) (*Ultramercial III*)). The petitioner then filed a second petition under § 101 against the non-instituted claims, which the Board ***instituted*** "[i]n light of this recent guidance from the Supreme Court and the Federal Circuit." *Id.* at *5-6. The Board later noted in that proceeding that "*Alice* did not exist at the time of the [earlier] Decision on Institution," and stressed the change in case law: "two Supreme Court decisions [(*Alice* and *Ultramercial*)], one of which vacated key precedent [(*Ultramercial II*)] on which the [earlier] Decision to Institute relied, as well as a Federal Circuit decision [(*Ultramercial III*)] effectively reaching a conclusion opposite of that key precedent." *Westlake*, Pap. 28 at 2-6 (representative); *see also Apple Inc.*

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