

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.
Petitioner

v.

VOIP-PAL.COM, INC.
Patent Owner

Case No. IPR2016-01201
Patent 8,542,815

**PETITIONER'S MOTION FOR ENTRY OF JUDGMENT IN FAVOR OF
PETITIONER AS A SANCTION FOR
IMPROPER *EX PARTE* COMMUNICATIONS
BY PATENT OWNER, OR, ALTERNATIVELY, FOR NEW AND
CONSTITUTIONALLY CORRECT PROCEEDINGS**

Extraordinary circumstances call for extraordinary measures. Patent Owner Voip-Pal.com, Inc. has irreparably tainted this proceeding through repeated *ex parte* communications addressed to the panel, Board officials, and agency leadership. Between May 1, 2017 and October 23, 2017, Voip-Pal's former CEO and Chairman and current advisor, Dr. Thomas Sawyer, sent at least six *ex parte* letters to the Board. The letters and surrounding context make clear that Dr. Sawyer acted in concert with Voip-Pal and its counsel. The threatening letters went so far as to accuse the Board of criminal conspiracy. Yet none of these letters was sent to Apple, and none was entered into the record in this proceeding.

After the first such *ex parte* communication demanded that the Board replace the original panel due to alleged bias, the Board granted Voip-Pal the relief it demanded by replacing the panel. Emboldened, Voip-Pal continued a months-long campaign of *ex parte* communications, demanding reversal of the Institution Decision and dismissal of all pending IPR petitions against it. Voip-Pal ultimately got exactly what it requested when the replacement panel reversed the prior decision, sustained the challenged claims of the patents-in-suit, and denied institution of Apple's two pending petitions.

Where, as here, one party tarnishes a proceeding's fundamental fairness with *ex parte* communications, the appropriate sanction is entry of judgment against that party. Alternatively, the Board should vacate its Final Written Decision and

provide a constitutionally correct process going forward after consultation with the parties to ensure fairness.

I. Factual Background

Apple petitioned for *inter partes* review (“IPR”) of several claims of U.S. Patent No. 8,542,815 B2 (EX. 1001, “the ’815 patent”) in June 2016. Paper 1 (“Petition”). Apple’s Petition contended that the ’815 patent was unpatentable under 35 U.S.C. § 103(a) as obvious over (1) Chu ’684 and Chu ’366, and (2) Chu ’684 and Chen. Petition at 5.

In September 2016, Voip-Pal filed a Preliminary Response (Paper 5 (“POPR”)) containing four main arguments: (1) Apple failed to identify its grounds with sufficient particularity (POPR at 9); (2) “[t]he combination ... fails to render obvious ‘classifying the call’ as recited in element [1d]” (POPR at 18, 48); (3) “[t]he combination ... fails to render obvious ‘locating a caller dialing profile’ as recited in [1b]” (POPR at 26, 52); and (4) Apple failed to articulate a proper reason to combine the references (POPR at 38, 59).

After addressing Voip-Pal’s second, third, and fourth arguments, the Board instituted IPR on all challenged claims in November 2016. Paper 6 (“ID”). At that point, the Board panel was composed of Administrative Patent Judges Barbara Benoit, Lynne Pettigrew, and Stacy Margolies (“Original Panel”). *Id.* at 1.

In December 2016, Voip-Pal requested rehearing, arguing that the Board overlooked two arguments: (1) “a proper construction of the claims requires a particular *ordering of steps*” (Paper 9 at 3–7) (emphasis in original); and (2) the Petition’s failure to provide a valid motivation for why a skilled person would combine Chu ‘684 with either Chu ‘366 or Chen (*id.* at 7–13).

The Original Panel denied Voip-Pal’s rehearing request in January 2017 after rejecting Voip-Pal’s “ordering argument” and noting that it “did not overlook or misapprehend” either of Patent Owner’s arguments. Paper 11 at 3–7.

Voip-Pal responded to the Petition in February 2017. Paper 17 (“Response”). Voip-Pal spent over half its Response attempting a swear-behind, *id.* at 4–38, and repeated the same rejected arguments from the POPR and rehearing request, *id.* at 38–64. It devoted only six pages to arguing a lack of a motivation to combine. *Id.* at 64–69.

On May 1, 2017, Dr. Sawyer sent the first of many *ex parte* letters to the Board. EX3003. Dr. Sawyer claimed he “no longer [had] a formal role with Voip-Pal,” but complained that all three judges on the Original Panel allegedly lacked “impartiality.” *Id.* at 1–5. The May 1 letter was addressed to Chief Judge Ruschke and copied the Original Panel. *Id.* at 5–6. Apple was not copied, and the Board never entered Dr. Sawyer’s May 1 *ex parte* letter into the record.

On May 17, Apple filed its reply, which predominately focused on Voip-Pal's swear-behind arguments. Paper 34.¹

On June 7, the parties participated in a conference call with the Board to discuss Voip-Pal's request for a sur-reply. Unbeknownst to Apple, the Original Panel had been removed and new judges—Administrative Patent Judges Josiah Cocks, Jennifer Chagnon, and John Hudalla (“Substitute Panel”)—were appointed. This call was the first time Apple learned of the Substitute Panel. Paper 37. There was no discussion or explanation for why the Substitute Panel was appearing.

On June 21, Dr. Sawyer sent his second letter to Chief Judge Ruschke. EX3004. He noted the removal of the Original Panel and that “replacement of an entire panel of judges is almost unheard of . . . since such a change is likely to have impacts on all concerned.” *Id.* at 1. Dr. Sawyer concluded by seeking sanctions of “a judgment in the patent owner’s favor or a dismissal of the action [to] make the patent owner whole.” *Id.* at 3. Apple was not copied, and the Board never entered Dr. Sawyer’s June 21 *ex parte* letter into the record.

On July 11, Dr. Sawyer sent his third letter to Chief Judge Ruschke and copied the Substitute Panel. EX3005. Dr. Sawyer again noted the replacement of

¹ Prior to filing its Reply, on May 9, Apple filed two more petitions for IPR, one relating to the '815 patent and the other relating to the '005 patent, a related Voip-Pal patent. *See* IPR2017-1398; IPR2017-1399. These petitions requested review of previously unchallenged claims and relied on different references.

the Original Panel and the Board's lack of explanation. *Id.* at 1. Dr. Sawyer argued that the change in panel "does not resolve the problem" of a perception of systemic bias. *Id.* at 3. He further noted "[i]t is common practice in other federal judicial settings to set aside the original outcome and try the case again to ensure that decision, which may have been based upon bias, can be tried again in an unbiased setting" and that "such an outcome would be particularly appropriate in this setting." *Id.* Dr. Sawyer again requested sanctions of "judgment in the patent owner's favor or a dismissal of the action." *Id.* at 4. Apple was not copied, and the Board never entered Dr. Sawyer's July 11 *ex parte* letter into the record.

Oral argument occurred on July 20. Neither Voip-Pal nor the Substitute Panel discussed Dr. Sawyer's *ex parte* letters. The schedule did not provide for any further input from the parties after this point.

On July 27, Dr. Sawyer sent his fourth letter to Chief Judge Rusccke and Commerce Secretary Wilbur Ross. EX3006. Dr. Sawyer argued that "[t]he replacement of the original judges alone, does not make Voip-Pal whole" in the face of perceived bias. *Id.* at 5. He also stated that due process required the Board to "dismiss the two Apple petitions that have been instituted and a [sic] make a decision not to institute the five pending petitions." *Id.* Apple was not copied, and the Board never entered Dr. Sawyer's *ex parte* July 27 letter into the record.

On August 31, Dr. Sawyer sent his fifth letter to Secretary Ross, copying Chief Judge Ruschke and the Substitute Panel, continuing to omit Apple from the recipient list. EX3007. The August 31 letter concluded by claiming that “seemingly unfair/illegal acts” have occurred and that “the only equitable and acceptable resolution would be an immediate dismissal of the seven pending IPR petitions against Voip-Pal.” *Id.* at 4. Apple was not copied, and the Board never entered Dr. Sawyer’s August 31 *ex parte* letter into the record.

On September 18, Voip-Pal posted Dr. Sawyer’s letters on its website. EX1019.

On October 23, Dr. Sawyer sent his sixth letter to Chief Judge Ruschke and Acting Director of the USPTO Joseph Matal, copying the Substitute Panel. EX3008. In this letter, Dr. Sawyer admitted he had been acting in coordination with Voip-Pal and its attorneys:

Over the last several months, I have participated in a series of meetings and consultations with attorneys for Voip-Pal, a software development company for which I served as CEO for several years, and for which I continue to serve as an advisor. Their perceptions suggest very serious concerns that the Patent Trial and Appeals [*sic*] Board (PTAB) and implementation of the *Inter Partes* Review (IPR) process have deviated far from the initial purposes of the America Invents Act. The shared perception of the attorneys was that the administration of the process has included practices leading to results that are inequitably administered and anticompetitive.

Id. at 1. Dr. Sawyer also suggested criminal liability for the Board:

There was no reason given for the changes. However, as the new panel did not revisit the earlier institution decisions, Voip-Pal must assume that these changes had something to do with maintaining the Director's "Policy Position" as in the three earlier circuit court oral arguments I quoted. Because of the serious consequences associated with RICO violations and its potentially criminal liability implications, I ask you both to please consider taking the steps necessary to change these unfair and unjust PTAB and IPR procedures which have become the "killing field" of thousands of valid patents.

Id. at 8. Dr. Sawyer concluded by requesting "corrective actions against these unjust practices." *Id.* Apple was not copied, and the Board never entered Dr. Sawyer's October 23 *ex parte* letter into the record. On November 20, the Substitute Panel issued the Final Written Decision, finding that Apple "has not shown by a preponderance of the evidence that [the challenged claims] are unpatentable." Paper 54 ("FWD") at 3. The FWD analyzed only the ordering of steps and motivation to combine arguments—both of which the Original Panel had previously rejected in its ID and in response to Voip-Pal's rehearing request.²

II. Argument

Voip-Pal's *ex parte* communications have tainted this proceeding with fundamental unfairness and violated Board regulations, the APA, and Apple's due process rights. Entry of judgment against Voip-Pal is the most appropriate sanction to remedy the harm from Voip-Pal's conduct and deter similar future *ex parte*

² Also on November 20, the Substitute Panel denied institution of Apple's other two pending IPR petitions for the same reasons. *See* IPR2017-1398 (Paper 6); IPR2017-1399 (Paper 6).

communication. Alternatively, the Board and the parties should discuss how to provide a fair and constitutionally correct way forward.³

A. Voip-Pal Is Responsible for Dr. Sawyer’s *Ex Parte* Communications

As Dr. Sawyer’s letter writing campaign progressed, he became more forthcoming about his cooperation with Voip-Pal and its attorneys. In the final letter of the campaign, dated October 23, Dr. Sawyer stated, “Over the last several months, **I have participated in a series of meetings and consultations with attorneys for Voip-Pal**, a software development company for which I served as CEO for several years, and for which **I continue to serve as an adviser.**” EX3008 at 1 (emphasis added). Dr. Sawyer explained his letter was intended to provide “notice of **their** concerns” and even revealed that Voip-Pal’s attorneys played an active role in preparing the letter by “identify[ing] the sections of law **that they feel have been offended** by the current implementation of the PTAB.” *Id.* (emphasis added). The October 23 letter thus makes clear that Dr. Sawyer is no rogue actor; rather, Voip-Pal knew about—and assisted in—Dr. Sawyer’s *ex parte* communications with the Board designed to influence this proceeding. If there were any doubt, Voip-Pal posted all of Dr. Sawyer’s letters on its website in

³ The *ex parte* communications impacted at least four proceedings: IPR2016-1198 and IPR2016-1201 (which issued Final Written Decisions); and IPR2017-1398 and IPR2017-1399 (which denied institution).

September 2017, where they remain today.⁴ EX1020. Voip-Pal cannot distance itself from these communications and should be held accountable for the activity in which it participated and to which it apparently contributed and planned.

B. The *Ex Parte* Communications Violated 37 C.F.R. § 42.5(d) and the APA

“Communication regarding a specific proceeding with a Board member defined in 35 U.S.C. 6(a) is not permitted unless both parties have an opportunity to be involved in the communication.” 37 C.F.R. § 42.5(d). There is no question that each of Voip-Pal’s six letters violated this regulation. Every letter identified this specific proceeding. Each was directed to at least the Chief Judge (who is a Board member), and four letters were directed to the actual panel judges adjudicating this IPR. Despite each letter’s extensive distribution list, Apple is absent from each and every letter.⁵ As such, neither Apple nor its counsel “had an

⁴ See Voip-Pal, “Independent Letters from Dr. Thomas Sawyer & Shareholders,” <https://www.voip-pal.com/news-interviews-more> (last visited Dec. 20, 2017). Voip-Pal’s description of these letters as “independent” (EX1019) is belied by the content of the letters themselves, which explain that Dr. Sawyer attended meetings with Voip-Pal attorneys and wrote to notify the Board of “their concerns.” EX3008 at 1. Moreover, “counsel . . . have a continuing duty to inform the Court of any development which may conceivably affect the outcome of the litigation.” *Bd. of License Comm’ners v. Pastore*, 469 U.S. 238, 240 (1985) (quotation marks and citation omitted). As soon as Voip-Pal or its attorneys knew that Dr. Sawyer sent *ex parte* communications to the Board, they should have formally notified the Board and Apple “without delay.” *Id.*

⁵ In a separate improper *ex parte* communication, Dr. Sawyer mailed a copy of his May 1 letter to the district court judge presiding over the co-pending and

opportunity to be involved in the communication” as required. It is beyond dispute that Dr. Sawyer violated Board regulations in sending these letters.

Further, the *ex parte* communications violate the APA, which prohibits an “interested person outside the agency” from making, or knowingly causing to be made, an *ex parte* communication relevant to the merits of the proceeding with a member of the adjudicatory body. *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016) (applying APA review to IPR); 5 U.S.C. § 557(d)(1)(A). An agency adjudicatory body must render decisions based on the neutral judgment of individual adjudicators, uninfluenced by external pressure or internal preferences. *Butz v. Economou*, 438 U.S. 478, 513–14 (1978); *Brennan v. Dep’t of Health & Human Servs.*, 787 F.2d 1559, 1562 (Fed. Cir. 1986).

C. The *Ex Parte* Communications Violated Apple’s Due Process Rights

Voip-Pal’s repeated *ex parte* communications violated the bedrock principle

now stayed litigation in the United States District Court for the District of Nevada. This letter was entered into the record *sua sponte* **by the court clerk** as a communication received from an “interested party.” See *Voip-Pal.com, Inc. v. Apple Inc.*, 2:16-cv-00260, Dkt. 28 (D. Nev. May 8, 2017). Apple had no reason to think the May 1 letter might impact the Board—the letter was never filed on the Board’s docket—or that the letter was the cause of the panel change. Apple never knew of the June 21, July 11, July 27, or August 31 letters—which were not filed on the dockets of the district court or the Board—until it began investigating the letter campaign in November. On November 1 (well after the conclusion of briefing and oral argument), Dr. Sawyer mailed his October 23 letter to the district court, where again it was entered on the court’s docket not by Voip-Pal but *sua sponte* by the court clerk.

that litigants are entitled to know the facts and arguments presented against them. “A fair trial in a fair tribunal is a basic requirement of due process” and “[t]his applies to administrative agencies which adjudicate as well as to courts.” *Withrow v. Larkin*, 421 U.S. 35, 46–47 (1975). This “safeguards the two central concerns of procedural due process, the prevention of unjustified or mistaken deprivations and the promotion of participation and dialogue by affected individuals in the decisionmaking process.” *Marshall v. Jerrico, Inc.*, 446 U.S. 238, 242 (1980). The fundamental harm of *ex parte* communications is that the potentially prejudiced party does not know “whether the incidents that may have occurred were harmful or harmless.” *Remmer v. United States*, 347 U.S. 227, 229 (1954); 3 W. Blackstone, Commentaries *375–376 (factfinders are prohibited from *ex parte* communication with parties).

The Federal Circuit, in a different context, provided three factors for determining whether *ex parte* communications violate due process: (1) whether the *ex parte* communication introduces new or merely “cumulative” information; (2) whether the adversely impacted party knew of and had a chance to respond to the communication; and (3) whether the communication was “of the type likely to result in undue pressure upon the deciding official to rule in a particular manner.” *Stone v. FDIC*, 179 F.3d 1368, 1377 (Fed. Cir. 1999).

Each *Stone* factor points to a due process violation here. **First**, every *ex parte* letter included new information and arguments, not in the record, such as allegations of bias, alleged procedural violations, and potential criminal liability for the Board. The *ex parte* letters also included new demands for remedies like reversal of the Institution Decisions and termination of the IPR. **Second**, Voip-Pal never addressed a single letter to Apple, and the Board never made the *ex parte* letters part of this record or provided Apple an opportunity to respond. **Third**, the *ex parte* letters—which go so far as to threaten criminal liability, *see* EX3008 at 8—unquestionably were intended to exert pressure upon the Board. Further, as discussed below, the Board was in fact influenced by the *ex parte* communications—in apparent response to what appears to be the first letter, the Board replaced the entire Original Panel overseeing this proceeding.

When *ex parte* communications satisfy these criteria, they constitute a due process violation, and such a “violation is not subject to the harmless error test.” *Stone*, 179 F.3d at 1377. Instead, the impacted party is automatically entitled, at a minimum, to an “entirely new” and “constitutionally correct” proceeding. *Id.* As explained below, the proper sanction is the entry of judgment against Voip-Pal. If the Board disagrees, Apple deserves, at minimum, a discussion with the Board to determine a fair and constitutionally correct process to move forward where care is taken to prevent the type of psychological undue influences described next.

D. Apple was Prejudiced by the Board's Response to Voip-Pal's *Ex Parte* Letter-Writing Campaign

Ex parte communications constitute structural error that requires an appropriate sanction precisely because no one will ever know what influence such communications may have had, and formal proceedings must be conducted and concluded without even the appearance of undue influence. Due process demands nothing less. Here, the record is irrefutable that the Board took actions adverse to Apple after receiving Voip-Pal's unauthorized *ex parte* communications asking for that precise result; the inference of prejudice is inescapable.

After Voip-Pal accused the Original Panel of bias in its first *ex parte* communication, the Board removed the Original Panel in favor of a Substitute Panel after the Original Panel issued its Institution Decision. Apple does not doubt that the Board acted out of good intentions to remedy Voip-Pal's *ex parte* allegations of bias. Yet the Board's actions were not vetted through open discourse and Apple had no opportunity to respond. Replacing the Panel was the first step toward instilling the Substitute Panel with a reciprocal bias against Apple. By replacing a panel in response to allegations of bias, the Board implicitly acknowledged the Patent Owner's claims of bias by acting in what could be seen as a response to the *ex parte* communications. The Board's actions began to bias the Substitute Panel toward undoing whatever the Original Panel had done under the shadow of alleged bias. And every additional letter from Voip-Pal fostered and

nurtured that bias, compounding the error, the prejudice, and the due process violation.

The common-sense problem with removing a judge (or an entire panel of judges) in the face of bias allegations after a substantive decision has been rendered is that the newly appointed adjudicators necessarily assume the task of fixing what led to the substitution in the first place (a task that Voip-Pal's subsequent *ex parte* communications demanded). *See, e.g., Utica Packing Co. v. Block*, 781 F.2d 71, 75, 78 (6th Cir. 1986). The clarity of the path toward which the Substitute Panel was implicitly pushed becomes ever more clear through the additional *ex parte* letters. If the Board responded positively to the first letter, the Substitute Panel must have considered the need to follow through in a similar fashion on the remainder of the letters. Such a consideration should never have been a possibility much less a reality. While the Board likely had fairness in mind, the actions the Board took had the opposite effect, resulting in a thumb on the scale in favor of Voip-Pal as a direct—and intended—consequence of Voip-Pal's campaign of *ex parte* communications. This violated Apple's Due Process rights.

E. Adverse Judgment Against Voip-Pal Is An Appropriate Sanction

The Board may impose sanctions for a “failure to comply with an applicable rule,” including the rule prohibiting *ex parte* communications. 37 CFR § 42.12(a)(1); *Nissan N. Am. Inc. v. Collins*, 2013 WL 6327754, at *1 (P.T.A.B.

Jan. 29, 2013). Here, with the FWD already issued, most of the statutorily authorized sanctions would not remedy the harm that infected this proceeding.

Of the eight sanctions specified in 37 CFR § 42.12(b), the only one appropriate to these facts is entry of judgment against Voip-Pal. This potent sanction is appropriate here for several reasons. First, a lengthy campaign of threatening *ex parte* letters is particularly egregious conduct. Second, it appears that Voip-Pal and its attorneys participated in (or at least knew of) Dr. Sawyer's letter campaign but concealed their involvement. Third, the present situation could have been avoided if Voip-Pal had simply put its bias complaints on record so they could be addressed in an above-board manner with input from both parties.

Apple can never know "what actually transpired" when the Board received six threatening letters from Dr. Sawyer or whether the *ex parte* campaign was "harmful or harmless." *Remmer*, 347 U.S. at 229. And that is the real danger of *ex parte* communications. Whether or not Voip-Pal's *ex parte* communications influenced the ultimate decision, they were certainly designed to do so. Such actions cannot go unredressed. The Board should enter judgment against Voip-Pal on all claims subject to IPR challenge by Apple. Alternatively, Apple requests vacatur of the FWD and a constitutionally correct process going forward before a new panel after consultation with both parties to ensure fairness.

Respectfully submitted,

Date: December 20, 2017

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III. CERTIFICATE OF SERVICE

The undersigned certifies that on December 20, 2017, a true and correct copy of this *Motion For Entry Of Judgment In Favor Of Petitioner As A Sanction For Ex Parte Communications And As A Remedy For Due Process Violations, Or, Alternatively, For “Entirely New” And “Constitutionally Correct” Proceedings* was served upon the following counsel for Patent Owner, via the email correspondence address of record:

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