

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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ESET, LLC and ESET spol s.r.o.,  
Petitioner,

v.

FINJAN, INC.,  
Patent Owner.

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Case IPR2017-01738  
Patent 7,975,305 B2

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Before THOMAS L. GIANNETTI, PATRICK M. BOUCHER, and  
ZHENYU YANG, *Administrative Patent Judges*.

BOUCHER, *Administrative Patent Judge*.

DECISION

Denying Patent Owner's Request for Rehearing  
*37 C.F.R. § 42.71(d)*

Patent Owner requests rehearing of our Order (Paper 19, "Order") instituting *inter partes* review of all challenged claims and all grounds presented in the Petition (Paper 2, "Pet."). Paper 21 ("Req. Reh'g"). Pursuant to our authorization, Petitioner filed an Opposition. Paper 22

(“Opp.”).<sup>1</sup> For the reasons set forth below, the Board denies Patent Owner’s Rehearing Request.

## I. BACKGROUND

The challenges in the Petition fall into two categories, one based on Chandnani<sup>2</sup> alone (with claims 1–3, 13–15, and 25 challenged as anticipated, and claims 4–12 and 16–24 challenged for obviousness), and another based on the combination of Freund<sup>3</sup> and Chandnani (with claims 1–25 challenged for obviousness). Pet. 18–62. We originally instituted *inter partes* review with respect to the first category, i.e., those based on Chandnani alone, but not with respect to the second category, i.e., those involving Freund. Paper 10 (“Dec.”), 26. As we noted, “Freund was considered extensively by the Office during prosecution, including no fewer than five Office Actions in which the Examiner and Applicant negotiated the scope of the claims in

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<sup>1</sup> The Rehearing Request and Opposition were filed by the parties later than the dates authorized in Paper 20. On June 13, 2018, the due date for the Rehearing Request, it appeared from notices generated by the Board’s E2E system that Patent Owner attempted to file its Rehearing Request, but that no documents were successfully filed. In response to an email inquiry from the Board, Patent Owner indicated that the Rehearing Request was timely served on Petitioner, that “[t]he paralegal who attempted to file the Rehearing Request reports that everything looked normal and that she specifically remembers choosing to keep the document public before submitting,” and that Petitioner did not oppose an opportunity for late refile of the Rehearing Request. In light of those representations, the Board authorized the delayed filing of the Rehearing Request and Opposition by email correspondence.

<sup>2</sup> U.S. Patent No. 7,636,945 B2.

<sup>3</sup> U.S. Patent No. 5,987,611.

light of the teachings of Freund.” *Id.* at 25. At the same time, we declined Patent Owner’s “request[] that we sanction Petitioner for advancing this ground,” which Patent Owner characterized as “advanc[ing] a frivolous argument, misrepresent[ing] facts, harass[ing] Patent Owner, and caus[ing] an ‘unnecessary increase in the cost of the proceeding.’” *Id.* at 25–26; Paper 9, 13 (citing 37 C.F.R. §§ 42.12(a)(2), (3), and (7)).

In response to the Supreme Court’s decision in *SAS Institute, Inc. v. Iancu*, 138 S.Ct. 1348 (2018), the Board modified the Institution Decision “to include review of all challenged claims and all grounds presented in the Petition.” Order 4. In making that modification, the Board gave effect to Office policy promulgated by the Director that (1) “if the PTAB institutes a trial, the PTAB will institute on all challenges raised in the petition,” and (2) “for pending trials in which a panel has instituted only on some of the challenges raised in the petition (as opposed to all challenges raised in the petition), the panel may issue an order supplementing the institution decision to institute on all challenges raised in the petition.” *Id.* at 2; Office Guidance on the Impact of SAS on AIA Trial Proceedings (“Office SAS Guidance”).<sup>4</sup>

Nevertheless, the panel has remained concerned by inclusion of the Freund-based grounds in this proceeding. In the original Institution Decision, the panel stated that “[i]n light of that extensive prosecution history, we do not find it productive to reconsider patentability of the claims over Freund, even in combination with Chandnani.” Dec. 25. In the Board’s Order modifying the original Institution Decision, we reiterated that

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<sup>4</sup> Available at <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/trials/guidance-impact-sas-aia-trial>.

concern. Order 3 (“we continue to question whether it is productive to [reconsider patentability of the claims over Freund]”). Accordingly, we directed the parties to meet and confer to determine whether agreement could be reached to withdraw the Freund-based challenges from the proceeding. *Id.* The parties reported by email correspondence that they “were not able to come to an agreement regarding the narrowing of issues for trial.” Ex. 3001; *see* Paper 20, 2.

The modification Order includes a dissent that usefully highlights a particular basis for our concern. Order 5–6 & n.3. That is, the Petition maintains the position, rejected by the Examiner after specific and thorough consideration of Freund, that at least all limitations of independent claims 1, 13, and 25 are disclosed by Freund. *See* Pet. 42–56. Without exception, Petitioner’s analysis for every limitation of those independent claims argues that the limitation is disclosed by Freund. *Id.* Chandnani is applied only for a single limitation, requiring that “the parser and analyzer rules describe computer exploits as patterns of types of tokens, tokens being program code constructs, and types of tokens comprising a punctuation type, an identifier type and a function type.” *Id.* at 51–52. For that limitation, the Petition asserts that “Freund teaches or suggests this limitation.” *Id.* at 51. Chandnani is applied in the analysis “[t]o the extent Freund is deemed not to explicitly teach that its parser and analyzer rules include a punctuation type, an identifier type, and a function type.” *Id.* at 52. For its Freund-based challenges, Petitioner thus appears to seek to have the Office reconsider Freund yet again, on issues that were clearly before the Examiner.

Patent Owner requests rehearing of the Board’s modification Order by an expanded panel, and makes two requests: (1) “Patent Owner requests rescission of the Modified Institution Order”; (2) “[i]n the event that the PTAB deems *SAS* to prohibit partial institution of grounds, Patent Owner requests that the Board deny the petition in full or issue an order that it will incorporate by reference its analysis of the ground denied under 35 U.S.C. § 325(d) into its Final Written Decision in this case.” Req. Reh’g 1–2.

## II. EXPANDED PANEL

Our governing statutes and regulations do not provide for parties to request, or panels to authorize, an expanded panel. *See generally* 35 U.S.C. § 6; 37 C.F.R. §§ 41.1–42.412. Our standard operating procedures, however, provide the Chief Administrative Patent Judge with discretion to expand a panel to include more than three judges. PTAB SOP 1, 2–5 (§§ II, III) (Rev. 14); *see id.* at 2 (introductory language explaining that the Director has delegated to the Chief Judge the authority to designate panels under 35 U.S.C. § 6). The Chief Judge may consider panel expansions upon a “suggestion” from a judge, panel, or party. PTAB SOP 1, 3–4; *see also Apple Inc. v. Rensselaer Polytechnic Inst.*, Case IPR2014-00319, slip op. at 2 n.1 (PTAB Dec. 12, 2014) (Paper 20) (expanded panel) (per curiam).

The standard operating procedure exemplifies some of the reasons for which the Chief Judge may expand a panel. PTAB SOP 1, 3 (§ III.A). For example, an expanded panel may be appropriate when “[t]he proceeding or AIA Review involves an issue of exceptional importance” or when “[c]onsideration by an expanded panel is necessary to secure and maintain

uniformity of the Board’s decisions.” *Id.* (§ III.A.1, 2).

In this case, the Chief Judge has considered Patent Owner’s suggestion for an expanded panel, but has determined that an expanded panel is not warranted.

### III. REHEARING

“The burden of showing a decision should be modified lies with the party challenging the decision.” 37 C.F.R. § 42.71(d). When requesting rehearing of a decision, the party must identify specifically all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in the record. *Id.* “When rehearing a decision on petition, a panel will review the decision for an abuse of discretion.” 37 C.F.R. § 42.71(c).

#### A. *Partial Institution*

In its Rehearing Request, Patent Owner distinguishes between two types of “partial institution” of *inter partes* reviews: (1) institution on fewer of the patent *claims* than those challenged in a petition (“partial claim institution”); and (2) institution on fewer *grounds of unpatentability* than those raised in a petition (“partial ground institution”). Req. Reh’g 3. Before the Supreme Court’s decision in *SAS Institute*, the Board sometimes instituted proceedings that fall within each of these characterizations. Our original Institution Decision in this proceeding is an example of the second type of partial institution, “partial ground institution,” because the proceeding was instituted with respect to all challenged patent *claims*, but

not with respect to all asserted grounds of unpatentability. Patent Owner contends that *SAS Institute* is properly read only to prohibit “partial claim institution,” but that “[t]he decision . . . does not pass judgment regarding the propriety of the *other* type of partial institution decision,” i.e., “partial ground institution.” *Id.*

Patent Owner also correctly observes that the Office *SAS* Guidance reflects the Director’s determination “no longer [to] exercise the power to institute trial on fewer than all *grounds* raised in a Petition.” *Id.* at 3. But according to Patent Owner, “this guidance is not demanded by the *SAS* decision and will have significant negative effects on the ability of the PTAB to utilize the full statutory schema of the AIA.” *Id.* at 3–4.

Patent Owner’s position is untenable in light of binding precedential authority of the Federal Circuit. *Adidas AG v. Nike, Inc.*, 2018 WL 3213007 (Fed. Cir. 2018). In *Adidas*, the Federal Circuit considered precisely the argument made by Patent Owner. *Id.* at \*1 (“Nike responds that *SAS* is ‘irrelevant to the present appeal’ because *SAS* requires only institution as to all claims, as was done here, and that Adidas has waived any ‘all grounds’ argument by failing to present it to the Board.”). In rejecting that argument, the Federal Circuit states: “The Court found that ‘the petitioner’s petition, not the Director’s discretion, is supposed to guide the life of the litigation,’ and ‘that the petitioner’s contentions, not the Director’s discretion, define the scope of the litigation all the way from institution through to conclusion.’” *Id.* at \*2 (citations omitted).

Accordingly, absent agreement by the parties to narrow the issues, binding legal authority precludes us from proceeding on the Chandnani grounds separate from the Freund-based grounds.

*B. Incorporation of Institution-Decision Reasoning*

Patent Owner asserts that “it would be appropriate for the Board’s Institution Decision to indicate that—unless the Patent Owner chooses to address the merits of grounds that do not meet the threshold for institution in its Patent Owner Response—it will incorporate by reference or repeat its Institution Decision analysis in the Final Written Decision.” Req. Reh’g 5. We disagree that this is an appropriate action because it would effectively prejudge a portion of the proceeding based on a preliminary record. *See TriVascular, Inc. v. Samuels*, 812 F.3d 1056, 1068 (Fed. Cir. 2016) (“[T]he Board is not bound by any findings made in its Institution Decision. At that point, the Board is considering the matter preliminarily without the benefit of a full record. The Board is free to change its view of the merits after further development of the record, and *should do so* if convinced its initial inclinations were wrong.”).

Whatever our initial impressions of the strength of a petitioner’s case, granting of a petition and institution of a proceeding requires that we permit the evidence and arguments to be developed so that the final written decision be based on a full record. That is especially the case here, where our initial denial of the Freund-based grounds did not result from an evaluation of their merits but from a discretionary decision not to proceed with consideration of art that had been thoroughly evaluated by the Examiner. *See SAS Institute*,

138 S.Ct. at 1357 (“the petitioner’s contentions, not the Director’s discretion, define the scope of the litigation all the way from institution to conclusion”).

Accordingly, we decline to adopt Patent Owner’s proposal. For the same reasons, we also decline Patent Owner’s invitation to “hold a preliminary hearing to narrow the scope or dispose of proceedings.” Req. Reh’g 8–10.

### *C. Termination*

“In the event that the Board does not agree with the proposed post-*SAS* procedure outlined herein and determines that the trial must be instituted on all grounds or none, Patent Owner requests that the proceedings be terminated pursuant to 35 U.S.C. § 325(d).” Req. Reh’g 10. In making this request, Patent Owner raises important issues regarding the interplay of *SAS Institute* and 35 U.S.C. § 325(d). The panel is sensitive to Patent Owner’s concern that

Under the full-institution full-review paradigm laid out in the Board’s Modified Institution Order and envisioned by the Guidelines, Patent Owners will be forced to defend against the very types of harassing challenges that these sections of the America Invents Act [35 U.S.C. §§ 314(a) and 325(d)] were designed to prevent, namely to “prevent parties from mounting attacks on patents that raise issues that are substantially the same as issues that were already before the Office with respect to the patent.”

*Id.* at 6 (quoting 157 Cong. Rec. S1360 at S1376 (Mar. 8, 2011) (remarks of Senator Kyl); citing H.R. Rep. No. 112-98, pt. 1, at 48 (2011) (warning the AIA’s procedures should not be used as tools for harassment)).<sup>5</sup>

Nevertheless, like Petitioner, the panel “is not aware of a single case where a partially-instituted IPR was de-instituted post-*SAS*, as requested by Patent Owner.” Opp. 5. The panel is sympathetic to the position in which institution of the Freund-based grounds places Patent Owner. If now faced with the Petition in the first instance, and understanding that we have only a “binary choice,” it may well be appropriate to deny the Petition in its entirety. But we have been instructed that the Office *SAS* Guidance is to be interpreted with the weight of Office policy as precluding termination of a partially instituted proceeding in response to *SAS Institute*. Given that constraint, we are not persuaded that we abused our discretion in our modification Order to include review of all challenged claims and all grounds presented in the Petition. *See* 37 C.F.R. § 42.71(c).

Thus, notwithstanding the panel’s significant reservations, we continue to give effect to the Director’s policy guidance, and deny Patent Owner’s Rehearing Request.

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<sup>5</sup> The panel disagrees with Petitioner’s assertion that “*SAS* requires institution on all claims and all grounds when Petitioner shows a reasonable prospect of success on one claim.” Opp. 2 (capitalization omitted). That is, we do not understand the Supreme Court’s direction that the statute provides us only with a “binary choice—either institute review or don’t”—to preclude discretionary denials that are also expressly contemplated by statute. *See SAS Institute*, 138 S.Ct. at 1355.

IV. ORDER

It is

ORDERED that Patent Owner's request for rehearing by an expanded panel is *denied*; and

FURTHER ORDERED that Patent Owner's Rehearing Request is *denied*.

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