

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

**AMAZON.COM, INC.,
AMAZON.COM SERVICES LLC,
AMAZON WEB SERVICES, INC., and
AUDIBLE, INC.,**
Petitioners,

v.

AUDIO POD IP, LLC,
Patent Owner.

Case No. IPR2025-01003
U.S. Patent No. 9,729,907

PETITIONERS' SUR-REPLY REGARDING DISCRETIONARY DENIAL

I. The Settled-Expectations Standard Violates the APA.

PO wrongly asserts that no APA violation occurred because Petitioners are getting an opportunity to be heard in the present briefing. (Paper 16 (“PO Rep.”) at 1-2.) PO relies on *TQ Delta, LLC v. DISH Network LLC*, 929 F.3d 1350, 1356 (Fed. Cir. 2019), but that case is inapposite. *TQ Delta* addressed 5 U.S.C. § 554(b), which dictates that “[p]ersons entitled to notice of an agency hearing shall be timely informed of ... the matters of fact and law asserted.” 929 F.3d at 1354-55, 1354 n.2. The appellant there argued that the PTAB violated § 554(b) by failing to provide advance notice of a claim construction applied in a final written decision. *Id.* The Federal Circuit rejected this argument because the appellant received notice that satisfied § 554(b). *Id.* at 1356. But here, Petitioners do not rely on § 554(b).

Petitioners’ APA challenges rely on the fact that the Office’s settled-expectations standard is contrary to Federal Circuit precedent, the IPR statute, Congressional intent, and the APA’s rulemaking procedures. (Paper 14 (“Opp.”) at 18-22.) Merely allowing Petitioners to “be heard” does not give the Office free rein to violate the law in these ways. PO raises four incorrect arguments to the contrary.

First, PO argues that the settled-expectations standard does not contravene *Celgene Corp. v. Peter*, 931 F.3d 1342 (Fed. Cir. 2019). (PO Rep. at 2.) But PO admits that *Celgene* held that “patent owners *do not* have an unfettered expectation of immunity from IPR based on a patent’s issue date[.]” (*Id.* (emphasis added).)

The premise of the Office’s settled-expectations standard is precisely the opposite of this admitted holding from *Celgene*. Thus, the standard contradicts *Celgene*.

Second, PO argues “there is no presumptive bar to challenging patents more than six years old.” (PO Rep. at 2-3 (cleaned up).) But the discretionary denial rate for patents over six years old is 90%. DeFosse, *Data Undermines USPTO’s ‘Settled Expectations’ Doctrine*, Law360 (Aug. 29, 2025). And the Office routinely issues discretionary denials where a patent’s age is the *sole* factor disfavoring institution. *E.g., Kahoot! AS v. Interstellar Inc.*, IPR2025-696, Paper 12 (PTAB July 31, 2025).

The Office’s claim that it is applying a “holistic assessment” rather than a bright line rule is not sufficient to avoid APA scrutiny. *Texas v. United States*, 787 F.3d 733, 763 (5th Cir. 2015) (purported “case-by-case” analysis was “merely pretext”). The decisions applying “settled expectations” show that the Office has created a presumptive rule. And a presumptive rule can violate the APA even if the presumption is rebuttable. *Texas Med. Ass’n v. U.S. Dep’t of Health & Hum. Servs.*, 587 F. Supp. 3d 528, 540-43 (E.D. Tex. 2022); *see also Nat’l Min. Ass’n v. Dep’t of Lab.*, 292 F.3d 849, 865 (D.C. Cir. 2002) (setting aside agency’s presumptive rule).

Third, PO argues that the Stewart Memo provides “reasons” for adopting the presumptive six-year bar. (PO Rep. at 3.) But that is incorrect. The memo merely listed “settled expectations” as one of several bullet points, without explaining what facts would give rise to such expectations or disclosing that a presumptive bar would

apply after six years. (Opp. at 16.) Because the memo did not mention the six-year bar at all, it failed to give any reasons for such a bar. The memo also failed to recognize that it was creating a retroactive rule and therefore failed to account for reliance interests. (*Id.* at 20-21.) Thus, the memo did not satisfy the APA. (*Id.*)

Fourth, PO argues that the settled-expectations standard is exempt from notice-and-comment rulemaking because it is a general statement of policy rather than a substantive rule. (PO Rep. at 4.) However, “a ‘general statement of policy’ is one that *does not* impose any rights and obligations”, *Am. Bus Ass’n v. United States*, 627 F.2d 525, 529 (D.C. Cir. 1980) (emphasis added), and “does not establish a ‘binding norm.’” *Pac. Gas & Elec. Co. v. Fed. Power Comm’n*, 506 F.2d 33, 38 (D.C. Cir. 1974). Here, the settled-expectations standard seeks to impose a “binding norm” against IPR challenges to patents over six years old and a corresponding obligation to file IPRs within six years of a patent’s issuance. Thus, it is a substantive rule subject to notice-and-comment requirements. (Opp. at 21-22.) The Office did not comply with these requirements, so the rule violates the APA. (*Id.*)

II. PO’s Due Process Arguments Are Meritless.

PO first argues that because the Office has discretion to not institute an IPR, Petitioners were not deprived of any protected property interest. (PO Rep. at 4.) But PO fails to acknowledge, much less rebut, Petitioners’ showing that prior Office policy created self-imposed limits on its discretion. (*E.g.*, Opp. at 22-23.) PO does

not dispute that such self-imposed limits can create a constitutionally protected property interest. (*Id.*) Thus, the facts here are distinguishable from the cases on which PO relies (*Am. Mfrs. and Castle Rock*), where no property interest existed. The Due Process clause protected Petitioners’ right to *not* have this IPR denied based on the mere age of the patent. *See Brown v. Eppler*, 725 F.3d 1221, 1226 (10th Cir. 2013) (self-imposed limits on discretion can create a property interest); *Furlong v. Shalala*, 156 F.3d 384, 395 (2d Cir. 1998) (“constant, consistent pattern of ALJ decisions” created a property interest); *Logan v. Zimmerman Brush Co.*, 455 U.S. 422, 429-30 (1982) (protecting right to “established adjudicatory procedures”).

PO also argues that the Due Process clause is satisfied because Petitioners have the opportunity to be heard in this briefing. (PO Rep. at 4-5.) PO cites *Alberico v. United States*, 783 F.2d 1024, 1027 (Fed. Cir. 1986), but that case is inapposite. *Alberico* stated in dicta that an opportunity to be heard satisfied Due Process when the challenged government action was discharging a convicted felon from the military. *Id.* at 1027. But *Alberico* does not control here because Petitioners do not challenge any termination of military service or other government employment. Rather, Petitioners challenge a retroactive reversal of a long-established policy. For such retroactive policy changes, the Due Process clause requires more than a belated opportunity to be heard after the policy has already changed. *See Fuentes v. Shevin*, 407 U.S. 67, 81 (1972) (“If the right to notice and a hearing is to serve its full

purpose, then, it is clear that it must be granted at a time when the deprivation can still be prevented”). Petitioners’ opportunity to be heard now does not allow them to wind back the clock and file an IPR within six years of the challenged patent’s issuance. Because the Office changed its policy retroactively, the Due Process clause demands a reasoned explanation for the change in position and an effort to account for reliance interests when changing course. (Opp. at 23-24.) The Office failed to meet these requirements and therefore violated the Constitution. (*Id.*)

III. Petitioners’ Claim Construction Positions Are Consistent.

PO mischaracterizes Petitioners’ claim construction position by asserting that Petitioners have applied a “broader plain and ordinary meaning” in this IPR. (PO Rep. at 5.) PO is incorrect. Petitioners’ position here is that no claim construction is necessary because PO’s claims are invalid under *any* reasonable construction. (*E.g.*, Opp. at 32-35.) This does not contradict any of Petitioners’ positions in district court. Petitioners never argued in district court that any construction was necessary to establish invalidity in view of the prior art.

PO’s reliance on *Sun Pharm. Indus., Inc. v. Nivagen Pharms., Inc.*, IPR2025-00893, Paper 18 at 2 (P.T.A.B. Sept. 19, 2025), is misplaced. In *Sun*, the petitioner explicitly advocated for a “broader plain and ordinary meaning” in its Petition. (*Sun*, IPR2025-00893, Paper 1 at 13 n.2.) Not so here. Thus, *Sun* is inapposite.

The Director should reject PO’s request for discretionary denial.

Respectfully submitted,

MORGAN, LEWIS & BOCKIUS LLP

September 30, 2025

/ Colin B. Heideman /

Colin B. Heideman (Reg. No. 61,513)

Jeremy A. Anapol (Reg. No. 75,686)

Christie R.W. Matthaei (Reg. No. 77,806)

Nathan D. Reeves (Reg. No. 77,806)

Logan P. Young (Reg. No. 79,294)

MORGAN, LEWIS & BOCKIUS LLP

Joseph R. Re (Reg. No. 31,291)

Daniel Hughes (Reg. No. 76,592)

KNOBBE MARTENS OLSON & BEAR, LLP

Counsel for Petitioners

AMAZON.COM, INC.,

AMAZON.COM SERVICES LLC,

AMAZON WEB SERVICES, INC., and

AUDIBLE, INC.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing **PETITIONERS’ SUR-REPLY REGARDING DISCRETIONARY DENIAL** is being served on September 30, 2025, via e-mail on counsel of record for Patent Owner at the address below:

Steven J. Reynolds
Kevin H. Sprenger
Chandran B. Iyer
Erin Hadi
Louay Meroueh

Jason A. Fitzsimmons
Michael D. Specht
Nirav N. Desai
Richard M. Bemben
Jennifer Meyer Chagnon
Xiaowei Jin

Daignault Iyer LLP
8229 Boone Blvd., Suite 450
Vienna, VA 22182
sreynolds@daignaultiyer.com
ksprenger@daignaultiyer.com
cbiyer@daignaultiyer.com
ehadi@daignaultiyer.com
lmeroueh@daignaultiyer.com

Sterne, Kessler, Goldstein & Fox PLLC
1101 K Street, NW, 10th Floor
Washington, DC 20005
jfitzsimmons-PTAB@sternekessler.com
mspecht-PTAB@sternekessler.com
ndesai-PTAB@sternekessler.com
rbemben-PTAB@sternekessler.com
jchagnon-PTAB@sternekessler.com
xjin-PTAB@sternekessler.com

DI-AudioPod@daignaultiyer.com

PTAB@sternekessler.com

September 30, 2025

/ Colin B. Heideman /
Colin B. Heideman (Reg. No. 61,513)
MORGAN, LEWIS & BOCKIUS LLP