

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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MIRCOSOFT CORPORATION,  
Petitioner

v.

RAMZI KHALIL MAALOUF<sup>1</sup>,  
Patent Owner.

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IPR2020-00483  
Patent 9,503,627 B2

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Before BRIAN J. McNAMARA, KEVIN C. TROCK, and  
JASON W. MELVIN, *Administrative Patent Judges*.

McNAMARA, *Administrative Patent Judge*.

DECISION  
Denying Patent Owner's Request For Rehearing on Institution  
*37C.F.R. § 42.71(d)*

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<sup>1</sup> This case has been re-captioned to reflect a change in ownership of the subject patent. At the time of the Rehearing Request, the case was captioned Microsoft, Inc. v. Dareltech, LLC.

## I. INTRODUCTION

On September 30, 2020, Dareltech, LLC (“Patent Owner”)<sup>2</sup>, who then owned challenged U.S. Patent No. 9,503,627 (“the ’627 patent”), filed a Request for Rehearing (Paper 13, “Req. Reh’g.”) of our Decision Granting Institution of *Inter Partes* Review entered on September 16, 2020.<sup>3</sup> (Paper 11, “Dec. to Inst.”). On September 30, 2020, Patent Owner also filed a Request for Precedential Opinion Panel (“POP Request”). Ex. 3001. On October 26, 2020, an order issued denying Patent Owner’s POP Request. Paper 15. We now address Patent Owner’s Request for Rehearing.

When rehearing a decision on institution, the Board reviews the decision for an abuse of discretion. 37 C.F.R. § 42.71(c). An abuse of discretion may arise if the decision is based on an erroneous interpretation of law, if a factual finding is not supported by substantial evidence, or if an unreasonable judgment is made in weighing relevant factors. *Star Fruits S.N.C. v. U.S.*, 393 F.3d 1277, 1281 (Fed. Cir. 2005); *Arnold P’ship v.*

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<sup>2</sup> Although Dareltech LLC recently assigned the ’627 patent to Ramzi Khalil Maalouf, the Request for Rehearing was filed by Dareltech LLC. For purposes of consistency with the previously filed pleadings, “Patent Owner” as used herein refers to Dareltech LLC, unless otherwise indicated.

<sup>3</sup> Patent Owner’s Request for Rehearing also states “Patent Owner is simultaneously requesting a Precedential Opinion Panel by contacting the appropriate e-mail address, as instructed in the relevant Standard Operating Procedure.” Req. Reh’g. 1. Patent Owner also states it “is one of eight parties who filed a motion to intervene on September 14, 2020 in *Apple v. Iancu*, Case No. 5:20-CV-06128-EJD, ECF#28” and its “POP request is without prejudice to Patent Owner’s arguments against lawfulness of ‘precedential’ designations as a substitute for regulation promulgation.” *Id.* at 1, 13.

*Dudas*, 362 F.3d 1338, 1340 (Fed. Cir. 2004); *In re Gartside*, 203 F.3d 1305, 1315–16 (Fed. Cir. 2000).

The burdens and requirements of a request for rehearing are stated in 37 C.F.R. § 42.71(d):

(d) Rehearing. . . . The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

We address below the matters Patent Owner asserts we overlooked or misapprehended.

For the reason discussed below, Patent Owner’s Request for Rehearing is DENIED.

## II. ANALYSIS

### A. *Issues Under Section 325(d)*

Patent Owner contends that the Decision to Institute failed to apply properly the precedential Board decision in *Advanced Bionics, LLC v. MED-EL Elektromedizinische Geräte GmbH*, IPR2019-01469, Paper 6 at 8 (PTAB Feb. 13, 2020) (precedential). Patent Owner notes that under *Advanced Bionics* where the same or substantially the same art was presented to the Office, the Director will generally exercise discretion not to institute *inter partes* review if a petitioner fails to make a showing of material error by the Office. *Id.* at 2–3. Patent Owner, however, did not acknowledge that the guidance in *Advanced Bionics* was announced ten days *after* Microsoft

Corporation (“Petitioner”) filed its Petition.<sup>4</sup> Nevertheless, as discussed below, we considered the issue under *Advanced Bionics* in our Decision to Institute and concluded the Petition demonstrated material error as to the single reference (Rosenhan) cited in both the Petition and in an Information Disclosure Statement during the prosecution of the application that led to the issue of the ’627 patent. The Decision to Institute also addressed Patent Owner’s contentions concerning the teachings of Kim, Fromm, Fenton, and Bolton, all of which were not part of the prosecution history, as discussed below.

*1. Rosenhan (asserted in ground 1 against claim 29 and in ground 2 against claim 37)*

The Decision to Institute does not overlook Patent Owner’s arguments concerning Rosenhan. The Decision to Institute recognized both (i) Petitioner’s assertion that Rosenhan was listed on the face of the ’627 patent, and (ii) Patent Owner’s assertion that the prosecution history of the ’627 patent demonstrates Rosenhan was considered by the Examiner. Dec. to Inst. 18 (citing Pet. 4, Prelim. Resp. 24–25).

As *Advanced Bionics* had not been issued when the Petition was filed, we do not hold the Petition to recite the exact wording of *Advanced Bionics* that– “the Office erred in a manner material to the patentability of the challenged claims.” Nevertheless, we reviewed the challenges in the Petition and the prosecution history to assess whether Petitioner had demonstrated material error by the Office. We noted that challenged claim 29 (application claim 50) was allowed after it was amended to include

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<sup>4</sup> The Petition has been accorded a filing date of February 3, 2020. The decision in *Advanced Bionics* was issued on February 13, 2020 and designated precedential on March 24, 2020.

command keys positioned on the handle. Dec. to Inst. 19; *see also* Pet. 15–16 (discussing prosecution history and the Examiner’s identification of allowable subject matter). We also found persuasive Petitioner’s arguments that these same features are found in Rosenhan. *Id.* (referencing Pet. 31–33). As a result, we determined that the Office’s failure to recognize Rosenhan discloses features that prompted the Examiner to allow the claims was an error material to the patentability of the challenged claims. *Id.* Patent Owner’s Request for Rehearing does not dispute the substance of this analysis. Req. Reh’g. 2–5.

Patent Owner’s argument that our approach “bootstraps” reasonable likelihood of success into the analysis of Office error is incorrect. Req. Reh’g. 5. Our analysis of the Office’s error focuses on the features that led the Examiner to allow the claim. Dec. to Inst. 19. That analysis is separate and distinct from our analysis of whether Petitioner demonstrated a reasonable likelihood of success by showing the reference teaches each of the elements of the claim to a person of ordinary skill. *Id.* at 23–25.

Therefore, we deny Patent Owner’s Request for Rehearing on this basis.

2. *Kim (asserted in Ground 2 against claim 37), Fromm, Fenton, and Bolton (asserted in ground 3 against claims 29 and 37)*

Having determined that, in light of the prosecution history, Petitioner demonstrated the existence of material error in allowing the claims over Rosenhan and that Petitioner had shown a reasonable likelihood of success in its challenges based on Rosenhan, we did not exercise discretion to deny institution.

We acknowledged Petitioner’s assertion that Kim, Fromm, Fenton, and Bolton were not part of the ’627 patent’s prosecution history. Dec. to Inst. 19 (citing Pet. 4). Patent Owner argued that Petitioner had not shown Fromm, Fenton, and Bolton are not substantially the same as the art the Examiner did consider. Prelim. Resp. 24–25. Patent Owner argued “[g]enerally speaking, Fromm relates to a handle, Fenton relates to a holder, and Bolton relates to a wireless controller. These are not surprising hidden prior art material to the patentability analysis by the examiner.” Prelim. Resp. 25. The Petition, however, identifies specific disclosure that teaches the limitations of claims 29 and 37, including the limitations that prompted allowance of these claims. Pet. 34–41 (Ground 2, claim 37 obvious over Rosenhan and Kim), *id.* at 42–65 (Ground 3, claims 29 and 37 obvious over Rosenhan, Fromm, Fenton). Patent Owner’s argument is not persuasive because it refers to the general subject matter of these references but does not address any of the limitations of the claims or the substance of why limitations added by amendment prompted allowance. The Decision to Institute could not overlook or misapprehend this argument because Patent Owner did not identify any specific art the Examiner considered that is substantially the same as the newly cited references. *See id.* As Patent Owner’s arguments in the Request for Rehearing concerning the Examiner’s citation of Zacuto (Req. Reh’g. 8) were not made in the Preliminary Response, we could not have overlooked or misapprehended them.

In view of the above, we decline to grant rehearing on this basis as well.

B. *Issues Under Section 316(b)*

Patent Owner argues that the Decision to Institute “overlooked the statutory duty under 35 U.S.C. § 316(b) to consider the effect on the economy and the integrity of the patent system.” Req. Reh’g. 9. Patent Owner argues “[t]he Institution Decision failed to substantively address several rationale raised by Patent Owner for discretionary denial based on the negative effect of institution on the economy and integrity of the patent system” and that “[t]hese are factors the Director is required to consider under 35 U.S.C. § 316(b) in connection with institution.” *Id.* According to Patent Owner the Director was required to consider the following factors: “[f]irst, Patent Owner . . . is a small entity [that] lacks funding for the required legal fees for a trial proceeding” (*id.* at 9–10), “[s]econd, Patent Owner pleaded that disproportionate financial strength and risk exposure to the parties warrants denial of institution due to harm to the economy” and “[t]he only way Patent Owner might one day enforce its patent is to obtain contingency representation that is not available for a PTAB trial” (*id.* at 10–11), and “[f]inally, Patent Owner established that institution is the trigger which would cause Chinese manufacturers not to pay licensing fees into the United States that they would otherwise be obligated to pay” (*id.* at 11–12).

Section 316 (b) reads as follows:

CONSIDERATIONS.—In prescribing regulations under this section, the Director shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office and the ability of the Office to timely complete proceedings instituted under this chapter.

35 U.S.C. § 316(b)(2012). Section 316(b) pertains to the Director’s prescription of regulations concerning proceedings commenced under the

post-grant review provisions of the Leahy-Smith America Invents Act (AIA). *See* 35 U.S.C. § 311 (note). The considerations enumerated in section 316(b) inform the exercise of the Director’s discretion under 35 U.S.C. § 314(a), as set forth in the November 2019 Patent Trial and Appeal Board Consolidated Trial Practice Guide.<sup>5</sup>

Here, as discussed below, the Decision to Institute weighed the factors argued in the Preliminary Response concerning discretionary denial of institution under Section 314(a). Section 314(a) states “the Director may not authorize an *inter partes* review unless the Director determines the information presented in the petition . . . shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” Although Section 314(a) does not require the Director to institute *inter partes* review in any particular case (*see Oil States Energy Servs., LLC v. Greene’s Energy Grp.*, 138 S. Ct. 1365, 1371 (2018)), the Decision to Institute concluded that the Petition in this case satisfied the requirements for institution under Section 314(a) and that the circumstances of this case do not support exercising discretion to deny Petitioner its ability under the statute to obtain *inter partes* review.

To a large extent, the arguments presented in the Preliminary Response are not related to the economy generally but, instead, are particular to Patent Owner. We recognize that Patent Owner would extrapolate its own financial circumstances to “similarly-situated small entities” or to the economy as a whole, but this arguments lacks sufficient evidentiary support. *See* Req. Reh’g. 9–11. Moreover, while relying on section 316(b) effect on

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<sup>5</sup> Available at <https://www.uspto.gov/TrialPracticeGuideConsolidated>.

the economy consideration, Patent Owner's Request for Rehearing does not address that same section's requirement to consider the integrity of the patent system, especially in view of our finding that the '627 patent prosecution included an error that was material to the determination of patentability of the challenged claims.

Nonetheless, in declining to deny institution, the Decision to Institute thoroughly and fully considered Patent Owner's financial circumstances described in the Preliminary Response. Dec. to Inst. 10–12. We also fully considered and addressed Patent Owner's other arguments for discretionary denial. *Id.* at 12–17 (addressing Patent Owner's arguments about its reliance on the patent, the balance of equities, and the benefit to the economy).

Our conclusion that Patent Owner's current financial circumstances are not sufficient reason to preclude Petitioner from pursuing its statutory rights to challenge the patentability of the claims in an *inter partes* review is based on a consideration of all the factors before us. Among those factors is the recognition that the one year time bar for filing a petition for *inter partes* review under Section 315(b) was about to expire, and that because Patent Owner's contingent fee litigation against Petitioner's strategic partner and real party-in-interest, Xiaomi, was dismissed without prejudice, Patent Owner remains free to sue Petitioner's real party-in-interest to this proceeding. Dec. to Inst. 12 (citing Pet. 9; *see* Ex. 1013, 20).

Thus, while Petitioner and its real party-in-interest remain at risk for a future suit under the '627 patent, *inter partes* review is time limited to one year after service of the original complaint, because Patent Owner sued Petitioner's real party-in-interest. Thus, whatever Patent Owner's current circumstances may be, Petitioner and its real party-in-interest will continue

to face the prospect of Patent Owner initiated litigation by its own admission, such as when Patent Owner’s financial circumstances permit or Patent Owner engages counsel on a contingent fee basis. *See* Req. Reh’g.10 (acknowledging the possibility of future contingent representation to enforce the patent).

In view of the above, we find that Patent Owner has not established that the Decision to Institute overlooked or misapprehended any pertinent matter and we deny rehearing on this basis.

C. *Parallel Federal Litigation concerning Notice and Comment Rulemaking*

Patent Owner asserts that it is “one of eight parties who filed a motion to intervene on September 14, 2020 in *Apple v. Iancu*, Case No. 5:20-CV-06128-EJD, ECF#28” (the “Rulemaking Litigation”) concerning “discretionary considerations for the finding of section 314(a) ‘sufficient grounds’ to institute.” Req. Reh’g 13. Patent Owner notes that “[o]n September 24, 2020, the lead proposed intervenor (US Inventor, Inc.) filed an Application for a Temporary Restraining Order and Motion for Entry of a Preliminary Injunction Against the Director of the United States Patent and Trademark Office (ECF#34)” (the Motion) and states “US Inventor speaks for Patent Owner.” *Id.* at 14.

The Preliminary Response was filed on June 18, 2020, i.e., months before Patent Owner moved to intervene in the Rulemaking Litigation, and does not make any reference to the Rulemaking Litigation. *See* Prelim. Resp. The Decision to Institute issued September 16, 2020, before US Inventor, speaking for Patent Owner, filed the Motion. Nevertheless, “Patent Owner submits that these intervening events should independently give rise to rehearing, including POP review.” *Id.* As noted above, on

October 26, 2020, an order issued denying Patent Owner's POP Request. Paper 15. Furthermore, Patent Owner fails to direct us to any argument or evidence indicating that Patent Owner could not have filed its own complaint or motion for preliminary injunction in district court preceding the Patent Owner's Preliminary Response such that these arguments could have been timely raised. As none of the issues concerning the Rulemaking Litigation were raised prior to Patent Owner's Request for Rehearing, we could not have overlooked or misapprehended them in our Decision to Institute.

Additionally, we are not persuaded by Patent Owner's argument that our Decision should be reheard or stayed based on the Rulemaking Litigation. Although US Inventor has filed an Application for a Temporary Restraining Order and Motion for Entry of a Preliminary Injunction, such a request is premature until such requests have been granted. Even further, our reconsideration or stay of our Decision must be tailored to the contours of the orders issued by the parallel district court, if granted.

Therefore, we deny Patent Owner's Request for Rehearing on this basis as well.

D. *Conclusion*

Patent Owner's request for rehearing does not demonstrate that any matter raised in the Preliminary Response was overlooked or misapprehended.

ORDER

In consideration of the above, Patent Owner's Request for Rehearing is DENIED.

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PETITIONER

Derrick Toddy  
Andrew Mason  
John Vandenberg  
KLARQUIST SPARKMAN, LLP  
[derrick.toddy@klarquist.com](mailto:derrick.toddy@klarquist.com)  
[Andrew.mason@klarquist.com](mailto:Andrew.mason@klarquist.com)  
[John.vandenberg@klarquist.com](mailto:John.vandenberg@klarquist.com)

PATENT OWNER

Ramzi K. Maalouf  
[ram@omegaus.com](mailto:ram@omegaus.com)