

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

PROPPANT EXPRESS INVESTMENTS, LLC,
PROPPANT EXPRESS SOLUTIONS, LLC,
Petitioner

v.

OREN TECHNOLOGIES, LLC,
Patent Owner

Case IPR2018-00914
Patent 9,511,929

BRIEF OF *AMICUS CURIAE* MICROSOFT CORPORATION

IN SUPPORT OF NEITHER PARTY

TABLE OF CONTENTS

- 1. INTEREST OF THE AMICUS1
- 2. INTRODUCTION1
- 3. ARGUMENT.....3
 - A. Questions 1 & 2: The Patent Act Does Not Unambiguously Prohibit Same-Party Joinder or Joinder of Issues, Leaving Room for the PTO to Regulate3
 - B. Question 3: The One Year Bar in Section 315(b) Does Not Apply to Section 315(c), but May Inform the Director on When to Allow Joinder8
 - C. The USPTO Should Adopt Reasonable Regulations Consistent with the Intent of the AIA That Allows Same-Party Joinder and Joinder of Issues.....9
 - D. Notice-and-Comment Rulemaking is the Best Approach for Adopting Forward-Looking Regulations Proscribing When Joinder is Appropriate.....14

TABLE OF AUTHORITIES

Case Law

Astoria Federal Savings & Loan Ass’n v. Solimino, 501 U.S. 104, 112 (1991)6

Chevron v. Natural Resources Defense Council, 467 U.S. 837 (1984)3

Hibbs v. Winn, 542 U.S. 88, 101 (2004).....6

Lew v. Medtronic, Inc., 2014 U.S. Dist. LEXIS 174479 at *12 (C.D. Cal. Dec. 16, 2014)9

Morissette v. United States, 342 U.S. 246, 263 (1952)7

Oil States Energy Services v. Greene’s Energy Group, LLC, 138 S.Ct. 1365 (2018).....10

Sprietsma v. Mercury Marine, 537 U.S. 51, 63 (2003)6

Saint Regis Mohawk Tribe v. Mylan Pharm. Inc., 896 F.3d 1322, 1327 (Fed. Cir. 2018)10

Decisions of the Patent Trial and Appeal Board

Amneal Pharm. LLC v. Endo Pharm. Inc., IPR2014-01365, Paper 13, at 8-9 (PTAB Feb. 4, 2015)12

Target Corp. v. Destination Maternity Corp., Case IPR2014-00508 (Paper 28) (Feb. 12, 2015).....2

Statutes

157 Cong. Rec. S1349 (daily ed. Mar. 8, 2011) (statement of Sen. Leahy).....10

35 U.S.C. § 3151

35 U.S.C. § 315(b) (e).....5, 8

35 U.S.C. § 315(c)2, 4, 7
35 U.S.C. § 315(d)7
35 U.S.C. § 316(a)(4).....8

Rules and Regulations

37 C.F.R. § 42.1(b)10
H.R. Rep. No. 112-98, pt. 1, at 48 (2011).....10
Moore’s Federal Practice – Civil § 20.04 (2018)6
Northern District of California, Local Patent Rule 3-611

1. INTEREST OF THE *AMICUS*

Pursuant to the Director’s Order dated December 3, 2018, Microsoft Corporation (“Microsoft”) respectfully submits the following arguments as *amicus curiae* in support of neither party. Microsoft is a software company headquartered in Redmond, Washington. Microsoft is an owner of a significant number of patents. Microsoft also has been a participant in several *inter partes* review (“IPR”) proceedings. As such, Microsoft has an interest in the proper functioning of the patent system in general and IPR proceedings in particular. Microsoft is not involved in the pending disputes between Proppant Express Investments, LLC, Proppant Express Solutions, LLC, and Oren Technologies, LLC.

2. INTRODUCTION

The three questions that the Director submitted to the Precedential Opinion Panel (“POP”) all implicate the proper interpretation of statutory text, namely 35 U.S.C. § 315. As noted in the Director’s Order, differing panels of the Patent Trial and Appeal Board (“Board”) have reached conflicting interpretations of the statutory language in different opinions issued at different times. The Director thus convened the present POP to decide which, if either, of the different conclusions reached by these different panels should be adopted by the Board as precedential, thus binding future panels of the Board in deciding (1) whether a petitioner in an IPR can be joined to a previous IPR where the petitioner is already a party to the

previous IPR proceeding, (2) whether joinder allows adding additional issues, and (3) whether the existence of a time-bar would impact the answers to either of the previous questions.

The statutory interpretation arguments have already been fully explored by the Board. In particular, the two competing interpretations of 35 U.S.C. § 315(c) are laid out in *Target Corp. v. Destination Maternity Corp.*, Case IPR2014-00508 (Paper 28) (Feb. 12, 2015). In *Target*, both the majority and the dissent conduct a lengthy analysis of the text of the statute, the text of other portions of the America Invents Act (“AIA”), the relevant legislative history, and the goals of the AIA, all in an attempting to reach the proper interpretation of the disputed statutory text. While Microsoft respectfully believes that the majority in *Target* presents the more persuasive and consistent reading of the statutory language, the primary purpose of this submission is not to re-hash the statutory interpretation arguments made by the parties in that case, nor is it to mirror the briefing the POP will likely receive drawing from these same sources. Instead, the purpose of this brief is to focus the Board (and the Patent Office as a whole) not on its role as a judicial body tasked with pure questions of statutory-interpretation, but rather on its role as an administrative agency with the power (and indeed the obligation) to resolve statutory ambiguities and to create policy-based regulations to govern IPR pursuant to express delegations of power by Congress.

As set forth below, the Patent Act does not unambiguously prohibit the Board from joining a party to an IPR proceeding to which it is already a party, nor does it unambiguously prohibit joining issues in an IPR, regardless of whether a time-bar would otherwise stand in the way of institution of IPR. This is at least evident from the fact that different panels of the Board, when reviewing the exact same statutory language and the same legislative history, have arrived at different conclusions. As the Supreme Court has repeatedly recognized, where (as here) a statute leaves a gap in interpretation, Congress implicitly delegated to the agency the authority to enact regulations to implement the statutory scheme that it is entrusted to administer. This delegation becomes more apparent in light of the statute as a whole, which expressly delegates to the Patent Office broad authority to develop regulations to govern the procedures for IPR proceedings. Pursuant to this delegation from Congress, the Board should develop rules and/or regulations for joinder based on the policies underlying IPR, to prevent gamesmanship, and to remedy situations where manifest injustice will result from prohibiting joinder.

3. ARGUMENT

A. Questions 1 & 2: The Patent Act Does Not Unambiguously Prohibit Same-Party Joinder or Joinder of Issues, Leaving Room for the PTO to Regulate

According to the now well-known doctrine laid out by the Supreme Court in *Chevron v. Natural Resources Defense Council*, 467 U.S. 837 (1984), where the text of a statute does not “compel any given interpretation” and where the

legislative history is similarly “unilluminating,” Congress has delegated the power to fill gaps in the statute to the agency that is tasked with administering the statute. *See id.* at 861-862, 866. Thus, the approach the Board (and the Patent Office generally) should undertake in answering the questions presented in this POP should be fundamentally different than that of a court trying to answer the same questions. As the Supreme Court explained, while judges should not be in the business of “reconcil[ing] competing political interests,” it is “entirely appropriate for [a] political branch of the Government,” such as the USPTO “to make such policy choices—resolving the competing interests which Congress itself either inadvertently did not resolve, or intentionally left to be resolved by the agency charged with the administration of the statute in light of everyday realities.” *Id.* at 865-66 (emphasis added).

Here, Congress has left such gaps for the agency to fill. The relevant statutory language reads: “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.” 35 U.S.C. § 315(c).

As to the first question presented in this POP, regarding same-party joinder, the language of the statute is quite broad—allowing joinder of “*any* party.” There is no carve-out that excludes the parties to the original IPR from filing such a request, nor does the statute explicitly exclude parties who are, for example, in privity with the existing parties from seeking joinder, even though in other sections of the same statute Congress was clearly concerned with regulating the conduct of parties in privity with a petitioner. *See* 35 U.S.C. §315(b) & (e). If a party in privity with the petitioner (such as, for example, a wholly owned subsidiary, or even an entity formed solely for the purpose of filing a new IPR petition) can properly seek joinder under the statute, it would elevate form over substance to preclude the petitioner itself from doing so. While the dissent in *Target* argued that the concept of “joinder” typically presupposes that one is “joining” something to which one was not previously a party, this observation at most makes the statute ambiguous as to whether a petitioner should be allowed to join an IPR to which it already is a party, leaving room for the Board and/or the PTO to regulate.

Section 315(c) also at least allows for additional issues to be added during joinder. The statute requires any party wishing to join an existing petition to file its own “petition under section 311.” Critically, the statute does not say that the petition seeking joinder must be identical to the existing petition. Had Congress intended to require the same or even similar grounds be raised in a petition under

Section 315(c), it clearly could have required that. Moreover, the statutory language requires that the Director make a determination that the petition to be joinder “warrants the institution of an inter partes review under section 314.” Notably, this determination takes place after the director has already instituted review in an earlier IPR which the subsequent petition seeks to join. If the petitions were required to have exactly the same content, this requirement for another determination pursuant to section 314 would be entirely redundant, rendering this statutory language superfluous. “A statute should be construed so that effect is given to all its provisions, so that no part will be inoperative or superfluous, void or insignificant.” *Hibbs v. Winn*, 542 U.S. 88, 101 (2004); *see also Astoria Federal Savings & Loan Ass’n v. Solimino*, 501 U.S. 104, 112 (1991); *Sprietsma v. Mercury Marine*, 537 U.S. 51, 63 (2003).¹ While the above language

¹ An interpretation that allows for additional parties joined to an IPR to add additional issues would also be consistent with the concept of “joinder” in litigation. *See, e.g.*, 4 Moore’s Federal Practice – Civil § 20.04 (2018) (“All questions need not be common to all joined parties. As long as there is some question common to all parties, the fact that other questions are peculiar to certain parties does not prevent joinder.”). “[W]here Congress borrows terms of art in which are accumulated the legal tradition and meaning of centuries of practice, it

seems to explicitly contemplate additional issues being joined, even if the dissent in *Target* were correct that Section 315(c) does not speak to joinder of issues, that again at most means that this statutory language does not speak to the precise question raised in the POP, again leaving room for the Board to regulate.

Lastly, the language of the section itself suggests delegation to the PTO, especially when read in light of other express delegations to the PTO to regulate the procedures governing IPR. Section 315(c) commits the decision as to whether to join a petition to an existing proceeding entirely to the “discretion” of the Director. *See* 35 U.S.C. § 315(c). This grant of discretion is consistent with Congress’s delegation of power to the Director to determine how IPR proceedings fit with other proceedings before the Office, *see* 35 U.S.C. § 315(d), and is consistent with the broad delegation of authority to the Director to prescribe regulations “establishing and governing inter partes review under this chapter and

presumably knows and adopts the cluster of ideas that were attached to each borrowed word in the body of learning from which it was taken and the meaning its use will convey to the judicial mind unless otherwise instructed. In such a case, absence of contrary direction may be taken as satisfaction with widely accepted definitions, not as departure from them.” *Morissette v. United States*, 342 U.S. 246, 263 (1952).

the relationship of such review to other proceedings under this title,” *see* 35 U.S.C. § 316(a)(4). In short, both through express delegations of authority and through implied delegations by not unambiguously prohibiting same-party joinder or joinder of issues, Congress has left room for the Board and/or the PTO to create regulations to govern who and what may be joined in an IPR proceeding.

B. Question 3: The One Year Bar in Section 315(b) Does Not Apply to Section 315(c), but May Inform the Director on When to Allow Joinder

35 U.S.C. Section 315(b) states that “[a]n 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.” It contains an important exception, however: “[t]he time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).” Thus on its face, this provision does not limit when a joinder request may be filed under Section 315(c).

However, both 315(b) and 315(c) are silent as to whether the expiration of the time-bar can be considered in the exercise of the Director’s discretion to allow joinder. Clearly, Congress intended that requests for IPR would be filed promptly after a district court action was initiated. The Director may choose to promulgate rules that say in cases where there is unnecessary delay, joinder will be denied.

Conversely, in instances where the delay was excusable or even necessary, the Director may choose to allow joinder. Such rules on timeliness would be consistent with how Federal district courts treat similar issues in the litigation context. *See, e.g., Lew v. Medtronic, Inc.*, 2014 U.S. Dist. LEXIS 174479 at *12 (C.D. Cal. Dec. 16, 2014) (“In determining whether to permit joinder under § 1447(e), the courts of this District consider ... whether the joinder was timely”).

**C. The USPTO Should Adopt Reasonable Regulations
Consistent with the Intent of the AIA That Allows Same-
Party Joinder and Joinder of Issues**

As Congress did not unambiguously answer the questions presented in this POP, the Board and/or the PTO is free to “elucidate a specific provision of the statute by regulation.” *See Chevron*, 467 U.S. at 843-44. While the use of the POP procedure is perhaps one vehicle to conduct this analysis,² as discussed further below, notice-and-comment rulemaking by the Director would be the better procedural vehicle for enacting regulations that enumerate in what situations it is permissible for the same petitioner to join an existing IPR proceeding.

² Microsoft takes no position on the question of whether the Board may properly promulgate regulations governing joinder through adjudication, or whether formal notice-and-comment rulemaking is required.

Regardless of the form in which they are promulgated, any regulations should be consistent with the reasons why IPR was created. As both the Federal Circuit and the Supreme Court have explained, an IPR proceeding is a “reconsideration of the PTO’s original grant of a public franchise, which serves to protect the public’s paramount interest in seeing that patent monopolies are kept within their legitimate scope.” *Saint Regis Mohawk Tribe v. Mylan Pharm. Inc.*, 896 F.3d 1322, 1327 (Fed. Cir. 2018) (internal citations and quotations marks omitted); *see also Oil States Energy Services v. Greene’s Energy Group, LLC*, 138 S.Ct. 1365 (2018). Per Congress’ directive, the IPR proceeding should serve a “quick and cost effective alternative[] to litigation” adjudicating invalidity in patent disputes. H.R. Rep. No. 112-98, pt. 1, at 48 (2011); 157 Cong. Rec. S1349 (daily ed. Mar. 8, 2011) (statement of Sen. Leahy); *see also, e.g.*, 37 C.F.R. § 42.1(b) (providing that regulations governing IPR should “construed to secure the just, speedy, and inexpensive resolution of every proceeding”). At the same time, the IPR process should be fair and equitable to both petitioners and to patent owners, and should not reward gamesmanship by either petitioners or patent owners. The Patent Office, as the political branch tasked with implementing the IPR statute, should develop regulations balancing these various considerations in order to ensure a fair and equitable result under whatever circumstances are presented in each IPR, and in each request for joinder.

While same-party joinder requests raising new issues may not always forward these goals, there are circumstances where such requests are necessary and appropriate. As one example, consider a case where a district court has adopted local rules that require a patent holder to disclose its infringement contentions to the accused infringer, and that only allow for modification for good cause. *See, e.g.* Northern District of California, Local Patent Rule 3-6 (“Amendment of the Infringement Contentions or the Invalidity Contentions may be made only by order of the Court upon a timely showing of good cause.”) In such a district, the accused infringer may reasonably rely on the patent holder’s identification of asserted claims in deciding which claims to pursue in its petition for IPR. If a patent-holder, for whatever reason, is given leave to change the asserted claims after the 1-year bar date expires, then the claims challenged in the IPR are no longer co-extensive with the claims asserted in the district court litigation.

In this example, same-party joinder and joinder of issues should be allowed. In this scenario, the accused infringer had no notice that the patent holder would later assert new claims—the claims were not identified in the complaint, or in any initial or final contentions. Yet faced with this new case development, the accused infringer has no ability to ask the USPTO to analyze these newly-asserted claims. Developing a regulation that would prohibit a party from seeking to add these newly-asserted additional claims would not be consistent with the goal of IPR as

the IPR no longer serves as a cost-effective alternative to litigating validity in the district court. Indeed, refusing to allow joinder in this context would lead only to waste as it would require the Board to analyze claims that may no longer be at issue in the district court litigation, while forcing both the petitioner and patent owner to undergo a parallel adjudication of patentability in the district court.

The above scenario is far from speculative, and is one common situation where the Board has allowed a party to join additional claims to an IPR proceeding to which it is already a party. *See, e.g., Amneal Pharm. LLC. v. Endo Pharm. Inc.*, IPR2014-01365, Paper 13, at 8-9 (PTAB Feb. 4, 2015) (allowing joinder where the patent owner alleged infringement of two claims for the first time after the 35 U.S.C. § 315(b) bar date). Indeed, petitioners have come to rely on the potential for joinder in selecting the claims to challenge in a petition for IPR, selecting only those claims that have been (and absent unusual circumstances that can be) asserted in litigation. If the Board is to develop regulations that prohibit joinder under these circumstances, petitioners will have no choice but to challenge every claim in a patent in their original petition to protect against a scenario where patent owners assert claims later during litigation in order to avoid IPR review, thus creating unnecessary work for the Board, for petitioners, and for patent owners in adjudicating claims that may never become the subject of litigation.

As another example where joinder would be appropriate, consider a situation where amended or new claims issue from a parallel proceeding before the office (such as an *ex parte* reexamination) after the 1-year time-bar and a patent owner seeks to assert those newly-issued claims in a litigation. In this scenario, not only did the petitioner have no reason to challenge the patentability of the newly-issued claims at an earlier date, it indeed could not have done so as those claims did not exist at the time it was sued and originally filed for IPR. If a petitioner is not allowed to join the newly-issued claims to an IPR to which it is already a party, again, both the patent owner and petitioner must undergo expensive and time-consuming litigation over the validity of the newly-issued and newly-asserted claims in district court.

When parallel litigation is involved, particularly with significant money at stake, the opportunities for obfuscation and gamesmanship are apparent. A full accounting of every scenario that may arise in every request for joinder would be impossible, and certainly numerous situations where joinder might be appropriate will arise. For example, in the *Target* IPR which resulted in the decision allowing same-party joinder and joinder of issues, the patent holder allegedly withheld relevant art from the petitioner until after the 1-year bar date expired. As another example, a litigant may seek to delay the identification of asserted claims until late in the litigation. Some patents contain dozens or even hundreds of claims, making

filing IPR on every claim in all situations infeasible (and likely undesirable to the Board tasked with such a review). In these contexts, allowing same-party joinder requests based on later-developed facts would be entirely consistent with the statutory scheme and would be sound policy.

Of course, Microsoft recognizes that joinder may not be appropriate in every circumstance. Microsoft recognizes that scenarios may arise where requests for joinder could be abused. However, allowing panels of the Board discretion (guided by rules and regulations) to allow same-party joinder or joinder of issues under appropriate circumstances, while giving panels of the Board the power to deny requests for joinder made for improper purposes, would alleviate any concerns that joinder may be misused. Whatever rules the Board and/or the PTO develop should be flexible enough to account for whatever situations arise, and should allow for joinder in appropriate circumstances to ensure that the purposes behind the creation of IPR are realized, while at the same time providing a fair and equitable process for both petitioners and patent owners.

D. Notice-and-Comment Rulemaking is the Best Approach for Adopting Forward-Looking Regulations Proscribing When Joinder is Appropriate

Microsoft urges the PTO to utilize notice and comment rulemaking to develop regulations regarding joinder, as such a process is best suited to allow all interested voices to be heard. A notice-and-comment approach would likely yield

a larger response than the instant *amicus curiae* process, and would enable any interested parties to participate and provide useful information. Amicus here presents a few scenarios where allowing joinder by the same party would forward the goals of the AIA, but a notice-and-comment process would likely yield more such examples.

Rulemaking by the Director will also avoid inconsistent positions by different panels of the Board. As noted, the Board has already expressed many varying interpretations of the statutory language. Similarly, different panels would likely reach different conclusions about whether joinder was appropriate in a given case even based on similar facts. A clear set of rules for making these determinations will aid in doctrinal consistency, and will provide a settled set of predictable rules that petitioners can rely on in making decisions as to which claims to challenge in an IPR proceeding.

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CERTIFICATE OF SERVICE

Pursuant to 37 CFR §§ 42.6(e)(1) and 42.6(e)(4)(iii), the undersigned certifies that on December 28, 2018, a complete and entire copy of this Brief of Amicus Curiae Microsoft Corporation was provided via email to the Parties by serving the email correspondence addresses of record as follows:

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