

**UNITED STATES PATENT AND TRADEMARK OFFICE**

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**BEFORE THE PATENT TRIAL AND APPEAL BOARD**

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MICROSOFT CORPORATION

Petitioner,

v.

SAINT REGIS MOHAWK TRIBE,

Patent Owner.

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IPR2018-01594  
Patent 6,434,687 B2

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**PETITIONER MICROSOFT CORPORATION'S REPLY TO PATENT  
OWNER'S PRELIMINARY RESPONSE TO MICROSOFT'S PETITION  
FOR INTER PARTES REVIEW OF U.S . PATENT NO. 6,434,687**

## **I. INTRODUCTION**

In its Preliminary Response, SRMT made the unique assertion that the Board should exercise its discretion under 35 U.S.C. § 314(a) to deny institution of Microsoft's IPRs due to the market activities of SMRT's non-exclusive licensee, SRC. Because SRC's activities cannot favor the exercise of discretion under § 314(a) to deny institution, this argument should be rejected and the Board should institute on all of Microsoft's petitions.

## **II. FACTUAL BACKGROUND**

Between August 24, 2018 and September 6, 2018, Microsoft filed the IPR petitions that are the subject of these proceedings. Between January 15, 2019 and February 6, 2019, Patent Owner Saint Regis Mohawk Tribe ("SRMT") filed its preliminary responses.

Among other things, SRMT argued that the Board should exercise its discretion under 35 U.S.C. § 314(a) to deny institution due to the activities of SRC, allegedly a non-exclusive licensee of the challenged patents. SRMT contends that SRC is "a sole-source supplier" for the U.S. Army's TRACER program, and therefore it is in the best interests of the United States to "keep companies like SRC/DirectStream healthy and unencumbered so they focus on new technology development." Prelim. Resp. at 7-8.

Microsoft requested authorization to reply to this argument and, after a

February 15, 2019 conference call, the Board granted Microsoft permission to file the present reply.

### III. ARGUMENT

#### The Board Should Not Exercise Its Discretion to Deny Institution

Under 35 U.S.C. § 314(a), the Board has “discretion not to institute” an IPR proceeding. *Arista Networks, Inc. v. Cisco Sys., Inc.*, 908 F.3d 792 (Fed. Cir. 2018); *see also Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. \_\_\_, 136 S. Ct. 2131, 2140 (2016). With the goal of ensuring the “efficiency of the *inter partes* review process and fundamental fairness of the process for all parties,” the exercise of this discretion has typically been reserved for cases involving unjustified serial filings of IPR petitions against the same patent. *See General Plastic Indus. Co., Ltd. v. Canon Kabushiki Kaisha*, Case IPR2016–01357, Paper 19 at 9-10 (PTAB Sept. 6, 2017) (precedential). This discretion has also infrequently been used to deny institution where parallel judicial proceedings (either at the PTAB, district courts, or ITC) are so far advanced that an independent ruling on the patent’s validity would likely occur before the conclusion of the IPR. *See Trial Practice Guide Update* (August 2018) at 10; *NetApp, Inc. v. Realtime Data LLC*, Case IPR2017-01195, slip op. at 12–13 (PTAB Oct. 12, 2017) (Paper 9).

None of those considerations apply here. Microsoft has never before filed IPR petitions against the patents at issue in these proceedings, which were filed

only after SRMT sued Microsoft on the patents. Microsoft was therefore simply taking advantage of proceedings that Congress created specifically as an additional avenue for challenging the validity of issued patent claims. This case thus presents a fact situation nearly identical to many hundreds of IPR proceedings the Board has instituted in the six years since passage of the America Invents Act. Finally, the district court has stayed SRMT's case against Microsoft, which was at the time many months away from trial, in favor of these IPR proceedings. *See* Ex. 2020.

Notably, SRMT has provided no cases in which discretion under § 314(a) has been invoked to deny institution of an IPR based on a desire to protect the market position of the Patent Owner's non-exclusive licensee, or on any similar interest. That is not surprising, since use of the Board's discretion under § 314(a) to deny institution in such a case would be inappropriate.

*First*, the Board's decision under that statute is by its terms focused on the merits of the patentability challenge contained in the petition. *See* 35 U.S.C. § 314(a) (linking institution to "a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.") And, in the past, the Board's exercise of discretion under that statute has focused on the efficient administration and efficiency of IPR proceedings. *NetApp, Inc.*, Case IPR2017-01195, slip op. at 12–13 (PTAB Oct. 12, 2017) (Paper 9); *Intel Corp. v. Qualcomm, Inc.*, IPR2018-01153, slip op. at 13–14 (PTAB Jan. 16, 2019) (Paper

9). The interests of one company in one government contract, which company has no relationship to these proceedings beyond a non-exclusive license to the patents, hardly qualifies as that type of consideration.

*Second*, SRMT has failed to demonstrate that SRC has anything to do with the claims challenged here. It provides no information, for example, to demonstrate that SRC actually sells a product practicing any of the challenged claims, or why a finding of unpatentability might interfere with SRC's ability to make or sell such products. Nor does it provide any evidence to suggest that the claimed inventions have anything to do with "national security interests," nor even identifies what such interests are supposedly at stake. SRMT also provides no evidence that the United States, or Lockheed, would be unable to obtain replacement products from another source should SRC stumble in the market.

Indeed, from SRMT's submissions it appears that the real interest the Board is being asked to protect by denying institution is that because, if it does not, SRC may choose to "spend time or money" on these proceedings. *See* Prelim. Resp. at 8; Ex. 2032 at ¶23. That someone may be required to spend time or money to participate in an IPR cannot, of course, be a proper basis for the Board's discretion, as it would be applicable in every case. Relying on that fact to deny institution would therefore defeat the entire purpose of these proceedings.

And that leads to the *third* reason this argument should be rejected. Even if

one were to assume that the patent claims at issue here cover technology that is useful to the United States government, a finding that those claims are not patentable would be squarely in the government's interest, as it would remove any monopoly pricing ability provided by SRMT's invalid patents. The government would thus be able to source its technology from multiple sources, or at least have the option to, and pay no more than the market price, a result clearly in the interest of the United States government, and all Americans.

### CONCLUSION

Accordingly, for the reasons set forth above, SRMT's argument that the Board should exercise its discretion to deny institution under § 314(a) should be rejected.

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Respectfully Submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that on February 28, 2019, a copy of the foregoing document has been served via e-mail on the following:

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