

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

US INVENTOR, INC., *et al.*,

Plaintiffs,

v.

ANDREW HIRSHFELD, in his official capacity
performing the functions and duties of the Under
Secretary of Commerce for Intellectual Property and
Director, United States Patent and Trademark Office,

Defendant.

No. 2:21-cv-00047

DEFENDANT'S MOTION TO DISMISS

MOTION TO DISMISS

For the reasons set forth in the accompanying memorandum of law, Defendant respectfully moves the Court to dismiss this action for lack of jurisdiction, *see* Fed. Rule Civ. P. 12(b)(1), and in the alternative for failure to state a claim, *see id.* 12(b)(6).

Dated: April 12, 2021

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TABLE OF CONTENTS

BACKGROUND2

 I. Statutory Framework.....2

 II. Regulatory Framework.....4

 III. Precedential Board Opinions4

STANDARD OF REVIEW6

ARGUMENT.....7

 I. Plaintiffs Lack Standing.....7

 A. The Patent Owner Plaintiffs Lack a Concrete Injury.7

 B. US Inventor Lacks Organizational Standing11

 II. Plaintiffs’ Claims Lack Merit.13

 A. The Court Should Dismiss Count I of the Amended Complaint.....13

 1. Plaintiffs Have Not Exhausted Their Administrative Remedies With Regard to Their Claim to Compel Rulemaking on the Factors for Discretionary Denial of IPR Proceedings.13

 2. The USPTO’s Obligation to Enact a Regulation Governing the Threshold Standard for Granting an IPR Petition Does Not Encompass an Obligation to Enact a Regulation Governing the Discretionary Denial of an IPR Petition.15

 B. Count II of the Amended Complaint Lacks Merit Because Providing Non-Exhaustive, Non-Dispositive Factors to Consider When Exercising the Director’s Discretion Whether to Institute IPR Proceedings Is Not a Substantive Rule Requiring Notice-and-Comment Rulemaking.....16

 1. No Rights, Obligations, or Legal Consequences Flow Directly from the Board’s Consideration of Non-Exhaustive, Non-Dispositive Factors for the Discretionary Denial of IPR Proceedings.16

 2. Factors for Discretionary Denial of IPR Institution Are General Statements of Policy, Not Substantive Rules.....18

CONCLUSION.....20

TABLE OF AUTHORITIES

Cases

Arden Wood, Inc. v. U.S. Customs & Immig. Servs.,
480 F. Supp. 2d 141 (D.D.C. 2007).....17

Ashcroft v. Iqbal,
556 U.S. 662 (2009).....6, 7, 9

Auer v. Robbins,
519 U.S. 452 (1997).....13

Avelar-Oliva v. Barr,
954 F.3d 757 (5th Cir. 2020)14

Bell Atl. Corp. v. Twombly,
550 U.S. 544 (2007).....7

Bennett v. Spear,
520 U.S. 154 (1997).....16

BioDelivery Scis. Int’l, Inc. v. Aquestive Therapeutics, Inc.,
935 F.3d 1362 (Fed. Cir. 2019).....8

Choice Inc. v. Greenstein,
691 F.3d 710 (5th Cir. 2012)6

Chrysler Corp. v. Brown,
441 U.S. 281 (1979).....19

Citizens for Better Forestry v. USDA,
341 F.3d 961 (9th Cir. 2003)9

City of Arlington v. FCC,
668 F.3d 229 (5th Cir. 2012)9

City of Oakland v. Lynch,
798 F.3d 1159 (9th Cir. 2015).....18

Clarian Health W. v. Hargan,
878 F.3d 346, 358 (D.C. Cir. 2017).....19

Clark v. Busey,
959 F.2d 808 (9th Cir. 1992)13

Ctr. for Auto Safety v. Nat'l Highway Traffic Safety Admin.,
452 F.3d 798 (D.C. Cir. 2006)17

Cuozzo Speed Techs., LLC v. Lee,
136 S. Ct. 2131 (2016)*passim*

Ecosystem Inv. Partners v. Crosby Dredging, LLC,
729 F. App'x 287 (5th Cir. 2018)7

Energy Transfer Partners, LP. v. FERC,
567 F.3d 134 (5th Cir. 2009)17

Esso Standard Oil Co. v. Cotto,
389 F.3d 212 (1st Cir. 2004)10

Fairbanks N. Star Borough v. U.S. Army Corps of Eng'rs,
543 F.3d 586, 593 (9th Cir. 2008)18

Food & Water Watch, Inc. v. Vilsack,
808 F.3d 905 (D.C. Cir. 2015)12

FTC v. Standard Oil Co. of Cal.,
449 U.S. 232 (1980)8, 11, 17, 18

Gulf Restoration Network v. McCarthy,
783 F.3d 227 (5th Cir. 2015)13

Harmonic Inc. v. Avid Tech., Inc.,
815 F.3d 1356 (Fed. Cir. 2016)8

Havens Realty Corp. v. Coleman,
455 U.S. 363 (1982)12

Hyatt v. USPTO,
904 F.3d 1361 (Fed. Cir. 2018)15

In re City of Fall River, Mass.,
470 F.3d 30 (1st Cir. 2006)13

In re Howard,
570 F.3d 752 (6th Cir. 2009)13

La. ACORN Fair Hous. v. LeBlanc,
211 F.3d, 298 (5th Cir. 2000)12

Lincoln v. Vigil,
508 U.S. 182 (1993)18, 19

Lormand v. US Unwired, Inc.,
565 F.3d 228 (5th Cir. 2009)7

Lujan v. Defenders of Wildlife,
504 U.S. 555 (1992)..... 7, 9, 11

Lujan v. Nat’l Wildlife Fed’n,
497 U.S. 871 (1990).....16, 17

MCI Telecomms. Cor. v. FCC,
627 F.2d 32 (D.C. Cir. 1980).....15

MedImmune, Inc. v. Genentech, Inc.,
549 U.S. 118 (2007).....10

Mylan Labs. Ltd. v. Janssen Pharmaceutica, N.V.,
989 F.3d 1375 (Fed. Cir. 2021)..... 8, 15, 18

NAACP v. City of Kyle, Tex.,
626 F.3d 233 (5th Cir. 2010)11, 12

Nat’l Ass’n of Home Builders v. Norton,
415 F.3d 8 (D.C. Cir. 2005).....18

Nat’l Min. Ass’n v. McCarthy,
758 F.3d 243 (D.C. Cir. 2014)16

Nat’l Tank Truck Carriers, Inc. v. Fed. Highway Admin.,
No. 96-1339, 1997 WL 150088 (D.C. Cir. Feb. 27, 1997).....14

Nat’l Taxpayers Union v. United States,
68 F.3d 1428 (D.C. Cir. 1995)12

Oil States Energy Servs., LLC v. Greene’s Energy Grp.,
138 S. Ct. 1365 (2018) 3, 8

Paralyzed Veterans of Am. v. West,
138 F.3d 1434 (Fed. Cir. 1998).....19

Planned Parenthood of Wis., Inc. v. Azar,
316 F. Supp. 3d 291 (D.D.C. 2018), *vacated as moot*, 942 F.3d 512 (D.C. Cir. 2019) 18, 19

Pros. & Patients for Customized Care v. Shalala,
56 F.3d 592 (5th Cir. 1995).....19, 20

Ramming v. United States,
281 F.3d 158 (5th Cir. 2001)6

<i>RCM Techs., Inc. v. DHS</i> , 614 F. Supp. 2d 39 (D.D.C. 2009).....	17
<i>Reno v. Catholic Social Servs., Inc.</i> , 509 U.S. 43 (1993)	17
<i>SAS Inst., Inc. v. Iancu</i> , 138 S. Ct. 1348 (2018)	3, 8, 15, 16
<i>St. Regis Mohawk Tribe v. Mylan Pharms., Inc.</i> , 896 F.3d 1322 (Fed. Cir. 2018), <i>cert denied</i> 139 S. Ct. 1547 (2019)	8, 15
<i>Summers v. Earth Island Institute</i> , 555 U.S. 488 (2009).....	7
<i>Tex. Sav. & Cmty. Bankers Ass'n v. Fed. Hous. Fin. Bd.</i> , 201 F.3d 551 (5th Cir. 2000)	19
<i>Thryv, Inc. v. Click-to-Call Techs., LP</i> , 140 S. Ct. 1367 (2020)	8
<i>Triangle Const. & Maint. Corp. v. Our Virgin Islands Labor Union</i> , 425 F.3d 938 (11th Cir. 2005)	10
<i>Ukiah Valley Med. Ctr. v. FTC</i> , 911 F.2d 261 (9th Cir. 1990)	8
<i>United States v. 14.02 Acres of Land More or Less in Fresno Cty.</i> , 547 F.3d 943 (9th Cir. 2008)	11
<i>United States v. Cecil</i> , 836 F.2d 1431 (4th Cir. 1988)	10
<i>United Steelworkers of Am., AFL-CIO-CLC v. Rubber Mfrs. Ass'n</i> , 783 F.2d 1117 (D.C. Cir. 1986).....	14
<i>Weight Watchers Int'l, Inc. v. FTC</i> , 47 F.3d 990 (9th Cir. 1995).....	13
Statutes	
5 U.S.C. § 704.....	16
28 U.S.C. § 2401(a)	15
35 U.S.C. § 2(b)(2)(A)	4

35 U.S.C. § 3(a)(2)	4
35 U.S.C. § 6(a)	4
35 U.S.C. § 311.....	2
35 U.S.C. § 312.....	2
35 U.S.C. § 313.....	3
35 U.S.C. § 314.....	3
35 U.S.C. § 314(a).....	3, 11, 15
35 U.S.C. § 314(b)(1)	3
35 U.S.C. § 314(b)(2)	3
35 U.S.C. § 314(d)	3, 8
35 U.S.C. § 315(e)(2)	10
35 U.S.C. § 315(e).....	18
35 U.S.C. § 316(a)(2)	4, 15
35 U.S.C. § 316(a)(11)	3
35 U.S.C. § 316(b)	13, 15
35 U.S.C. § 318(a).....	3, 10, 18
35 U.S.C. § 318(b)	18
35 U.S.C. § 319.....	3
Pub. L. No. 112-29, 125 Stat. 284 (2011)	2

Rules

Fed. R. Civ. P. 12(b)(1)	6
--------------------------------	---

Regulations

37 C.F.R. § 42.108(c)	4, 15
37 C.F.R. § 42.4(a).....	3

37 C.F.R. § 42.22	3
37 C.F.R. § 42.223	3
77 Fed. Reg. 48680 (Aug. 14, 2012)	4, 15
85 Fed. Reg. 66502 (Oct. 20, 2020)	14

MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT

Plaintiffs Tinnus Enterprises, LLC, 360 Heros, Inc., Ramzi Maalouf, Larry Golden, World Source Enterprises, LLC, and E-Watch, Inc. (the “Patent Owner Plaintiffs”) and Plaintiff US Inventor Inc. (collectively, “Plaintiffs”) have brought suit under the Administrative Procedure Act (“APA”) to set aside certain U.S. Patent and Trademark Office (“USPTO”) policies governing the factors that the agency considers when deciding whether to institute an inter partes review (“IPR”) proceeding and to compel the USPTO to promulgate new policies through notice-and-comment rulemaking. Am. Compl. Decl. & Inj. Relief, ECF No. 6 (“Amended Complaint”).

Plaintiffs lack standing because they cannot identify any legally cognizable concrete interest affected by the bare procedural injuries they allege. Controlling case law holds that potential parties to IPR do not have a legal right either to institution or to avoid institution of proceedings. The incidental impacts of IPR on which Plaintiffs rely in an attempt to avoid this conclusion are insufficient to establish standing.

Even if this Court had jurisdiction over Plaintiffs’ claims, they fail as a matter of law. Count I, which seeks to compel rulemaking on the factors for discretionary denial of IPR petitions, is both procedurally barred and substantively baseless. Not only have Plaintiffs failed to properly exhaust their administrative remedies with regard to this claim, but the claim erroneously attempts to apply a statute concerning the minimum standard for the grant of IPR petitions to the discretionary denial of IPR petitions. Count II, which seeks to set aside existing factors considered when deciding whether to institute an IPR proceeding, fares no better. That claim fails because the non-exhaustive, non-dispositive factors considered when exercising discretion over the institution decision are neither a final agency action subject to challenge under the APA nor a substantive rule for which notice-and-comment rulemaking is required.

The Court should therefore dismiss the Amended Complaint for lack of subject matter jurisdiction because Plaintiffs lack standing or, in the alternative, dismiss for failure to state a claim because their claims lack merit.

STATEMENT OF THE ISSUES

1. Do Plaintiffs lack standing to challenge factors considered in the discretionary decision whether to institute IPR when there is no substantive right at issue in the IPR institution decision and Plaintiffs have failed to identify any legally cognizable concrete interest in addition to the procedural violation they allege?
2. Does the USPTO's statutory obligation to enact a regulation governing the minimum threshold required for granting IPR petitions encompass an obligation to enact a regulation governing the discretionary denial of IPR petitions?
3. Is adopting non-exhaustive, non-dispositive factors concerning the exercise of the Director's discretion over the IPR institution decision a final agency action subject to judicial review when it has no certain impact and affects only an intermediate agency action that itself implicates no legal rights?
4. Do non-exhaustive, non-dispositive factors concerning the Director's discretion over the IPR institution decision constitute a substantive rule requiring notice-and-comment rulemaking when they do not establish the rights or obligations of potential parties to IPR proceedings?

BACKGROUND

I. Statutory Framework

When Congress passed the Leahy-Smith America Invents Act ("AIA"), Pub. L. No. 112-29, 125 Stat. 284 (2011), it modified the USPTO's longstanding authority to review the patentability of existing patent claims. *See Cuozzco Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2137 (2016). Currently, the most common means of reviewing patents under the AIA is termed "*inter partes* review" or "IPR." *Id.* By filing an IPR petition, "a third party [may] ask the U.S. Patent and Trademark Office to reexamine the claims in an already-issued patent and to cancel any claim that the agency finds to be unpatentable in light of prior art." *Id.* at 2136; *see also* 35 U.S.C. §§ 311, 312 (setting forth procedural and substantive requirements for a petition to institute IPR proceedings).

“The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition . . . and any response filed . . . shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least [one] of the claims challenged in the petition.” *Id.* § 314(a); *see also id.* § 313 (patent owner may file preliminary response). However, the AIA contains “no mandate to institute review.” *Cuozzok Speed Techs.*, 136 S. Ct. at 2140; *see also SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1356 (2018). Instead, “[t]he decision whether to institute inter partes review is committed to the Director’s discretion.” *Oil States Energy Servs., LLC v. Greene’s Energy Grp.*, 138 S. Ct. 1365, 1371 (2018). The Director’s determination whether to institute review is “final and nonappealable.” 35 U.S.C. § 314(d). By regulation, the Director has delegated his authority to decide IPR petitions to the Patent Trial and Appeal Board. 37 C.F.R. § 42.4(a).

Within three months of the date that the patent owner files its preliminary response to a petition, the Board must decide whether to grant institution.¹ 35 U.S.C. § 314(b)(1). If the Board finds that a petition meets the statutory criteria for review and chooses to institute proceedings, the Board conducts a trial on the validity of the challenged patent claims. *Id.* § 6(a); *see also id.* §§ 314, 318(a). IPR trial proceedings provide the patent owner with the opportunity to further respond to the petition, to file motions, to cross-examine witnesses, and, potentially, to file a sur-reply. *Id.* § 316(a)(8); 37 C.F.R. §§ 42.22, 42.223.

Generally, within one year after granting an IPR petition, the Board must issue a final written decision based on all the evidence in the record. 35 U.S.C. § 316(a)(11); *see also Cuozzok Speed Techs.*, 136 S. Ct. at 2136. Written decisions by the Board in IPR proceedings are final agency actions that establish the legal validity of the patent claims. 35 U.S.C. § 318(a). A dissatisfied party may appeal the Board’s final written decision on patentability to the Federal Circuit. *Id.* § 318(a), § 319.

¹ If no preliminary response is filed, the decision must be made within three months of the last date it could have been filed. 35 U.S.C. § 314(b)(2).

II. Regulatory Framework

Congress conferred on the USPTO Director authority to establish regulations to “govern the conduct of proceedings in the Office.” 35 U.S.C. § 2(b)(2)(A). When it enacted the AIA, Congress charged the Director with prescribing regulations related to thirteen distinct aspects of the IPR process, including “setting forth the standards for the showing of sufficient grounds to institute a[n *inter partes*] review.” *Id.* § 316(a)(2). Notably, Congress did not instruct the Director to promulgate regulations setting forth the standards for the exercise of the discretion whether to institute IPR proceedings.² *See id.*; *see also Cuozzo Speed Techs*, 136 S. Ct. at 2137. In 2012, following notice-and-comment rulemaking, the Director promulgated the statutorily-mandated regulation establishing the sufficiency standard. *See Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents*, 77 Fed. Reg. 48680, 48728 (Aug. 14, 2012) (codified at 37 C.F.R. § 42.108(c)).

III. Precedential Board Opinions

In addition to empowering the Director to promulgate regulations, Congress made the Director “responsible for providing policy direction and management supervision for the” USPTO. 35 U.S.C. § 3(a)(2).³ The Director can exercise this supervision in a variety of ways, such as overseeing Board leadership, publishing guidance materials (*e.g.*, the Trial Practice Guide), issuing memoranda on the handling of recurring issues before the Board, and designating Board decisions as precedential. Pursuant to this authority, the Director issued Standard Operating Procedure 2

² Although there is no requirement for the Director to do so, the Director has issued a request for comments seeking the public’s view on, among other things, the appropriate factors to consider when deciding whether to institute review in certain specified instances. *See Request for Comments on Discretion to Institute Trials Before the Patent Trial and Appeal Board*, ___ Fed. Reg. ___, available as of October 19, 2020, at <https://public-inspection.federalregister.gov/2020-22946.pdf>.

³ In addition, the Director has independent authority as a Board member. *See* 35 U.S.C. § 6(a).

(“SOP 2”) in 2018, addressing the Director’s ability to provide policy direction to the Board through precedential opinions.⁴

As SOP 2 explains, the Director can designate a Board opinion (or portion thereof) as precedential. SOP 2 (ECF No. 51-2). “A precedential decision is binding Board authority in subsequent matters involving similar facts or issues.” SOP 2 at 11. Regardless of the procedural path a case has taken, “[n]o decision or portion thereof may be designated as precedential or informative pursuant to [SOP 2] without the Director’s approval,” and the Director can de-designate an opinion at any time.⁵ *Id.* at 8-11. Further, SOP 2 does not “limit the Director’s authority to issue, at any time and in any manner, [other] policy directives[,] ... including policy directives concerning the implementation of statutory provisions.” *Id.* at 1-2.

Among other decisions, the USPTO Director has designated as precedential cases that identify relevant considerations for the Board’s exercise of the Director’s discretion over IPR institution pursuant to § 314(a). Here, Plaintiffs contend that the Director violated the AIA by announcing through precedential decisions non-exhaustive, non-dispositive multi-factor analyses for the Board to consider when exercising the Director’s delegated discretion under § 314(a). *See* Am. Compl. Decl. & Inj. Relief (“Amended Complaint”), ECF No. 6, ¶¶ 24, 72-73. These precedential decisions address the various factors to consider in when determining if exercising discretion to deny institution is appropriate, such as: when the Board has already denied a petition on the same patent;⁶ when a

⁴ Available at <https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf>.

⁵ Although they are not at issue in this case, “[i]nformative decisions set forth Board norms that should be followed in most cases, absent justification, although an informative decision is not binding authority on the Board.” SOP 2 at 11.

⁶ *Gen. Plastic Indus. Co. v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19, at 15-16 (P.T.A.B. Sept. 6, 2017) (precedential in relevant part) (reciting “non-exhaustive list of factors” announced in earlier cases) (attached as Exhibit B).

petition presents prior “art or arguments [that] are ‘the same or substantially the same’ as art or arguments previously presented to the” Board;⁷ and when a parallel district court case involving the same patent is already in progress.⁸ In each instance, the relevant considerations emerged organically over the course of multiple Board decisions. *See generally Gen. Plastic Indus. Co.*, Paper 19 at 9-10 (compiling cases); *Fintiv*, Paper 11 at 5-16 (same). Building on the Board’s collective experience ensures that these analyses further “the goals of the AIA—namely to improve patent quality and make the patent system more efficient.” *Gen. Plastic Indus. Co.*, Paper 19 at 16; *see also Fintiv*, Paper 11 at 5.

STANDARD OF REVIEW

Under Rule 12(b)(1), federal courts will dismiss a case if the plaintiff lacks standing. Fed. R. Civ. P. 12(b)(1). To avoid dismissal, the plaintiff must meet his or her burden to demonstrate standing to assert the claims in the complaint. *Choice Inc. v. Greenstein*, 691 F.3d 710, 714 (5th Cir. 2012). Courts determining whether a plaintiff has carried this burden accept as true undisputed allegations in the complaint but may also look outside the complaint to resolve jurisdictional disputes. *Id.*; *Ramming v. United States*, 281 F.3d 158, 161 (5th Cir. 2001).

“To survive a [Rule 12(b)(6)] motion to dismiss, a complaint must contain sufficient factual matter, accepted as true, to state a claim to relief that is plausible on its face.” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009). “A claim has facial plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct

⁷ *Advanced Bionics, LLC v. MED-EL Elektromedizinische Geräte GmbH*, IPR2019-01469, Paper 6, at 7 (P.T.A.B. Feb. 13, 2020) (precedential) (attached as Exhibit C) (precedential); *see also id.* at 9 n. 10 (listing “non-exclusive factors” from earlier case).

⁸ *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11, at 5-6 (P.T.A.B. Mar. 20, 2020) (precedential) (compiling “non-dispositive factors” considered in earlier cases) (attached as Exhibit D); *see also NHK Spring Co. v. Intri-Plex Techs., Inc.*, IPR2018-00752, Paper 8, 20 (P.T.A.B. Sept. 12, 2018) (precedential) (attached as Exhibit E) (“find[ing] that the advanced state of a district court proceeding is an additional factor that weighs in favor of denying [a] [p]etition”)

alleged.” *Id.* (quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007)). Meeting this standard requires that the plaintiff both state a legally valid claim and make sufficient factual allegations to support the elements of that claim. *See id.*; *Lormand v. US Unwired, Inc.*, 565 F.3d 228, 257 (5th Cir. 2009).

ARGUMENT

I. Plaintiffs Lack Standing.

For a federal court to have subject matter jurisdiction to hear a case, the plaintiff must demonstrate it has standing. *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560 (1992). “[T]he irreducible constitutional minimum of standing contains three elements”—(1) an injury in fact (2) caused by the allegedly wrongful conduct that (3) would be redressed by the relief sought. *Id.* To have an injury in fact, the plaintiff must have “an invasion of a legally protected interest which is (a) concrete and particularized and (b) ‘actual or imminent, not conjectural or hypothetical.’” *Id.*

The gravamen of the Amended Complaint is that the USPTO was required to issue a regulation concerning the discretionary denial of IPR petitions and that the agency issued such a policy without undertaking notice-and-comment rulemaking required for substantive agency rules. Am. Compl. ¶¶ 80-87. However, the Supreme Court held in *Summers v. Earth Island Institute*, 555 U.S. 488 (2009), that being deprived of the right to comment “without some concrete interest that is affected by the deprivation—a procedural right *in vacuo*—is insufficient to create Article III standing.” *Id.* at 496; *see also Ecosystem Inv. Partners v. Crosby Dredging, LLC*, 729 F. App’x 287, 291-92 (5th Cir. 2018). Thus, for Plaintiffs to have standing, they must establish a concrete injury.

A. The Patent Owner Plaintiffs Lack a Concrete Injury.

Congress specifically denied the parties to potential IPR proceedings any rights in connection with the decision whether to institute IPR petitions, meaning that the Patent Owner Plaintiffs cannot have the requisite concrete interest to challenge the policies governing those

decisions. 35 U.S.C. § 314(d) (“The determination by the Director whether to institute an inter partes review . . . shall be final and nonappealable.”); *Thryv, Inc. v. Click-to-Call Techs., LP*, 140 S. Ct. 1367, 1373 (2020) (“[A] party generally cannot contend on appeal that the agency should have refused ‘to institute an inter partes review.’”) (quoting 35 U.S.C. § 314(d)). Initially, petitioners have no right to institution even if otherwise meeting the statutory requirements. *See Mylan Labs. Ltd. v. Janssen Pharmaceutica, N.V.*, 989 F.3d 1375, 1382 (Fed. Cir. 2021) (denying mandamus review of IPR institution denial because “no petitioner has a right to such institution” and “such a decision is committed to agency discretion by law”). As the Supreme Court explained, the AIA contains “no mandate to institute review,” and “the agency’s decision to deny a petition is a matter committed to the Patent Office’s discretion.” *Cuozz’o Speed Techs.*, 136 S. Ct. at 2140; *see also SAS Inst., Inc. v. Iancu*, 138 S. Ct. at 1351; *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1371 (2018). In other words, “the Director has complete discretion to decide not to institute review.” *St. Regis Mohawk Tribe v. Mylan Pharms., Inc.*, 896 F.3d 1322, 1327 (Fed. Cir. 2018), *cert denied* 139 S. Ct. 1547 (2019); *see BioDelivery Scis. Int’l, Inc. v. Aquestive Therapeutics, Inc.*, 935 F.3d 1362, 1365 (Fed. Cir. 2019); *Harmonic Inc. v. Avid Tech., Inc.*, 815 F.3d 1356, 1367 (Fed. Cir. 2016).

Likewise, patent owners do not have a justiciable right created by the institution of a proceeding. It is well-settled that instituting administrative proceedings alone does not impinge on the responding party’s rights because “the expense and annoyance of litigation is part of the social burden of living under government” and “does not constitute irreparable injury.” *FTC v. Standard Oil Co. of Cal.*, 449 U.S. 232, 244 (1980) (citation omitted). Thus, in *Standard Oil*, the Court rejected the respondent’s argument that the issuance of a complaint created a “right” separately reviewable and collateral to the right in the cause of action itself. *Id.* at 246; *see also Ukiab Valley Med. Ctr. v. FTC*, 911 F.2d 261, 264 (9th Cir. 1990). Because the Patent Owner Plaintiffs have no rights that

could be implicated by the institution decision, they cannot have a concrete injury that could confer standing to challenge the manner in which the USPTO makes that decision.

The Patent Owner Plaintiffs cannot overcome this legal deficiency because none of the supposed concrete harms they identify are legally cognizable. In addition, Plaintiffs offer no reason to believe that the challenged policies—which help identify circumstances in which IPR institution should be denied, Plaintiffs’ preferred outcome—actually cause them injury. Instead, Plaintiffs offer only unsupported and irrelevant speculation that a policy governing discretionary denial of IPR petitions adopted through notice-and-comment rulemaking would be more favorable to them than the existing policies. See *Lujan*, 504 U.S. at 560; *Citizens for Better Forestry v. USDA*, 341 F.3d 961, 969–70 (9th Cir. 2003) (for procedural injury to be non-speculative, it must be “reasonably probable that the challenged action will threaten [plaintiff’s] concrete interests”); see also *City of Arlington v. FCC*, 668 F.3d 229, 244 (5th Cir. 2012) (applying harmless error standard to failure to comply with APA notice-and-comment rules).

First, the Amended Complaint alleges that the Patent Owner Plaintiffs have suffered a concrete harm because notice-and-comment rulemaking would somehow have led to a policy on discretionary denial of IPR petitions that provides greater clarity than the existing policy. Am. Compl. ¶¶ 11-13, 20, 30, 40, 51, 56, 60, 64, 75. Initially, this allegation does not satisfy the pleading requirements of the Federal Rules of Civil Procedure because it is only a conclusory assertion that does not identify anything unclear about the factors for discretionary denial of IPR petitions. See *Ashcroft v. Iqbal*, 556 U.S. 662, 678–79 (2009) (“[T]he pleading standard Rule 8 announces . . . demands more than an unadorned, the-defendant-unlawfully-harmed-me accusation.”). Indeed, the precedential Board decisions addressing discretionary denial of IPR petitions clearly enumerate the various factors relevant to the institution decision. See, e.g., *Gen. Plastic Indus. Co. v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19, at 15-16 (P.T.A.B. Sept. 6, 2017). Moreover, a lack of legal clarity

is not a legal injury. To the contrary, federal courts may only address legal questions when cognizable, substantive legal interests are at stake. *See MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007) (distinguishing between valid declaratory judgment claims and impermissible advisory opinions). Thus, a lack of clarity alone cannot be an interest sufficient to confer standing.

Second, Plaintiffs assert that they have suffered a concrete harm because a policy issued through notice-and-comment rulemaking would result in the denial of IPR petitions challenging Plaintiffs' patents. Am. Compl. ¶¶ 14-21, 40, 51, 54-57, 59. However, the USPTO's institution decision does not alter the parties' rights, so it cannot constitute a legal injury. A decision whether to institute IPR proceedings does not cancel or alter any patent claims, and it does not prevent a petitioner from raising validity arguments in other forums. *See* 35 U.S.C. § 315(e)(2). Only a final written decision issued under 35 U.S.C. § 318(a) has those effects. Moreover, there is no merit to Plaintiffs' claim that IPR proceedings "effectively determine[] the fate of the . . . patent owner" because invalidation rates are "at least 2-3 times higher than in district court proceedings." Am. Compl. ¶ 26. This claim is legally irrelevant because being compelled to participate in proceedings is not an actionable harm, even when the adjudicatory process is purportedly unfair, *ultra vires*, or otherwise improperly instituted (none of which are circumstances even alleged here). *See Triangle Const. & Maint. Corp. v. Our Virgin Islands Labor Union*, 425 F.3d 938, 947 (11th Cir. 2005) (mandatory arbitration); *Esso Standard Oil Co. v. Cotto*, 389 F.3d 212, 219-220 (1st Cir. 2004) (allegedly biased state court proceeding when judicial review was ultimately available).

Additionally, Plaintiffs' claim is both untrue and misleading. Publicly available data shows that the invalidation rates are not nearly as high as Plaintiffs claim.⁹ Moreover, Plaintiffs' comparison is

⁹ PTAB Trial Statistics FY20 End of Year Outcome Roundup, IPR, PGR, CBM, https://www.uspto.gov/sites/default/files/documents/ptab_aia_fy2020_roundup.pdf, slide 13 (providing percentages of final written decisions as a percentage of all petitions). Pursuant to Federal Rule of Evidence 201, Defendant requests the Court take judicial notice of this document. *See United States v. Cecil*, 836 F.2d 1431, 1452 (4th Cir. 1988) ("courts may take judicial notice of

faulty because it fails to consider that the Board only reaches a final written decision after determining that there is a reasonable likelihood at least one challenged claim is unpatentable. 35 U.S.C. § 314(a). Plaintiffs fail to account for either the roughly one-third of petitions that are never instituted or for the one-third of petitions that are resolved before a final written decision.¹⁰ Plaintiffs looking only to the remaining one-third of petitions that are decided by a final written decision is therefore comparing apples to oranges.

Third, Plaintiffs contend that they have suffered a concrete harm because of the cost of defending their patents in IPR proceedings. Am. Compl. ¶¶ 25, 35, 39, 40, 48, 60. However, this is just a repackaging of Plaintiffs' assertions that notice-and-comment rulemaking would yield a clearer policy or one less likely to result in IPR petitions being granted. *See id.* Again, “the expense . . . of litigation is part of the social burden of living under government” and is not recognized as a change in the defending party's rights. *Standard Oil Co. of Cal.*, 449 U.S. at 244. Thus, it cannot suffice for standing. *See Lujan*, 504 U.S. at 560 (requiring a legally protected interest for standing).

B. US Inventor Lacks Organizational Standing.

It is possible for an organization or association to have standing either by virtue of its members' standing or in its own right. *NAACP v. City of Kyle, Tex.*, 626 F.3d 233, 237-38 (5th Cir. 2010). As discussed in the preceding section, however, the Amended Complaint does not demonstrate that any of US Inventor's members have standing to pursue its claims. Thus, to meet its burden on standing, US Inventor would have to demonstrate that it has independent standing by showing that it has been forced to “divert[] significant resources” to combat the USPTO's allegedly wrongful conduct and that the “conduct significantly and ‘perceptibly impaired’ the organization's

official governmental reports and statistics”); *United States v. 14.02 Acres of Land More or Less in Fresno Cty.*, 547 F.3d 943, 955 (9th Cir. 2008) (same).

¹⁰ PTAB Trial Statistics FY20 End of Year Outcome Roundup, IPR, PGR, CBM, https://www.uspto.gov/sites/default/files/documents/ptab_aia_fy2020_roundup.pdf, slide 15 (29% of challenged claims were found unpatentable in final written decisions in fiscal year 2020).

ability to provide its ‘activities.’” *Id.* at 238 (quoting *Havens Realty Corp. v. Coleman*, 455 U.S. 363, 379 (1982)). However, “the mere fact that an organization redirects some of its resources to litigation and legal counseling in response to actions or inactions of another party is insufficient to impart standing upon the organization.” *Id.* (quoting *La. ACORN Fair Hous. v. LeBlanc*, 211 F.3d, 298 305 (5th Cir. 2000)); *see also Nat’l Taxpayers Union v. United States*, 68 F.3d 1428, 1434 (D.C. Cir. 1995) (“[An organization] cannot convert its ordinary program costs into an injury in fact.”).

US Inventor has not alleged any appreciable diversion of resources due to the USPTO’s allegedly wrongful failure to enact policies for discretionary denial of IPR petitions through notice-and-comment rulemaking, so cannot meet its burden on standing. The only injuries US Inventor alleges on its own behalf are the supposed denial of “authoritative and clear key information” “on the topic of how discretionary considerations impact . . . institution decision” that “it wishes to use in its routine information dispensing activities.”¹¹ Am. Compl. ¶ 12. In other words, US Inventor is asserting the same purported lack of clarity that the Patent Owner Plaintiffs do. Not only is this speculative for the reasons discussed above, but any harm would be further attenuated because US Inventor lacks any direct stake in the policy. However, “an organization does not suffer an injury in fact where it ‘expend[s] resources to educate its members and others’ unless doing so subjects the organization to ‘operational costs beyond those normally expended.’” *Food & Water Watch, Inc. v. Vilsack*, 808 F.3d 905, 920 (D.C. Cir. 2015) (alteration in original) (quoting *Nat’l Taxpayers Union, Inc. v. United States*, 68 F.3d 1428, 1434 (D.C. Cir. 1995)). US Inventor has not alleged any additional operational costs from the alleged lack of clarity in the policy governing discretionary denial of IPR petitions. *See generally* Am. Compl. ¶¶ 11-13. Indeed, it would be hard to imagine how that would be

¹¹ Plaintiffs allege that US Inventor’s members have suffered injuries of the same types as those affecting the Patent Owner Plaintiffs, Am. Compl. ¶¶ 13-14, but such purported injuries are unavailing for the same reasons that they cannot confer standing on the Patent Owner Plaintiffs. *See* § I.A, *infra*.

possible, given that (a) nothing about the process by which a policy is adopted alters the expense of educating about it and, again, (b) Plaintiffs can only speculate about what policy would be adopted through notice-and-comment rulemaking. As such, US Inventor has failed to demonstrate standing on its own behalf.

II. Plaintiffs' Claims Lack Merit.

Neither Plaintiffs' claim to compel notice-and-comment rulemaking on the factors for discretionary denial of IPR petitions nor their claim to set aside the factors adopted pursuant to precedential Board decisions states a claim upon which relief could be granted.

A. The Court Should Dismiss Count I of the Amended Complaint.

Plaintiffs claim that the USPTO has unlawfully failed to issue a regulation through notice-and-comment rulemaking establishing standards for the exercise of the Director's discretion over the IPR institution decision. *See* Am. Compl. ¶¶ 80-83. This claim fails as a threshold matter because Plaintiffs have failed to exhaust their administrative remedies. Further, the claim lacks substantive merit because relies on a clear misreading of 35 U.S.C. § 316(b), which concerns only the minimum threshold for granting IPR institution, not the Director's discretion to deny it.

1. *Plaintiffs Have Not Exhausted Their Administrative Remedies With Regard to Their Claim to Compel Rulemaking on the Factors for Discretionary Denial of IPR Proceedings.*

Plaintiffs are not entitled to judicial review of Count I because they have failed to exhaust their administrative remedies. Under the APA, a party must file a petition for rulemaking and have it denied (actually or constructively) before that party can file an action to compel the rulemaking. *See Auer v. Robbins*, 519 U.S. 452, 459 (1997); *In re Howard*, 570 F.3d 752, 757-58 (6th Cir. 2009); *Clark v. Busey*, 959 F.2d 808, 812-13 (9th Cir. 1992); *see also In re City of Fall River, Mass.*, 470 F.3d 30, 33 (1st Cir. 2006). Until that time, there has not been a final agency action subject to APA review. *See Weight Watchers Int'l, Inc. v. FTC*, 47 F.3d 990, 992 (9th Cir. 1995); *see also Gulf Restoration Network v. McCarthy*, 783 F.3d 227, 235 (5th Cir. 2015); *In re Howard*, 570 F.3d at 757. The administrative exhaustion

requirement ensures that agencies first have the opportunity to consider any legal errors and applies so long as agency consideration of the alleged error is not futile. *See Avelar-Oliva v. Barr*, 954 F.3d 757, 766 (5th Cir. 2020).

Only US Inventor has filed a petition for rulemaking; it did so in August 2020. Am. Compl. ¶ 11. Although the USPTO has not yet decided how to proceed on the proposed rules in the petition, it has, since that time, issued a request for comments seeking the public's view on the appropriate factors to consider for discretionary denials of IPR petitions. *See Request for Comments on Discretion to Institute Trials Before the Patent Trial and Appeal Board*, 85 Fed. Reg. 66,502 (Oct. 20, 2020). When the comment period closed on December 3, 2020, the USPTO had received 822 comments from trade organizations, companies, law firms, individuals, and United States Senators.¹² The diversity of views among the 822 comments demonstrates the complexity and importance of the proper considerations when exercising discretion over the IPR institution decision. Instead of waiting for the USPTO to process this information and consider next steps, the Plaintiffs filed their Amended Complaint the very next month. Given the manifest complexity and importance of these considerations, the steps taken to date, and the time needed to engage in thoughtful rulemaking, six months (as of the date of the Amended Complaint) is not an unreasonable period in which to act such that it would constitute a constructive denial of US Inventor's petition. *See Nat'l Tank Truck Carriers, Inc. v. Fed. Highway Admin.*, No. 96-1339, 1997 WL 150088, at *1 (D.C. Cir. Feb. 27, 1997) (per curiam) ("Although the 20-month delay in acting on the petition for rulemaking is disturbing, petitioner has not yet shown "unreasonable agency delay""); *United Steelworkers of Am., AFL-CIO-CLC v. Rubber Mfrs. Ass'n*, 783 F.2d 1117, 1120 (D.C. Cir. 1986) (14-month period for issuing rule not unreasonable).

¹² Public Views on Discretionary Institution of AIA Proceedings, USPTO Executive Summary, January 2021, at 1, <https://www.uspto.gov/sites/default/files/documents/USPTOExecutiveSummaryofPublicViewsonDiscretionaryInstitutiononAIAProceedingsJanuary2021.pdf>

MCI Telecomms. Cor. v. FCC, 627 F.2d 32, 340 (D.C. Cir. 1980) (up to a “year or two” not unreasonable). As a result, none of the Moving Plaintiffs have properly exhausted their administrative remedies before filing this lawsuit, an independent reason Plaintiffs cannot be entitled to relief as to Count I.

2. *The USPTO’s Obligation to Enact a Regulation Governing the Threshold Standard for Granting an IPR Petition Does Not Encompass an Obligation to Enact a Regulation Governing the Discretionary Denial of an IPR Petition.*

The AIA obligates the USPTO Director to “prescribe regulations . . . setting forth the standards for the showing of sufficient grounds to institute a review.” 35 U.S.C. § 316(a)(2). The Director complied with his obligation related to sufficiency in 2012. *See* Changes to Implement Inter Partes Review Proceedings, 77 Fed. Reg. at 48728 (codified as amended at 37 C.F.R. § 42.108(c)).¹³ Nothing in the language of the AIA obligates the Director to also prescribe regulations establishing standards for the denial of institution pursuant to the Director’s unreviewable discretion. *See generally* 35 U.S.C. § 316(b).

The case law further emphasizes the distinction between the minimum requirements for granting an IPR petition and the Director’s discretion to deny IPR petitions that meet these requirements. In contrast to the minimum requirement to institute review—where the Director’s discretion is constrained by the requirement that he “determine[] that . . . there is a reasonable likelihood that the petitioner would prevail with respect to at least [one] of the claims challenged in the petition,” 35 U.S.C. § 314(a)—“the Director has complete discretion to decide not to institute review,” *St. Regis Mohawk Tribe*, 896 F.3d at 1327; *see also Mylan Labs. Ltd.*, 989 F.3d at 1382 (“The Director is permitted, but never compelled, to institute an IPR.”). In other words, as the Supreme Court acknowledged, “§ 314(a) doesn’t *require* [the Director] to institute an inter partes review even after he finds the ‘reasonable likelihood’ threshold met.” *SAS Inst., Inc. v. Iancu*, 138 S. Ct. at 1351. *See*

¹³ Any claim challenging the sufficiency of that regulation would be time barred by the six-year statute of limitations under 28 U.S.C. § 2401(a). *See Hyatt v. USPTO*, 904 F.3d 1361, 1372 (Fed. Cir. 2018).

also id. at 1361 (Breyer, J., dissenting) (“Even if there is one potentially meritorious challenge[.] . . . the Director still has discretion to deny a petition.”). Plaintiffs’ attempt to conflate these two distinct aspects of § 314(a) fails in light of this controlling precedent.

B. Count II of the Amended Complaint Lacks Merit Because Providing Non-Exhaustive, Non-Dispositive Factors to Consider When Exercising the Director’s Discretion Whether to Institute IPR Proceedings Is Not a Substantive Rule Requiring Notice-and-Comment Rulemaking.

Plaintiffs claim that the USPTO could adopt policies concerning the exercise of the Director’s discretion over the IPR institution decision only through notice-and-comment rulemaking and that the policies adopted by precedential Board decision should therefore be set aside. This contention fails for two reasons. Initially, this claim is non-justiciable because the Director designating as precedential Board decisions identifying some of the relevant factors for the exercise of his discretion is not final agency action subject to judicial review under the APA. Further, even if judicial review were appropriate, non-exhaustive, non-dispositive factors for the exercise of the Director’s discretion are not substantive agency rules requiring notice-and-comment rulemaking.

1. *No Rights, Obligations, or Legal Consequences Flow Directly from the Board’s Consideration of Non-Exhaustive, Non-Dispositive Factors for the Discretionary Denial of IPR Proceedings.*

The APA permits review of only final agency actions. 5 U.S.C. § 704. Agency action is final if the action (1) “mark[s] the culmination of the agency’s decisionmaking process” and (2) is “one by which rights or obligations have been determined, or from which legal consequences will flow.”

Bennett v. Spear, 520 U.S. 154, 178 (1997) (internal citations omitted). Neither of these requirements is satisfied here. Plaintiffs’ Count II is therefore non-justiciable and should be dismissed.

Absent a statute to the contrary, the issuance of an internal agency policy is not ordinarily a final action that can be directly challenged under the APA. *See* 5 U.S.C. § 704; *Lujan v. Nat’l Wildlife Fed’n*, 497 U.S. 871, 891 (1990) (discussing regulations); *Nat’l Min. Ass’n v. McCarthy*, 758 F.3d 243, 252 (D.C. Cir. 2014) (internal agency guidance not final agency action). When an agency decision “is

a step toward, and will merge in, the [agency]’s decision on the merits . . . review of this preliminary step should abide review of the final order.” *Standard Oil Co. of Cal.*, 449 U.S. at 246; *see also Energy Transfer Partners, LP. v. FERC*, 567 F.3d 134, 144 (5th Cir. 2009) (order instituting administrative adjudication not final agency action). Even when an agency applies an allegedly unlawful policy in its adjudications, only the resulting order is a final agency action ripe for APA review. *See RCM Techs., Inc. v. DHS*, 614 F. Supp. 2d 39, 45 (D.D.C. 2009); *Arden Wood, Inc. v. U.S. Customs & Immig. Servs.*, 480 F. Supp. 2d 141, 149-50 (D.D.C. 2007); *see also Lujan v. Nat’l Wildlife Fed’n*, 497 U.S. 871, 891 (1990) (allegedly unlawful agency policy not generally reviewable until “some concrete action appl[ies] the” policy). Here, Congress’s decision to foreclose review of the denial of an IPR petition under § 314(d) does not alter these well-established principles of administrative law.

Only in rare cases will the issuance of a policy “itself affect parties concretely enough to satisfy [the finality] requirement.” *Reno v. Catholic Social Servs., Inc.*, 509 U.S. 43, 57–61 (1993); *see also Standard Oil Co.*, 449 U.S. at 241-42. Issuance of a policy is final only when the policy directly causes “a certain change in the legal obligations of a party” or immediately forces regulated entities to alter their day-to-day affairs. *Ctr. for Auto Safety v. Nat’l Highway Traffic Safety Admin.*, 452 F.3d 798, 811 (D.C. Cir. 2006) (citation omitted); *see also Catholic Social Servs., Inc.*, 509 US at 57-58. Adopting non-dispositive factors to take into account when exercising discretion over the institution decision lacks the requisite legal effect for two reasons.

Initially, the factors are non-dispositive and non-exhaustive, so they cannot effect a certain legal change. *See Fintiv*, Paper 11 at 6 (requiring consideration of “other circumstances that impact the Board’s exercise of discretion, including the merits”); *Advanced Bionics*, Paper 6 at 9 n. 10 (listing “non-exclusive factors”); *Gen. Plastic Indus.*, Paper 19 at 16 (“non-exhaustive list of factors”). “When intermediate agency action does not bind the final decisionmaker, no final agency action has occurred.” *See Planned Parenthood of Wisc., Inc. v. Azar*, 316 F. Supp. 3d 291, 302 (D.D.C. 2018), *vacated*

as moot, 942 F.3d 512 (D.C. Cir. 2019). Although the Board is bound to consider factors identified in precedential Board decisions, the Board can nonetheless decide that those factors are outweighed by other considerations. “Although practically consequential, the [precedential decisions] describe[] how [the] agency decision *will be* made, and [their adoption] is not a final agency action itself.” *Id.* at 300.

Moreover, no substantive rights are determined by the grant or denial of institution, so the institution decision itself cannot be a final agency action under the APA. *See Fairbanks N. Star Borough v. U.S. Army Corps of Eng’rs*, 543 F.3d 586, 594 (9th Cir. 2008); *see also Nat’l Ass’n of Home Builders v. Norton*, 415 F.3d 8, 16 (D.C. Cir. 2005). As the Federal Circuit recently reiterated, “no petitioner has a right to such institution” and “such a decision is committed to agency discretion by law.” *Mylan Labs. Ltd.*, 989 F.3d at 1382; *see also Cuozzo Speed Techs.*, 136 S. Ct. at 2140 (“decision to initiate inter partes review is . . . not ‘final’” for purpose of APA review). The denial of an IPR petition leaves intact both the patent claims and the petitioner’s right to challenge those claims in federal court. *See* 35 U.S.C. §§ 315(e), 318(b). Likewise, the grant of an IPR petition preserves those rights until the Board issues a final written decision after a full hearing. *Id.* § 318(a). The institution decision merely determines “that adjudicatory proceedings will commence,” so it cannot be a final agency action. *Standard Oil Co. of Cal.*, 449 U.S. at 241-42 (final decision to issue complaint initiating proceedings not final agency action); *City of Oakland v. Lynch*, 798 F.3d 1159, 1166-67 (9th Cir. 2015) (same for forfeiture complaint). Because it is not a final agency action, the claim is not appropriate for judicial review under the APA.

2. *Factors for Discretionary Denial of IPR Institution Are General Statements of Policy, Not Substantive Rules.*

Even if Count II were justiciable, it would fail because the non-exhaustive, non-dispositive, multi-factor analyses that Plaintiffs challenge are not substantive rules requiring notice-and-comment rulemaking. *See See Lincoln v. Vigil*, 508 U.S. 182, 196 (1993) (“notice-and-comment requirements

apply . . . only to so-called ‘legislative’ or ‘substantive’ rules”). “Substantive or legislative rules affect individual rights and obligations and are binding on the courts. Non-legislative rules, on the other hand, ‘genuinely leave the agency and its decisionmakers free to exercise discretion.’” *Tex. Sav. & Cmty. Bankers Ass’n v. Fed. Hous. Fin. Bd.*, 201 F.3d 551, 556 (5th Cir. 2000) (internal citations omitted); *see also Paralyzed Veterans of Am. v. West*, 138 F.3d 1434, 1436 (Fed. Cir. 1998). Of relevance here, “‘general statements of policy,’ which [are] . . . ‘statements issued by an agency to advise the public prospectively of the manner in which the agency proposes to exercise a discretionary power,’” are not substantive rules. *Lincoln*, 508 U.S. at 197 (quoting *Chrysler Corp. v. Brown*, 441 U.S. 281, 302 n. 31 (1979)). “As long as the agency remains free to consider the individual facts in the various cases that arise, then the agency action in question has not established a binding norm” and will not amount to a substantive rule. *Pros. & Patients for Customized Care v. Shalala*, 56 F.3d 592, 594–96 (5th Cir. 1995) (citation omitted).

The precedential Board decisions laying out the factors relevant to the exercise of discretion under § 314(a) all require individualized consideration. *See Fintiv*, Paper 11 at 5-6 (listing “non-dispositive factors,” including all “other circumstances that impact the Board’s exercise of discretion, such as the merits”), *Advanced Bionics*, Paper 6 at 9 n. 10 (“non-exclusive factors”); *General Plastic Indus. Co.*, Paper 19 at 16 (“non-exhaustive list of factors”). They identify certain considerations that the Board takes into account when exercising the Director’s discretion. Policies that are “not outcome determinative” (*i.e.*, non-dispositive rules) cannot have force of law and therefore cannot be substantive rules. *Planned Parenthood of Wis., Inc.*, 316 F. Supp. 3d at 307-08 (criteria for formulating grant recommendations not substantive rule); *see Clarian Health W. LLC v. Hargan*, 878 F.3d 346, 358 (D.C. Cir. 2017) (criteria governing discretionary decision not a legislative rule).

Indeed, the instant case is directly analogous to the Fifth Circuit’s holding in *Professionals and Patents for Customized Care*, 56 F.3d 592. There, a federal agency announced a non-exhaustive list of

nine factors for its employees to follow when deciding whether to institute enforcement proceedings. *Id.* at 593-94. The factors were also non-dispositive, in that “even if the factors [were] present] the [agency] retain[ed] discretion whether to bring an enforcement action.” *Id.* at 597-98. In light of these characteristics, the Fifth Circuit concluded that it was “clear that the nine factors . . . are not the type of criteria that courts have traditionally characterized as ‘binding norms’” and therefore did not constitute a substantive rule for purposes of the APA. *Id.* at 599. Here, the same is true of the non-exhaustive, non-dispositive factors that the USPTO has identified as relevant to the Board’s exercise of discretion with regard to the decision whether to institute IPR proceedings. Although the Board must consider the identified factors, that does not dictate the outcome of the institution decision. The Board’s exercise of discretion based on the particular facts of any given case belies Plaintiffs’ claim that the challenged precedential Board decisions constitute substantive rules.

CONCLUSION

For the reasons set forth herein, the Court should dismiss this action for lack of jurisdiction, or in the alternative, for failure to state a claim.

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EXHIBIT A

PATENT TRIAL AND APPEAL BOARD

STANDARD OPERATING PROCEDURE 2 (REVISION 10)

**PRECEDENTIAL OPINION PANEL TO DECIDE ISSUES OF
EXCEPTIONAL IMPORTANCE INVOLVING POLICY OR PROCEDURE**

**PUBLICATION OF DECISIONS AND DESIGNATION OR
DE-DESIGNATION OF DECISIONS AS PRECEDENTIAL OR
INFORMATIVE**

This Standard Operating Procedure (SOP) addresses the designation of a Precedential Opinion Panel in adjudications before the Patent Trial and Appeal Board (Board) to decide issues of exceptional importance (e.g., involving agency policy or procedure). The SOP sets forth the composition of the Precedential Opinion Panel, describes the mechanisms for invoking Precedential Opinion Panel review of a Board decision recently issued in a pending case, and explains the Precedential Opinion Panel review process. Unless otherwise designated, Precedential Opinion Panel decisions will set forth binding agency authority.

This SOP further addresses the publication of Board decisions and the review procedure for designating Board decisions, other than Precedential Opinion Panel decisions, as precedential or informative authority for the Board. The review procedure includes a process by which an Executive Judges Committee evaluates decisions nominated for precedential or informative designation. As part of this process, the Executive Judges Committee also may solicit and evaluate comments from all members of the Board to determine whether to recommend the nominated decision for designation as precedential or informative.

Finally, this SOP includes a procedure for de-designating precedential decisions and informative decisions.

No decision will be designated or de-designated as precedential or informative without the approval of the Director. This SOP does not limit the authority of the Director to designate or de-designate decisions as precedential or informative, or to convene a Precedential Opinion Panel to review a matter, in his or her sole discretion without regard to the procedures set forth herein. Nor does this SOP limit the Director's authority to issue, at any time and in any manner,

policy directives that are binding on any and all USPTO employees, including policy directives concerning the implementation of statutory provisions. *See, e.g.*, 35 U.S.C. §3(a)(2)(A); *see also, e.g.*, 35 U.S.C. §§ 3(a)(1), 2(b)(2)(A), 316(a), 326(a).

This SOP sets forth internal norms for the administration of PTAB. It does not create any legally-enforceable rights. The actions described in this SOP are part of the USPTO's deliberative process.

I. PURPOSE

A. Precedential Opinion Panel Review

The Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (Director), who is a statutory member of the Board (35 U.S.C. § 6(a)), is “responsible for providing policy direction and management supervision for the Office” (35 U.S.C. § 3(a)(2)(A)), and has “the authority to govern the conduct of proceedings in the Office” (35 U.S.C. § 2(b)(2)(A)). The Director has an interest in creating binding norms for fair and efficient Board proceedings, and for establishing consistency across decision makers under the Leahy-Smith America Invents Act (35 U.S.C. §§ 311-329; Section 18 of the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284, 329 (2011)) and, to the extent applicable, for patent examination, for example, in *ex parte* appeals and reexamination appeals.

B. Publication of Decisions and Designation of Decisions as Precedential or Informative

The Administrative Procedure Act requires that “[e]ach agency shall make available to the public . . . final opinions, including concurring and dissenting opinions, as well as orders, made in the adjudication of cases.” 5 U.S.C. § 552(a)(2)(A). Since August 1997, Board decisions have been made available to

the public through the electronic posting of most¹ final Board decisions (<http://e-foia.uspto.gov/Foia/PTABReadingRoom.jsp>; <https://ptab.uspto.gov>). A decision, as used in this SOP, refers to any Board decision, opinion, or order, or the rehearing decision of any Board decision, opinion, or order.

The Board enters thousands of decisions every year. Every decision other than a precedential decision by the Precedential Opinion Panel is, by default, a routine decision. A routine decision is binding in the case in which it is made, even if it is not designated as precedential or informative, but it is not otherwise binding authority. This SOP provides a mechanism for highlighting certain Board decisions by designating them as precedential or informative.

C. Procedures for De-designation

This SOP also provides a procedure for de-designating decisions previously designated as precedential or informative when they should no longer be designated as such, for example, because they have been rendered obsolete by subsequent binding authority, are inconsistent with current policy, or are no longer relevant to Board jurisprudence. No decision will be de-designated without the approval of the Director.

II. PRECEDENTIAL OPINION PANEL REVIEW FOR ESTABLISHING BINDING AGENCY AUTHORITY

A. Criteria for Precedential Opinion Panel Review

The Precedential Opinion Panel generally will be used to establish binding agency authority concerning major policy or procedural issues, or other issues of exceptional importance in the limited situations where it is appropriate to create such binding agency authority through adjudication before the Board. For example, and among other things, the Precedential Opinion Panel may be used to

¹ Electronic publication of most decisions depends on whether the underlying application is entitled to confidentiality. 35 U.S.C. § 122. Since November 2000, only a relatively small number of decisions remain confidential.

address constitutional questions; important issues regarding statutes, rules, and regulations; important issues regarding binding or precedential case law; or issues of broad applicability to the Board. The Precedential Opinion Panel also may be used to resolve conflicts between Board decisions, to promote certainty and consistency, or to rehear any case it determines warrants the Panel's attention.

B. Composition of the Precedential Opinion Panel

35 U.S.C. § 6(c) provides that proceedings at the Board "shall be heard by at least 3 members of the Patent Trial and Appeal Board [Board], who shall be designated by the Director." The Board is composed of the Director, the Deputy Director, the Commissioner for Patents, the Commissioner for Trademarks, and the administrative patent judges. 35 U.S.C. § 6(a). The Board further includes a Chief Administrative Patent Judge ("Chief Judge"), a Deputy Chief Administrative Patent Judge ("Deputy Chief Judge"), and a number of Operational Vice Chief Administrative Patent Judges ("Operational Vice Chief Judges").

The Precedential Opinion Panel members are selected by the Director, and by default shall consist of the Director, the Commissioner for Patents, and the Chief Judge. The Director (or the Director's delegate) may determine that a panel of more than three members is appropriate in certain circumstances. The Director may also, in his or her discretion, replace the default members of the Panel with the Deputy Director, the Deputy Chief Judge, or an Operational Vice Chief Judge, in any case. The three primary members of the Precedential Opinion Panel may each decide to delegate their authority under certain circumstances. Decisions on delegation of authority will be made in the following order: (1) first the Director will decide whether to delegate his or her authority; (2) next, the Commissioner for Patents; and (3) finally, the Chief Judge. The authority of each of these three members of the Precedential Opinion Panel may be delegated to one of the following individuals, in the following order and based on availability: the Deputy Director; the Deputy Chief Judge; or an Operational Vice Chief Judge in order of seniority. No individual may receive the delegated authority of more than one member of the Precedential Opinion Panel. A Precedential Opinion Panel member's authority may be delegated for reasons including conflicts of interest

and availability or when the issues to be decided are directed to procedural aspects of practice before the Board.²

C. Obtaining Precedential Opinion Panel Review

The Director may convene a Precedential Opinion Panel to review a decision in a case and determine whether to order sua sponte rehearing, in his or her sole discretion and without regard to the procedures set forth herein.

The Precedential Opinion Panel may also be recommended in the following ways:

1. Any party to a proceeding may recommend Precedential Opinion Panel review of a particular Board decision in that proceeding. Such a recommendation must be submitted by email to Precedential_Opinion_Panel_Request@uspto.gov. The email must identify with particularity the reasons for recommending Precedential Opinion Panel review. The email must be accompanied by a request for rehearing filed with the Board, which must satisfy the requirements of 37 C.F.R. § 41.52(a) or 42.71(d), as applicable, including the due dates set forth therein. Counsel for all other parties must be included as recipients of the email. In addition, the email must contain at least one of the following statements of counsel at the beginning:

Based on my professional judgment, I believe the Board panel decision is contrary to the following decision(s) of the Supreme Court of the United States, the United States Court of Appeals for the Federal Circuit, or the precedent(s) of the Board: (cite specific decisions).

² This SOP does not limit the authority of the Director to convene a Precedential Opinion Panel consisting of any Board members, including statutory members, at any time, to review any matter before the Board, in his or her sole discretion.

Based on my professional judgment, I believe the Board panel decision is contrary to the following constitutional provision, statute, or regulation: (cite specific provision, statute, or regulation).

Based on my professional judgment, I believe this case requires an answer to one or more precedent-setting questions of exceptional importance (set forth each question in a separate sentence).

/s/ [signature]

ATTORNEY OF RECORD FOR [list party/parties].

2. In addition to the Commissioner for Patents and the Chief Judge, any other member of the Board may recommend Precedential Opinion Panel review of a particular Board decision, provided that such recommendation complies with the due dates set forth 37 C.F.R. §§ 41.52(a) or 42.71(d). Such a recommendation must be submitted by email to [Precedential Opinion Panel Request@uspto.gov](mailto:Precedential_Opinion_Panel_Request@uspto.gov). The email must identify with particularity the reasons for suggesting Precedential Opinion Panel review.

There is no right to further review of a recommendation for Precedential Opinion Panel Review that is not granted.

D. Precedential Opinion Panel Review Process

A Screening Committee will review the recommendations for Precedential Opinion Panel review submitted under § II.C.1 and § II.C.2, above. The Screening Committee shall be comprised of the members of the Precedential Opinion Panel, or their designees, typically in equal numbers (for example, 3 designees of each of the Chief Judge, Commissioner for Patents, and Director). The designees must be USPTO employees with a legal degree, selected from the group of:

- PTAB Administrative Patent Judges;
- The Deputy Director;
- Individuals with a grade of SES or SL reporting directly or indirectly to the Commissioner for Patents, Deputy Commissioner for Patent Examination

Policy, Deputy Commissioner for Patent Operations, or Deputy Commissioner for Patent Quality; or

- Attorneys reporting directly or indirectly to the General Counsel or Solicitor.

The Screening Committee will forward its recommendations to the Director.

Where appropriate, the Director will convene a Precedential Opinion Panel to decide whether to grant rehearing and, if rehearing is granted, to render a decision on rehearing in the case.

In all instances in which Precedential Opinion Panel review is ordered, the Precedential Opinion Panel will enter an order notifying the parties and the public when the Precedential Opinion Panel has been designated and assigned to a particular Board case. The order will further identify the issues the Precedential Opinion Panel intends to resolve and the composition of the panel. The Precedential Opinion Panel may request additional briefing on identified issues, and, in appropriate circumstances, may further authorize the filing of amicus briefs. The Precedential Opinion Panel may order, at its discretion, an oral hearing. Once the case has been assigned to the Precedential Opinion Panel, the Precedential Opinion Panel will render a decision in the case resolving the identified issues.

The Precedential Opinion Panel will maintain authority over all issues in the case while the case is under Precedential Opinion Panel review. The Precedential Opinion Panel may, however, delegate authority back to the prior Board panel assigned to the case to handle routine interlocutory matters, conduct conference calls, or attend to other matters outside of the intended scope of the Precedential Opinion Panel review, among other things. If authority is so delegated, the prior Board panel assigned to the case will keep the Precedential Opinion Panel apprised of these matters and provide reasonable prior notice of any intended decision, but may handle matters so delegated without direction from the Precedential Opinion Panel.

If further proceedings in the case are warranted after the Precedential Opinion Panel decision is rendered, the prior Board panel assigned to the case typically will conduct those proceedings.

E. Effect of Precedential Opinion Panel Decision

Opinions of the Precedential Opinion Panel shall have the effect described in § III.D, below.

The Director may designate any decision by any panel, including the Precedential Opinion Panel, as precedential without regard to the procedures set forth herein. No decision may be designated as precedential without the Director's approval. Precedential decisions entered by the Precedential Opinion Panel shall be labeled "Precedential." Precedential decisions shall be posted to the Board's Precedential Decisions Web page³ and may be sent to commercial reporters that routinely publish Board decisions.

The Precedential Opinion Panel may also choose to designate its decision as routine when, e.g., the decision in retrospect is no longer of precedent-setting importance. In its discretion, the Precedential Opinion Panel may alternatively choose to designate its decision as informative, for example when it meets the criteria for an informative decision described in § III.A, below.

Opinions of the Precedential Opinion Panel may be de-designated in accordance with the procedures set forth in § IV, below.

III. DESIGNATING AN ISSUED DECISION AS PRECEDENTIAL OR INFORMATIVE

Every Board decision, other than a Precedential Opinion Panel decision, is a routine decision until it is designated as precedential or informative. A routine decision is binding in the case in which it is made, even if it is not designated as

³ <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/precedential-informative-decisions>

precedential or informative, but is not otherwise binding authority. The sections below set forth a procedure for nomination, review, and designation of issued decisions (other than decisions entered by the Precedential Opinion Panel) as precedential or informative.

A. Nominating Process for Precedential or Informative Designation

Any person, including for example Board members and other USPTO employees and members of the public, may nominate a routine decision of the Board for designation as precedential or informative. An informative decision may similarly be nominated for precedential designation.

Nominations for precedential or informative designation must set forth with particularity the reasons for the requested designation. Persons nominating such a decision must also identify any other Board decisions of which they are aware that may be in conflict with the nominated decision. Nominations should be submitted by email to PTAB_Decision_Nomination@uspto.gov.

Nominated decisions may be considered for precedential designation for generally the same reasons described in § II.A, above. For example and among other things: constitutional questions; important issues regarding statutes, rules, and regulations; important issues regarding binding or precedential case law; or issues of broad applicability to the Board. The precedential designation may also be used to resolve conflicts between Board decisions and to promote certainty and consistency among Board decisions.

Nominated decisions may be considered for informative designation for reasons including, for example: (1) providing Board norms on recurring issues; (2) providing guidance on issues of first impression to the Board; (3) providing guidance on Board rules and practices; and (4) providing guidance on issues that may develop through analysis of recurring issues in many cases (e.g., factors to consider on institution decisions).

The Screening Committee as defined in § II.D, above, will review the nominated decisions and make recommendations as to which cases should be

further reviewed for designation as precedential or informative. This further review is performed by an Executive Judges Committee.

B. Executive Judges Committee

The Executive Judges Committee will provide a recommendation to the Director on whether or not to designate a decision, or a portion thereof, as precedential or informative.

1. Composition of the Executive Judges Committee

The Executive Judges Committee consists of five members, and includes the Chief Judge, the Deputy Chief Judge and the Operational Vice Chief Judges, in order of seniority and based on availability.

2. Executive Judges Committee Review Process

As part of its evaluation, the Executive Judges Committee may solicit and review comments from members of the Board. To that end, the Executive Judges Committee may present the nominated decision to all members of the Board for comment during a Board review period. During the Board review period, which typically will be five business days, any member of the Board may submit written comments to the Executive Judges Committee regarding whether the decision should be designated as precedential or informative. The Executive Judges Committee may share the comments with all members of the Board. After the expiration of the Board review period, the Executive Judges Committee will compile and evaluate the received comments, and shall determine by majority vote of the Executive Judges Committee whether or not to recommend the decision for designation as precedential or informative.

C. Designating a Decision as Precedential or Informative

The Executive Judges Committee shall submit its designation recommendation to the Director, with an explanation for the recommendation. The Director may consult with others, including, for example, the members of the

Precedential Opinion Panel and members of the Office of the General Counsel. No decision or portion thereof may be designated as precedential or informative pursuant to these procedures without the Director's approval. If the Director determines that the decision or portion thereof should be designated as precedential or informative, the Director will notify the Chief Judge.⁴

The decision to be designated will then be published or otherwise disseminated following notice and opportunity for written objection afforded by 37 C.F.R. § 1.14, in those instances in which the decision would not otherwise be open to public inspection because a patent application is preserved in confidence pursuant to 35 U.S.C. § 122(a).

Decisions, or portions thereof, designated as precedential or informative shall be labeled "Precedential" or "Informative," respectively, and include the date on which the decision is so designated. If a portion of a decision is designated as precedential or informative, an indication of that portion shall be included in the label. Precedential and informative decisions shall be posted electronically on the Board's Precedential and Informative Decisions Web page and may be sent to commercial reporters that routinely publish Board decisions.

D. Effect of Precedential or Informative Designation

A precedential decision is binding Board authority in subsequent matters involving similar facts or issues.

Informative decisions set forth Board norms that should be followed in most cases, absent justification, although an informative decision is not binding authority on the Board.

⁴ This SOP does not limit the authority of the Director to designate or de-designate an issued decision or portion thereof as precedential or informative at any time, in his or her sole discretion.

A decision previously designated as precedential or informative under a prior version of SOP 2 (and not previously de-designated) shall remain precedential or informative unless de-designated under § IV of this SOP.

IV. DE-DESIGNATING A PRECEDENTIAL OR INFORMATIVE DECISION

Any person, including for example Board members and other USPTO employees and members of the public, may suggest that a Board decision designated as “Precedential” or “Informative” should no longer be designated as such, for example because it has been rendered obsolete by subsequent binding authority, is inconsistent with current policy, or is no longer relevant to Board jurisprudence. Nominations for de-designation should be submitted by email to PTAB_Decision_Nomination@uspto.gov.

If the Director determines that the particular Board decision should no longer be designated as such, the subject Board decision will be de-designated. The Chief Judge will notify the Board that the decision has been de-designated. The decision will be removed from the Board’s Precedential and Informative Decisions Web page and the public will be notified that the decision has been de-designated.

EXHIBIT B

NOTICE

Pursuant to the Patent Trial and Appeal Board (PTAB) Standard Operating Procedure 2, the PTAB designates **Section II.B.4.i.** of the Decision in *General Plastic Industrial Co., Ltd. v. Canon Kabushiki Kaisha*, Case IPR2016-01357 (Paper 19) **Precedential**.

Trials@uspto.gov
571-272-7822



Patent Trial and Appeal Board

Precedential

Standard Operating Procedure 2

Paper No. 19

Entered: September 6, 2017

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

GENERAL PLASTIC INDUSTRIAL CO., LTD.,
Petitioner,

v.

CANON KABUSHIKI KAISHA,
Patent Owner.

Case IPR2016-01357 (Patent 9,046,820 B1)¹
Case IPR2016-01358 (Patent 9,046,820 B1)
Case IPR2016-01359 (Patent 8,909,094 B2)
Case IPR2016-01360 (Patent 8,909,094 B2)
Case IPR2016-01361 (Patent 8,909,094 B2)

Before DAVID P. RUSCHKE, *Chief Administrative Patent Judge*,
SCOTT R. BOALICK, *Deputy Chief Administrative Patent Judge*, and
JAMESON LEE, MICHAEL R. ZECHER, THOMAS L. GIANNETTI,
JENNIFER S. BISK, and SHEILA F. McSHANE, *Administrative Patent Judges*.

McSHANE, *Administrative Patent Judge*.

DECISION

Denying Petitioner's Requests for Rehearing
37 C.F.R. § 42.71(d)

¹ These proceedings have not been joined or consolidated. Rather, because of the presence of common issues and the involvement of the same parties, we enter one Decision on Rehearing for these identified proceedings.

IPR2016-01357 (Patent 9,046,820 B1)
IPR2016-01358 (Patent 9,046,820 B1)
IPR2016-01359 (Patent 8,909,094 B2)
IPR2016-01360 (Patent 8,909,094 B2)
IPR2016-01361 (Patent 8,909,094 B2)

I. INTRODUCTION

General Plastic Industrial Co., Ltd., (hereafter “Petitioner”) filed respective Requests for Rehearing of each of the Decisions Denying Institution of *inter partes* review in the following five related proceedings: (1) IPR2016-01357; (2) IPR2016-01358; (3) IPR2016-01359; (4) IPR2016-01360; and (5) IPR2016-01361.² In each Request for Rehearing, Petitioner contends that the corresponding Decision Denying Institution should be withdrawn, and *inter partes* review should be instituted. Also, in each Request for Rehearing, Petitioner requests that the panel on rehearing be expanded.

For purposes of this Decision on Rehearing, we treat the Request for Rehearing in IPR2016-01357 as representative, and specifically discuss the circumstances of that request. This discussion, however, equally applies to all the Requests for Rehearing. For ease of reference, unless otherwise indicated, all citations are to filings in IPR2016-01357, including the Request for Rehearing (“Req. Reh’g”) and the Decision Denying Institution (“Dec.”). Where appropriate, we add specific discussions pertaining to the other proceedings.

To summarize, and as discussed further below, Petitioner filed a first set of petitions seeking *inter partes* review of U.S. Patent No. 9,046,820 B1 (“the ’820 patent”) and U.S. Patent No. 8,909,094 B2 (“the ’094 patent”). For each petition, institution of a trial was denied based upon the merits. Nine months after the filing

² The Decisions Denying Institution are listed as follows: IPR2016-01357 (Paper 16); IPR2016-01358 (Paper 12); IPR2016-01359 (Paper 12); IPR2016-01360 (Paper 12); and IPR2016-01361 (Paper 12). The Requests for Rehearing are listed as follows: IPR2016-01357 (Paper 17); IPR2016-01358 (Paper 13); IPR2016-01359 (Paper 13); IPR2016-01360 (Paper 13); and IPR2016-01361 (Paper 13).

IPR2016-01357 (Patent 9,046,820 B1)
IPR2016-01358 (Patent 9,046,820 B1)
IPR2016-01359 (Patent 8,909,094 B2)
IPR2016-01360 (Patent 8,909,094 B2)
IPR2016-01361 (Patent 8,909,094 B2)

of the first set of petitions, Petitioner filed follow-on petitions against the same patents. For each of those follow-on petitions, we exercised our discretion not to institute pursuant to 35 U.S.C. § 314(a) and 37 C.F.R. § 42.108(a).

Petitioner alleges that trials should have been instituted on the follow-on petitions because a petitioner is not limited to filing just one petition per challenged patent under either 35 U.S.C. § 311 or § 314. Req. Reh’g 5. Petitioner also argues that we should not have relied on § 314(a), which, according to Petitioner, does not apply to the later petitions, and that we should have performed our analysis under 35 U.S.C. § 325(d). *Id.* at 5–7, 13–14. Furthermore, Petitioner alleges that in our analysis, we misapplied the factors set forth in the Board’s *NVIDIA*³ decision. Specifically, Petitioner contends that: (1) the factor of the limited one-year time period for issuing a final written decision should be afforded additional, if not dispositive, weight in light of the legislative history; (2) we abused our discretion by requiring that the prior art “should have been known” at the time the initial petitions were filed; and (3) we erred in considering potential prejudice to Patent Owner because the *NVIDIA* decision does not list such a factor. *Id.* at 6–13. Petitioner also requests that an expanded panel be designated. *Id.* at 14–15.

For the reasons that follow, we *deny* Petitioner’s Requests for Rehearing.

³ *NVIDIA Corp. v. Samsung Elec. Co.*, Case IPR2016-00134 (PTAB May 4, 2016) (Paper 9) (hereinafter, “*NVIDIA*”).

IPR2016-01357 (Patent 9,046,820 B1)
IPR2016-01358 (Patent 9,046,820 B1)
IPR2016-01359 (Patent 8,909,094 B2)
IPR2016-01360 (Patent 8,909,094 B2)
IPR2016-01361 (Patent 8,909,094 B2)

II. DISCUSSION

A. *Requests for an Expanded Panel*

Our governing statutes and regulations do not permit 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; *see also AOL Inc. v. Coho Licensing LLC*, Case IPR2014-00771, slip op. at 2 (PTAB Mar. 24, 2015) (Paper 12) (“[P]arties are not permitted to request, and panels do not authorize, panel expansion.”). Our standard operating procedures, however, provide the Chief Judge with discretion to expand a panel to include more than three judges. PTAB SOP 1, 1–3 (§§ II, III) (Rev. 14); *see id.* at 1 (introductory language explaining that the Director has delegated to the Chief Judge the authority to designate panels under 35 U.S.C. § 6); *see also In re Alappat*, 33 F.3d 1526, 1532 (Fed. Cir. 1994) (providing that Congress “expressly granted the Commissioner the authority to designate expanded Board panels made up of more than three Board members.”). The Chief Judge may consider panel expansions upon a “suggestion” from a judge, panel, or party in a post-grant review. *Id.* at 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.” *Id.* (§ III.A.1).

In these cases, the Chief Judge has considered whether expansion is warranted, and has decided to expand the panel due to the exceptional nature of the

IPR2016-01357 (Patent 9,046,820 B1)
IPR2016-01358 (Patent 9,046,820 B1)
IPR2016-01359 (Patent 8,909,094 B2)
IPR2016-01360 (Patent 8,909,094 B2)
IPR2016-01361 (Patent 8,909,094 B2)

issues presented.⁴ As we discuss further below, follow-on petitions have been at issue in multiple cases before the Board. The Chief Judge has determined that an expanded panel is warranted to provide a discussion of factors that are considered in the exercise of the Board's discretion under 35 U.S.C. § 314(a) and 37 C.F.R. § 42.108(a).

B. Requests for Rehearing

A party requesting rehearing has the burden to show a decision should be modified by specifically identifying all matters the party believes were misapprehended or overlooked, and the place where each matter was addressed previously in a motion, opposition, or a reply. 37 C.F.R. § 42.71(d). When rehearing a decision on institution, we review the decision for an abuse of discretion. 37 C.F.R. § 42.71(c). An abuse of discretion may arise if a decision is based on an erroneous interpretation of law, if a factual finding is not supported by substantial evidence, or if the decision represents an unreasonable judgment in weighing relevant factors. *Star Fruits S.N.C. v. United States*, 393 F.3d 1277, 1281 (Fed. Cir. 2005); *Arnold P'ship v. Dudas*, 362 F.3d 1338, 1340 (Fed. Cir. 2004); *In re Gartside*, 203 F.3d 1305, 1315–16 (Fed. Cir. 2000).

We present background on the cases below, and then address the arguments made by Petitioner in the Requests for Rehearing.

⁴ As provided for in the standard operating procedure, and considering the commonality of issues considered here, the Judges on the initial panels in all the cases at issue have been designated as part of the expanded panel, and the Chief Judge and Deputy Chief Judge have been added to the panel. PTAB SOP 1, 4 (§ III.E).

IPR2016-01357 (Patent 9,046,820 B1)
 IPR2016-01358 (Patent 9,046,820 B1)
 IPR2016-01359 (Patent 8,909,094 B2)
 IPR2016-01360 (Patent 8,909,094 B2)
 IPR2016-01361 (Patent 8,909,094 B2)

1. Background

Petitioner initially filed a first set of petitions challenging the '820 patent and the '094 patent. The '820 and '094 patents generally relate to toner supply containers used with image forming apparatuses, and the challenged claims at issue in both patents are very similar. *Compare* Ex. 1001, 24:6–61, with IPR2015-01954, Ex. 1001, 24:15–25:5. Below is a summary of the proceedings corresponding to the first set of petitions.

'820 Patent Case

Case	Claims at Issue	Prior Art Asserted
IPR2015-01966 ("First '820 Patent Petition")	1, 7–9, and 16	Matsuoka ⁵

'094 Patent Case

Case	Claims at Issue	Prior Art Asserted
IPR2015-01954 ("First '094 Patent Petition")	1, 7–9, 16–18, 29, and 38	Matsuoka

Petitioner filed these two petitions ("first-filed petitions") challenging claims of the '820 and '094 patents in September 2015. We denied institution of an *inter partes* review in those two proceedings based upon the merits of the challenges on March 9, 2016. *Gen. Plastic Indus. Co., Ltd. v. Canon Kabushiki Kaisha*, Case IPR2015-01966 (PTAB March 9, 2016) (Paper 9); *Gen. Plastic Indus. Co., Ltd. v. Canon Kabushiki Kaisha*, Case IPR2015-01954 (PTAB March 9, 2016) (Paper 9).

⁵ U.S. Patent No. 5,903,806, issued May 11, 1999.

IPR2016-01357 (Patent 9,046,820 B1)
 IPR2016-01358 (Patent 9,046,820 B1)
 IPR2016-01359 (Patent 8,909,094 B2)
 IPR2016-01360 (Patent 8,909,094 B2)
 IPR2016-01361 (Patent 8,909,094 B2)

Petitioner filed Requests for Rehearing in those two proceedings, and those Requests were denied on May 19, 2016.

In July 2016, Petitioner filed two follow-on petitions in Cases IPR2016-01357 and IPR2016-01358, again challenging claims of the '820 patent, and three follow-on petitions in Cases IPR2016-01359, IPR2016-01360, and IPR2016-01361, again challenging claims of the '094 patent. The five follow-on petitions, and their designation by Petitioner ("Second," "Third," and "Fourth"), are summarized below.

'820 Patent Case

Case	Claims at Issue	Prior Art Asserted
IPR2016-01357 ("Second '820 Patent Petition")	1, 7–9, and 16	Suzuki ⁶ , Ikesue ⁷ , and Yasuda ⁸
IPR2016-01358 ("Third '820 Patent Petition")	1, 7–9, and 16	Yoshiki ⁹ , Koide ¹⁰ , Kato ¹¹ , Matsuoka, and Ikesue

⁶ Japan Patent Pub. No. 2000-305346, published November 2, 2000.

⁷ U.S. Patent No. 5,598,254, issued January 28, 1997.

⁸ U.S. Patent No. 5,481,344, issued January 2, 1996.

⁹ U.S. Patent No. 5,765,079, issued June 9, 1998.

¹⁰ Japan Patent App. No. H10-171230, published June 26, 1998.

¹¹ U.S. Patent No. 6,118,951, issued September 12, 2000.

IPR2016-01357 (Patent 9,046,820 B1)
 IPR2016-01358 (Patent 9,046,820 B1)
 IPR2016-01359 (Patent 8,909,094 B2)
 IPR2016-01360 (Patent 8,909,094 B2)
 IPR2016-01361 (Patent 8,909,094 B2)

'094 Patent Cases

Case	Claims at Issue	Prior Art Asserted
IPR2016-01359 ("Second '094 Patent Petition")	1, 7–9, and 29	Suzuki and Ikesue
IPR2016-01360 ("Third '094 Patent Petition")	1, 7–9, and 29	Yoshiki, Koide, Kato, Matsuoka, and Ikesue
IPR2016-01361 ("Fourth '094 Patent Petition")	1, 7–9, 11, 16–18, 29, and 38	Yasuda

In Patent Owner's Preliminary Responses to the follow-on petitions, Patent Owner argued that the Board should apply the factors set forth in the *NVIDIA* decision and deny the Petitions pursuant to 35 U.S.C. § 314(a). Paper 8, 4–10. Petitioner was granted leave to file Replies (Paper 10) to address issues arising under 35 U.S.C. §§ 314(a) and 325(d). Petitioner filed Replies to the Preliminary Responses (Paper 11) ("Reply"), and Patent Owner filed Sur-Replies in response to the Replies (Paper 13).

2. Decisions Denying Institution

We declined to institute *inter partes* reviews based on the follow-on petitions in Cases IPR2016-01357, IPR2016-01358, IPR2016-01359, IPR2016-01360, and IPR2016-01361 by exercising our discretion pursuant to 35 U.S.C. § 314(a) and 37 C.F.R. § 42.108(a). *See, e.g.,* Dec. 12; *Gen. Plastic Indus. Co., Ltd. v. Canon Kabushiki Kaisha*, Case IPR2016-01360 (PTAB Nov. 14, 2016) (Paper 12) (hereinafter, "Dec. IPR2016-01360").

In exercising our discretion to deny each of the follow-on petitions, we considered seven factors, first set forth in *NVIDIA*, slip. op. at 6–7. In *NVIDIA*, the

IPR2016-01357 (Patent 9,046,820 B1)
IPR2016-01358 (Patent 9,046,820 B1)
IPR2016-01359 (Patent 8,909,094 B2)
IPR2016-01360 (Patent 8,909,094 B2)
IPR2016-01361 (Patent 8,909,094 B2)

Board determined that, when exercising discretion to deny institution of an *inter partes* review, we may consider the following factors:

1. whether the same petitioner previously filed a petition directed to the same claims of the same patent;
2. whether at the time of filing of the first petition the petitioner knew of the prior art asserted in the second petition or should have known of it;¹²
3. whether at the time of filing of the second petition the petitioner already received the patent owner's preliminary response to the first petition or received the Board's decision on whether to institute review in the first petition;¹³
4. the length of time that elapsed between the time the petitioner learned of the prior art asserted in the second petition and the filing of the second petition;
5. whether the petitioner provides adequate explanation for the time elapsed between the filings of multiple petitions directed to the same claims of the same patent;
6. the finite resources of the Board; and

¹² See *Conopco, Inc. v. Proctor & Gamble Co.*, Case IPR2014-00506, slip op. at 4 (PTAB Dec. 10, 2014) (Paper 25) (informative) (hereinafter, "*Conopco*"), and slip op. at 6 (PTAB July 7, 2014) (Paper 17); *Toyota Motor Corp. v. Cellport Sys., Inc.*, Case IPR2015-01423, slip op. at 8 (PTAB Oct. 28, 2015) (Paper 7) (hereinafter, "*Toyota Motor Corp.*").

¹³ See *Conopco, Inc. v. Proctor & Gamble Co.*, Case IPR2014-00628, slip op. at 11 (PTAB October 20, 2014) (Paper 21) (discouraging filing of a first petition that holds back prior art for use in later attacks against the same patent if the first petition is denied); *Toyota Motor Corp.*, slip op. at 8 ("[T]he opportunity to read Patent Owner's Preliminary Response in IPR2015-00634, prior to filing the Petition here, is unjust.").

IPR2016-01357 (Patent 9,046,820 B1)
IPR2016-01358 (Patent 9,046,820 B1)
IPR2016-01359 (Patent 8,909,094 B2)
IPR2016-01360 (Patent 8,909,094 B2)
IPR2016-01361 (Patent 8,909,094 B2)

7. the requirement under 35 U.S.C. § 316(a)(11) to issue a final determination not later than 1 year after the date on which the Director notices institution of review.

See also LG Elecs. Inc. v. Core Wireless Licensing S.A.R.L., Case IPR2016-00986 (PTAB Aug. 22, 2016) (Paper 12) (hereinafter, “*LG Electronics*”).

Applying these factors to the follow-on petitions, we concluded that the circumstances did not warrant institution of *inter partes* reviews. *See* Dec. 11–12. For instance, when evaluating factor 1, we noted that the same claims of the same patent were at issue in the follow-on petitions as in the first-filed petitions, where institutions were denied. *See id.* at 7–8. We also considered the timing of the filings under factors 2 and 3. The follow-on petitions were all filed nine months after the filing of the first-filed petitions. At the time Petitioner filed the follow-on petitions, Patent Owner had filed its Preliminary Responses to the first-filed petitions, and the Board had issued Decisions Denying Institution of the first-filed petitions, as well as Decisions Denying Rehearing of those decisions. *Id.* at 10–12. Petitioner provided no meaningful explanation for the delay in filing the follow-on petitions. Instead, Petitioner stated that it had found new prior art as a result of two later searches. *Id.* at 8. The new prior art searches did not commence until after the Board issued the Decisions Denying Institution in the proceedings based on the first-filed petitions. *Id.* at 8–9 (citing Ex. 1010 ¶¶ 3, 4, 6–8). Additionally, with respect to factor 6, we found that the Board’s resources would be more fairly expended on initial petitions, rather than follow-on petitions. Dec. IPR2016-01360, 9.

With respect to factors 4 and 5, Petitioner provided no explanation in its Petition or in its Reply to Patent Owner’s Preliminary Response of any unexpected

IPR2016-01357 (Patent 9,046,820 B1)
IPR2016-01358 (Patent 9,046,820 B1)
IPR2016-01359 (Patent 8,909,094 B2)
IPR2016-01360 (Patent 8,909,094 B2)
IPR2016-01361 (Patent 8,909,094 B2)

circumstances that prompted the new prior art searches, or for the delay. Dec. 11. Petitioner demonstrated that it found new prior art, but provided no explanation why it could not have found this new prior art earlier—prior to filing the first-filed petitions—through the exercise of reasonable diligence. *Id.*

We additionally found that Petitioner had modified its challenges in the follow-on petitions in an attempt to cure the deficiencies that the Board identified in its first-filed petitions. *See, e.g.*, Dec. 11–12 (“The shift in the prior art asserted and arguments in serial proceedings is of particular concern here.”). More specifically, the newly-asserted prior art, predominantly directed to toner cartridges only, “without resort to any copier components as part of its invalidity arguments,” was a shift in Petitioner’s positions and arguments from the first-filed petitions based on the analysis articulated in our Decisions Denying Institution of those petitions. *Id.* at 12. Moreover, the shift in Petitioner’s challenges was not the consequence of a position that Patent Owner surprisingly advanced or the Board surprisingly adopted, because “[t]he claims clearly require the sealing member to be a component of the toner supply container, e.g., a toner cartridge,” and not the copier itself. Dec. IPR2016-01360, 9. On these bases, we stated that “[t]he filing of sequential attacks against the same claims, with the opportunity to morph positions along the way, imposes inequities on [Patent Owner].” *See* Dec. 12.

In light of the circumstances of these cases, and our assessment that the factors strongly favored non-institution, we exercised discretion and denied institution under 35 U.S.C. § 314(a) and 37 C.F.R. § 42.108(a). *See id.*

IPR2016-01357 (Patent 9,046,820 B1)
IPR2016-01358 (Patent 9,046,820 B1)
IPR2016-01359 (Patent 8,909,094 B2)
IPR2016-01360 (Patent 8,909,094 B2)
IPR2016-01361 (Patent 8,909,094 B2)

3. *Petitioner's Contentions*

Petitioner asserts that we were “overly concerned with the perceived burdens that would be imposed on the Patent Office and Patent Owner . . . , but ignored the overarching purpose of Section 6 of the America Invents Act (‘AIA’), 35 U.S.C. § 311 et seq., which is to improve the quality of patents by cancelling unpatentable claims.” Req. Reh’g 2. More specifically, Petitioner asserts that, in rendering our Decisions Denying Institution, our actions were contrary to the legislative purpose of 35 U.S.C. § 314(a) and that we misapplied the factors set forth in *NVIDIA*, thereby creating an improper *de facto* bar against all follow-on petitions filed after a decision on a first-filed petition. *Id.* at 1–3, 6–14.

Petitioner argues that it is not limited explicitly to filing just one petition per challenged patent under either 35 U.S.C. §§ 311 or 314, and that 35 U.S.C § 325(d) recognizes the possibility of subsequent petitions. Req. Reh’g 5–6. Petitioner further argues that § 325(d) only allows us to reject follow-on petitions when “the same or substantially the same prior art or arguments previously were presented to the Office” in the first-filed petition. *Id.* Petitioner asserts that utilizing § 314(a) and factors to prohibit shifting positions or arguments “conflicts with the express wording of § 325(d),” renders that statutory section superfluous or meaningless, and represents an abuse of discretion. *Id.* at 14.

Petitioner contends that the more specific statutory section addressing multiple proceedings (i.e., § 325(d)) controls over the more general statutory section (i.e., § 314(a)). Req. Reh’g 14 (referring to *HCSC-Laundry v. United States*, 450 U.S. 1, 6 (1981)). Petitioner asserts that, upon reviewing the legislative history, the intent of Congress in giving the Director discretion to deny petitions

IPR2016-01357 (Patent 9,046,820 B1)
IPR2016-01358 (Patent 9,046,820 B1)
IPR2016-01359 (Patent 8,909,094 B2)
IPR2016-01360 (Patent 8,909,094 B2)
IPR2016-01361 (Patent 8,909,094 B2)

under § 314 is limited to providing a “safety valve” for situations where the one-year deadline imposed by 35 U.S.C. § 316(a)(11) could not be met. *Id.* at 6–7 (citing *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 Fed. Cir. B.J. 539, 610 (2012) (citing 157 CONG. REC. S1377 (daily ed. Mar. 8, 2011))). Petitioner then argues that we should give more weight to factor 7, i.e., the requirement under 35 U.S.C. § 316(a)(11) to issue a final determination not later than 1 year after the date on which the Director notices institution of review, than to the other factors we consider because that factor is the only factor “supported by the legislative history of §314(a).” *Id.* at 7. Petitioner further argues that we did not deny institution of the follow-on petitions in order to alleviate an existing backlog of instituted proceedings affecting the Board’s ability to meet a one-year deadline under § 316(a)(1). *Id.*

Petitioner also argues that § 314(a) should not be applied here because its application “improperly conflicts with 35 U.S.C. § 325(d).” *Id.* at 13. According to Petitioner, the Board previously has applied “just § 325(d)” to determine whether institution should be granted for subsequent petitions. *Id.* at 13–14 (citing *Microsoft Corp. v. Bradium Techs. LLC*, Case IPR2016-00449, slip op. at 6–10 (PTAB July 27, 2016) (Paper 9) (hereinafter, “*Microsoft*”); *Atlas Copco Airpower N.V. v. Kaeser Kompressoren SE*, Case IPR2015-01421, slip op. at 6–8 (PTAB Dec. 28, 2015) (Paper 8) (hereinafter, “*Atlas*”).

Petitioner further questions our findings on the reasonableness of its initial prior art search and argues that we abused our discretion because, under factor 2, we applied a standard based on whether the new prior art discovered by Petitioner “should have been known” earlier. Req. Reh’g 7–8. Petitioner argues that our

IPR2016-01357 (Patent 9,046,820 B1)
IPR2016-01358 (Patent 9,046,820 B1)
IPR2016-01359 (Patent 8,909,094 B2)
IPR2016-01360 (Patent 8,909,094 B2)
IPR2016-01361 (Patent 8,909,094 B2)

interpretation of factor 2 “would be self-defining to be adverse to Petitioners in every instance.” *Id.* at 8. Petitioner argues that because a petition requesting an *inter partes* review can be based only on “prior art consisting of patents or printed publications,” that “a reference must be locatable by a reasonably diligent search” “in order to qualify as such prior art.” *Id.* As a consequence, Petitioner asserts that any prior art citable in a second petition “necessarily could have been found by a reasonable prior art search performed prior to filing the first petition.” *Id.* (citing 35 U.S.C. § 311(b); *In re Lister*, 583 F.3d 1307, 1311–12 (Fed. Cir. 2009)).

Petitioner also argues that denial of a first-filed petition “should not be fatal.” Req. Reh’g 10. Petitioner argues we should not have denied its follow-on petitions that attempt to cure “a substantive and material defect” in its first-filed petitions, because that rationale “would apply to any second petition filed after the Board’s denial of the first petition.” Req. Reh’g 10–11. To illustrate this point, Petitioner refers to two other cases where the Board instituted an *inter partes* review on grounds asserted in follow-on petitions, even though the petitioners shifted positions in the follow-on petitions. *Id.* at 10–11 (citing *Atlas*, slip op. at 6, 19; *Microsoft*, slip op. at 6–10). Petitioner further alleges that denial of the first-filed petitions was “surprising” to it because of our interpretation of “toner supply container,” that distinguished the prior art presented in the first-filed petitions—which disclosed a “combination copier-toner cartridge.” *Id.* at 11.

Finally, Petitioner alleges that we erred in taking the “perceived unfair prejudice” to Patent Owner into account in our denial of the follow-on petitions because the *NVIDIA* decision does not include a factor addressing Patent Owner’s resources. *Id.* at 13. Instead, similar to its other arguments, Petitioner asserts that

IPR2016-01357 (Patent 9,046,820 B1)
IPR2016-01358 (Patent 9,046,820 B1)
IPR2016-01359 (Patent 8,909,094 B2)
IPR2016-01360 (Patent 8,909,094 B2)
IPR2016-01361 (Patent 8,909,094 B2)

any prejudice to Patent Owner is addressed by § 325(d), and that Patent Owner has not—and cannot show—that the follow-on petitions include the same or substantially the same prior art or arguments as the first-filed petitions. *Id.*

4. Discussion

For the reasons discussed below, Petitioner has not shown that our Decisions Denying Institution of *inter partes* review misapprehended or overlooked any matter or that we abused our discretion in reaching this determination.

i. Applying Factors to Evaluate the Equities of Permitting Follow-on Petitions is a Proper Exercise of Discretion Under 35 U.S.C. § 314(a)

The Director has discretion to institute an *inter partes* review under 35 U.S.C. § 314(a) and 37 C.F.R. § 42.108(a). *See* 35 U.S.C. § 314(a) (stating “[t]he Director *may not* authorize an *inter partes* review to be instituted unless the Director determines that 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” (emphasis added)); 37 C.F.R. § 42.108(a) (stating “the Board *may* authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim” (emphasis added)). There is no *per se* rule precluding the filing of follow-on petitions after the Board’s denial of one or more first-filed petitions on the same patent. The Board consistently has considered a number of factors in determining whether to exercise that discretion. *See NVIDIA*, slip op. at 6–8; *LG Electronics* at 6–7; *see also Xactware Sols., Inc. v. Eagle View Techs.*,

IPR2016-01357 (Patent 9,046,820 B1)
IPR2016-01358 (Patent 9,046,820 B1)
IPR2016-01359 (Patent 8,909,094 B2)
IPR2016-01360 (Patent 8,909,094 B2)
IPR2016-01361 (Patent 8,909,094 B2)

Inc., Case IPR2017-00034, slip op. at 7–8 (PTAB Apr. 13, 2017) (Paper 9). To reiterate, those factors are as follows:

1. whether the same petitioner previously filed a petition directed to the same claims of the same patent;
2. whether at the time of filing of the first petition the petitioner knew of the prior art asserted in the second petition or should have known of it;
3. whether at the time of filing of the second petition the petitioner already received the patent owner’s preliminary response to the first petition or received the Board’s decision on whether to institute review in the first petition;
4. the length of time that elapsed between the time the petitioner learned of the prior art asserted in the second petition and the filing of the second petition;
5. whether the petitioner provides adequate explanation for the time elapsed between the filings of multiple petitions directed to the same claims of the same patent;
6. the finite resources of the Board; and
7. the requirement under 35 U.S.C. § 316(a)(11) to issue a final determination not later than 1 year after the date on which the Director notices institution of review.

See NVIDIA, slip. op. at 6–7. Such a non-exhaustive list of factors informs practitioners and the public of the Board’s considerations in evaluating follow-on petitions.

In exercising discretion under 35 U.S.C. § 314(a) and 37 C.F.R. § 42.108(a), we are mindful of the goals of the AIA—namely, to improve patent quality and make the patent system more efficient by the use of post-grant review procedures. *See H.R. Rep. No. 112-98*, pt. 1, at 40 (2011). Although we recognize that an objective of the AIA is to provide an effective and efficient alternative to district

IPR2016-01357 (Patent 9,046,820 B1)
IPR2016-01358 (Patent 9,046,820 B1)
IPR2016-01359 (Patent 8,909,094 B2)
IPR2016-01360 (Patent 8,909,094 B2)
IPR2016-01361 (Patent 8,909,094 B2)

court litigation, we also recognize the potential for abuse of the review process by repeated attacks on patents. *See id.* at 48 (“While this amendment is intended to remove current disincentives to current administrative processes, the changes made by it are not to be used as tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent. Doing so would frustrate the purpose of the section as providing quick and cost effective alternatives to litigation.”).

Our intent in formulating the factors was to take undue inequities and prejudices to Patent Owner into account. Thus, factor 3 is directed to Petitioner’s potential benefit from receiving and having the opportunity to study Patent Owner’s Preliminary Response, as well as our institution decisions on the first-filed petitions, prior to its filing of follow-on petitions. As discussed in our Decisions Denying Institution, we are concerned here by the shifts in the prior art asserted and the related arguments in follow-on petitions. *See* Dec. 11. Multiple, staggered petitions challenging the same patent and same claims raise the potential for abuse. The absence of any restrictions on follow-on petitions would allow petitioners the opportunity to strategically stage their prior art and arguments in multiple petitions, using our decisions as a roadmap, until a ground is found that results in the grant of review.¹⁴ All other factors aside, this is unfair to patent

¹⁴ The Board has addressed efficiency and potential prejudice induced by multiple petitions in multiple cases. *See LG Electronics*, slip op. at 12 (“The Board’s resources would be more fairly expended on first petitions rather than on a follow-on petition like the Petition in this case.”); *Butamax Advanced Biofuels LLC v. Gevo*, Case IPR2014-00581, slip op. at 12–13 (PTAB Oct. 14, 2014) (Paper 8) (“[T]he four obviousness grounds are ‘second bites at the apple,’ which use our prior decision as a roadmap to remedy Butamax’s prior, deficient challenge.

IPR2016-01357 (Patent 9,046,820 B1)
IPR2016-01358 (Patent 9,046,820 B1)
IPR2016-01359 (Patent 8,909,094 B2)
IPR2016-01360 (Patent 8,909,094 B2)
IPR2016-01361 (Patent 8,909,094 B2)

owners and is an inefficient use of the *inter partes* review process and other post-grant review processes. Considering other factors (i.e., factors 2, 4, and 5) allows us to assess and weigh whether a petitioner should have or could have raised the new challenges earlier.

We recognize that there may be circumstances where multiple petitions by the same petitioner against the same claims of a patent should be permitted, and that such a determination is dependent on the facts at issue in the case. The factors set forth above, in our view, represent a formulation of relevant considerations that permit the Board to assess the potential impacts on both the efficiency of the *inter partes* review process and the fundamental fairness of the process for all parties. We recognize, also, that additional factors may arise in other cases for consideration, where appropriate. However, the factors set forth above, at the very least, serve to act as a baseline of factors to be considered in our future evaluation of follow-on petitions.

As we discussed above, § 314(a) recites “may not” when referring to authorization for *inter partes* review, and does not specify any particular

Allowing similar, serial challenges to the same patent, by the same petitioner, risks harassment of patent owners and frustration of Congress’s intent in enacting the Leahy-Smith America Invents Act. *See* H.R. Rep. No. 112-98, pt.1, at 48 (2011.”); *Conopco*, slip op. at 5 (“We are not persuaded that we erred by adopting a more flexible approach that assesses each case on its particular facts to achieve a result that promotes the efficient and economical use of Board and party resources, and reduces the opportunity for abuse of the process.”); *Travelocity.com L.P. v. Cronos Tech., LLC*, Case CBM2015-00047, slip op. at 13 (PTAB June 15, 2015) (Paper 7) (“Moreover, a decision on a petition . . . is not simply part of a feedback loop by which a petitioner may perfect its challenges through a subsequent filing.”).

IPR2016-01357 (Patent 9,046,820 B1)
IPR2016-01358 (Patent 9,046,820 B1)
IPR2016-01359 (Patent 8,909,094 B2)
IPR2016-01360 (Patent 8,909,094 B2)
IPR2016-01361 (Patent 8,909,094 B2)

circumstance in which review must be authorized. That means institution of review is committed to the Director's discretion, which, in turn, has been delegated to the Board. *See* 35 U.S.C. § 314(a); *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016); 37 C.F.R. § 42.4(a). Similarly, under § 325(d), whether “the same or substantially the same prior art or arguments previously were presented to the Office” is an issue that “may” be taken into account in considering institution, also manifesting the discretionary nature of application of § 325(d). As such, § 325(d) is not intended to be the sole factor in the exercise of discretion under § 314(a). We, therefore, do not agree with Petitioner that our Decisions Denying Institution conflict with the “express wording” of § 325(d), or render the aforementioned provision superfluous or meaningless. We also do not agree that the legislative history indicates an intent to limit discretion under § 314(a), such that it is subordinate to or encompassed by § 325(d). Additionally, although the legislative history reflects recognition of a desire for a “safety valve” to alleviate backlog, it does not limit the exercise of discretion under 35 U.S.C. § 314(a) to only circumstances in which there is a high volume of pending proceedings. *See* 157 CONG. REC. S1377 (Mar. 8, 2011). In any event, no such restriction appears in the language of 35 U.S.C. § 314(a), and we decline to read into 35 U.S.C. § 314(a) such a restriction.

ii. Applying the Factors in These Cases

As summarized above, *supra* Section II.B.2, we find that, in these cases, six of the seven factors weigh against institution. Petitioner disputes our findings on the issue of whether Petitioner “should have known” of the art asserted in the follow-on petitions under factor 2. We disagree with Petitioner's characterization

IPR2016-01357 (Patent 9,046,820 B1)
IPR2016-01358 (Patent 9,046,820 B1)
IPR2016-01359 (Patent 8,909,094 B2)
IPR2016-01360 (Patent 8,909,094 B2)
IPR2016-01361 (Patent 8,909,094 B2)

that invariably factor 2 could not be met because “patents or printed publications” necessarily “must be locatable by a reasonably diligent search.” Req. Reh’g 8.

The relevant issue under factor 2 is not, as Petitioner has framed it, whether the prior art references relied on in the follow-on petitions constitute printed publications, but whether they could have been found with reasonable diligence. Thus, even for printed publications, a petitioner is free to explain why a reasonably diligent search could not have uncovered the newly applied prior art. *See Apotex Inc. v. Wyeth LLC*, IPR2015-00873, slip op. at 6 (Sept. 16, 2015) (Paper 8) (describing “[w]hat a petitioner ‘could have raised,’” as including “prior art which a skilled searcher conducting a diligent search reasonably could have been expected to discover.”). Here, the record is devoid of any explanation why Petitioner could not have found the newly asserted prior art in any earlier search(es) through the exercise of reasonable diligence.

In the Replies to Patent Owner’s Preliminary Responses, Petitioner did not argue that there were any changed circumstances that reasonably justified its new prior art searches and associated filing of follow-on petitions. *See Reply 1–5*. In the Requests for Rehearing, however, Petitioner avers that denial of the first-filed petitions was “surprising” to it, because the Board treated the term “toner supply container” in the claim preamble as limiting. Req. Reh’g 10–11. We determine that the “surprising” argument is not entitled to consideration, because it was not included in the Replies, which we authorized in order to allow Petitioner to address Patent Owner’s Preliminary Responses that raised the issues of impropriety of follow-on petitions and application of discretion under § 314(a).

IPR2016-01357 (Patent 9,046,820 B1)
IPR2016-01358 (Patent 9,046,820 B1)
IPR2016-01359 (Patent 8,909,094 B2)
IPR2016-01360 (Patent 8,909,094 B2)
IPR2016-01361 (Patent 8,909,094 B2)

In any event, Petitioner's assertion that it was "surprised" by our claim construction is unpersuasive, because that is not the pertinent issue. Rather, any such inquiry is directed to whether, from an objective perspective in the context of the applicable law and facts, Petitioner's alleged surprise is reasonable. Here, we determine that it is not. As we found, although the term "toner supply container" is in the claim preamble, it is the stated specific structure of the claim. *See* Dec. IPR2016-01360, 9. As such, it is a structural limitation appearing in the claim, and Petitioner's assertion of being surprised by our giving weight to the term is not reasonable. Furthermore, there are additional deficiencies in the first-filed petitions, identified and discussed in our denial of those first-filed petitions, which are not related to whether all claim elements have to be components of a toner supply container.

As discussed above, multiple, staggered petition filings, such as those here, are an inefficient use of the *inter partes* review process and the Board's resources. Additionally, although Petitioner contends that institution was granted in other non-precedential Board decisions alleged to be similar, we do not find that argument availing. Each case is decided on the basis of its own facts, and the Board's consideration of the factors we set forth above may vary from case to case. Finally, Petitioner's argument on the absence of specific findings on a need to alleviate an existing backlog of instituted *inter partes* reviews at the Board (Req. Reh'g 7) is not convincing. For the reasons discussed above, Petitioner's arguments on this issue are not persuasive.

IPR2016-01357 (Patent 9,046,820 B1)
IPR2016-01358 (Patent 9,046,820 B1)
IPR2016-01359 (Patent 8,909,094 B2)
IPR2016-01360 (Patent 8,909,094 B2)
IPR2016-01361 (Patent 8,909,094 B2)

Therefore, we conclude that we did not misapprehend or overlook any issues in our analysis and evaluation associated with denying institution of the follow-on petitions at issue.

III. CONCLUSION

For the foregoing reasons, Petitioner has not demonstrated that we abused our discretion, or that we misapprehended or overlooked any issue, in denying institution of *inter partes* reviews in Cases IPR2016-01357, IPR2016-01358, IPR2016-01359, IPR2016-01360, and IPR2016-01361.

IV. ORDER

Accordingly, it is ORDERED that the request for an expanded panel is *granted* and, in all other respects, Petitioner's Requests for Rehearing in Cases IPR2016-01357, IPR2016-01358, IPR2016-01359, IPR2016-01360, and IPR2016-01361 are *denied*.

IPR2016-01357 (Patent 9,046,820 B1)

IPR2016-01358 (Patent 9,046,820 B1)

IPR2016-01359 (Patent 8,909,094 B2)

IPR2016-01360 (Patent 8,909,094 B2)

IPR2016-01361 (Patent 8,909,094 B2)

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Patent Trial and Appeal Board
PRECEDENTIAL
Standard Operating Procedure 2
Designated: 3/24/20

Paper No. 6
Entered: February 13, 2020

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

ADVANCED BIONICS, LLC,
Petitioner,

v.

MED-EL ELEKTROMEDIZINISCHE GERÄTE GMBH,
Patent Owner.

IPR2019-01469
Patent 8,634,909 B2

Before WILLIAM M. FINK, *Vice Chief Administrative Patent Judge*,
LINDA E. HORNER and KALYAN K. DESHPANDE, *Administrative
Patent Judges*.

DESHPANDE, *Administrative Patent Judge*.

DECISION
Denying Institution of *Inter Partes* Review
35 U.S.C. § 314

IPR2019-01469
Patent 8,634,909 B2

I. INTRODUCTION

Advanced Bionics, LLC (“Petitioner”) filed a Petition requesting an *inter partes* review of claims 1, 3, 5, 6, 10, 11, 14, 16, and 20 of U.S. Patent No. 8,634,909 (Ex. 1001, “the ’909 patent”). Paper 1 (“Pet.”). MED-EL Elektromedizinische Geräte GmbH (“Patent Owner”) filed a Preliminary Response. Paper 5 (“Prelim. Resp.”). We have authority under 35 U.S.C. § 314(a), which provides that an *inter partes* review may not be instituted “unless . . . there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” After considering the Petition, Patent Owner’s Preliminary Response, and associated evidence, we exercise our discretion to deny institution of *inter partes* review under 35 U.S.C. § 325(d).

A. Related Matters

Petitioner and Patent Owner indicate that the ’909 patent is the subject of *MED-EL Elektromedizinische Geräte Ges.m.b.H et al. v. Advanced Bionics LLC*, Case No. 1:18-cv-01530-MN (D. Del), filed on October 3, 2018. Pet. 89; Paper 4.

B. The ’909 Patent

The ’909 patent relates to “implantable medical devices, and specifically, to magnetic elements in such devices that allow for magnetic resonance imaging.” Ex. 1001, 1:9–11. The ’909 patent discloses that a typical cochlear hearing implant system includes an external magnet having a conventional coin shape and a north-south magnetic dipole perpendicular to the skin as well as an internal magnet having a coin shape and a north-south magnetic dipole perpendicular to the skin. *Id.* at 1:14–22, 1:26–29. According to the ’909 patent, interactions occur between the implant magnet

IPR2019-01469
 Patent 8,634,909 B2

and an applied external magnetic field when a patient undergoes Magnetic Resonance Imaging (MRI) examination. *Id.* at 1:38–41. Such interactions may displace the internal magnet or displace the internal implant housing, which may damage adjacent tissue; reduce or remove the magnetization of the internal magnet; or cause imaging artifacts in the MRI image. *Id.* at 1:43–53.

The '909 patent discloses a magnetic arrangement for an implantable system that includes a planar coil housing containing a signal coil. *Id.* at 2:14–18. The magnetic arrangement further includes a first attachment magnet located within the plane of the coil housing so the first attachment magnet is rotatable therein and has a magnetic dipole parallel to the plane of the coil housing. *Id.* at 2:18–22. A side cross-sectional view of cochlear implant 400 is shown in Figure 4(B):

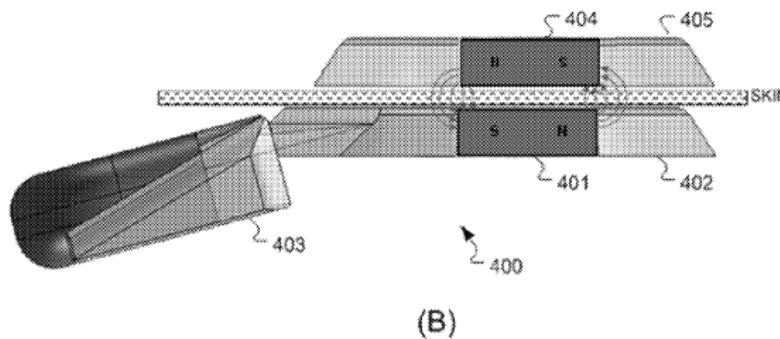


Fig. 4

Figure 4(B) illustrates that cochlear implant 400 has planar coil housing 402 and first attachment magnet 401 located within the plane of coil housing 402 and rotatable therein. *Id.* at 3:65–4:3. First attachment magnet 401 also has a magnetization direction with a magnetic dipole parallel to the plane of coil housing 402. *Id.* at 4:4–5. External transmitter coil housing

IPR2019-01469
Patent 8,634,909 B2

405 has second attachment magnet 404 with a similar magnetic dipole parallel to the plane of coil housing 405. *Id.* at 4:5–8. According to the '909 patent, the magnets may be disk shaped but “any shape could be implemented so long as the magnetization is parallel to the coil housing and the skin.” *Id.* at 6:3–6. The '909 patent also discloses that disk-shape magnets allow for rotation in only one plane but still can align well with the field of a magnetic resonance scanner without the need to drill a recess into the bone during implantation, which spherical magnets may require. *Id.* at 1:66–2:7, 6:45–50, 6:66–7:2.

The '909 patent discloses that the arrangement of Figure 4(B) results in attachment magnets 401, 404 self-orienting when external transmitter coil housing 405 is placed on the skin of a patient. *Id.* at 4:5–12. In addition, when a patient with the arrangement of Figure 4(B) undergoes an MRI, a magnetization component of the internal attachment magnet is perpendicular to the external magnetic field of magnetic resonance scanner. *Id.* at 4:19–25. This causes the attachment magnet to turn around its axis to align with the magnetization direction of the magnetic resonance scanner, which results in no torque on the magnet and its coil housing or weakening of the magnetic force of the attachment magnet. *Id.* at 4:25–28, 4:35–39.

C. Illustrative Claim

Petitioner challenges claims 1, 3, 5, 6, 10, 11, 14, 16, and 20 of the '909 patent. Pet. 25–87. Claims 1 and 10 are the only independent claims challenged. Claim 1 is illustrative of the challenged claims and is reproduced below:

1. An implantable system for a recipient patient, the implantable system comprising:

IPR2019-01469

Patent 8,634,909 B2

a coil housing configured to be implanted under the patient's skin, the coil housing having a planar outer surface configured to lie parallel to the patient's skin and containing a signal coil for transcutaneous communication of an implant communication signal; and

a planar disc shaped first attachment magnet within the coil housing, the first attachment magnet adapted to be rotatable therein, having a magnetic dipole moment oriented across a diameter of the first attachment magnet, and configured within the coil housing such that the magnetic dipole moment remains substantially parallel to the planar outer surface of the coil housing when the first attachment magnet rotates for transcutaneous magnetic interaction with a corresponding second attachment magnet.

Ex. 1001, 7:44–60. Independent claim 10 is similar to claim 1 and further recites a transmitter housing containing a second attachment magnet. *Id.* at 8:27–47.

IPR2019-01469
 Patent 8,634,909 B2

D. The Alleged Grounds of Unpatentability and Evidence of Record

The information presented in the Petition sets forth proposed grounds of unpatentability of claims 1, 3, 5, 6, 10, 11, 14, 16, and 20 of the '909 patent under 35 U.S.C. § 103(a)¹ as follows (*see* Pet. 25–87):²

Claim(s) Challenged	35 U.S.C. §	Reference(s)/Basis
1, 3, 5, 6, 10, 11, 14, 16, 20	103(a)	Zimmerling, ³ Charvin ⁴
1, 3, 5, 6, 10, 11, 14, 16, 20	103(a)	Chang, ⁵ Zimmerling, Schmid ⁶

II. ANALYSIS

A. 35 U.S.C. § 325(d)

Petitioner and Patent Owner present arguments about our discretion under 35 U.S.C. § 325(d). Pet. 87–89; Prelim. Resp. 65–72. We address this threshold issue first, and, determine that it is dispositive of our decision of whether to institute *inter partes* review. For the foregoing reasons, we are

¹ The Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112-29, 125 Stat. 284, 287–88 (2011), amended 35 U.S.C. § 103 effective March 16, 2013. Because the application from which the '909 patent issued was filed before March 16, 2013, we refer to the pre-AIA version of § 103.

² Petitioner supports its challenge with the Declaration of Frank G. Shellock, Ph.D. Ex. 1002.

³ U.S. Pat. No. 6,838,963 B2, issued Jan. 4, 2005 (“Zimmerling,” Ex. 1003).

⁴ U.S. Pat. No. 7,266,208 B2, issued Sept. 4, 2007 (“Charvin,” Ex. 1004).

⁵ U.S. Pat. App. Pub. No. US 2009/0005836, published Jan. 1, 2009 (“Chang,” Ex. 1005).

⁶ U.S. Pat. No. 6,761,681 B2, issued July 13, 2004 (“Schmid,” Ex. 1006).

IPR2019-01469
Patent 8,634,909 B2

persuaded by Patent Owner to exercise our discretion to deny institution of *inter partes* review under 35 U.S.C. § 325(d).

1. *Introduction*

Section 325(d) provides that the Director may elect not to institute⁷ a proceeding if the challenge to the patent is based on matters previously presented to the Office. 35 U.S.C. § 325(d) states, in pertinent part,

In determining whether to institute or order a proceeding under this chapter, chapter 30, or chapter 31, the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office.

Thus, 35 U.S.C. § 325(d) identifies two separate issues for the Director to consider in exercising discretion to deny institution of review: whether the petition presents to the Office the same or substantially the same art previously presented to the Office, or whether the petition presents to the Office the same or substantially the same arguments previously presented to the Office. As discussed in detail below, the question of whether proffered art or arguments are “the same or substantially the same” as art or arguments previously presented to the Office is a highly factual inquiry, which may be resolved by reference to the factors set forth in *Becton, Dickinson*.⁸

Under § 325(d), the art and arguments must have been previously presented to the Office during proceedings pertaining to the challenged patent. Previously presented art includes art made of record by the

⁷ The Board institutes trial on behalf of the Director. 37 C.F.R. § 42.4(a).

⁸ *Becton, Dickinson & Co. v. B. Braun Melsungen AG*, IPR2017-01586, Paper 8 (Dec. 15, 2017) (precedential as to § III.C.5, first paragraph) (“*Becton, Dickinson*”).

IPR2019-01469
Patent 8,634,909 B2

Examiner, and art provided to the Office by an applicant, such as on an Information Disclosure Statement (IDS), in the prosecution history of the challenged patent. The proceedings in which the art was previously presented include, for example: examination of the underlying patent application, reexamination of the challenged patent, a reissue application for the challenged patent, and AIA post-grant proceedings involving the challenged patent.

If the “same or substantially the same prior art or arguments previously were presented to the Office,” then the Board’s decisions generally have required a showing that the Office erred in evaluating the art or arguments. *See, e.g., Becton, Dickinson*, Paper 8 at 24 (considering whether the petitioner has pointed out sufficiently how the examiner erred in its evaluation of the asserted prior art). If the petitioner fails to show that the Office erred, the Director may exercise his discretion not to institute *inter partes* review. *Id.* (exercising discretion where “Petitioner has not pointed to error by the Examiner”).

Thus, under § 325(d), the Board uses the following two-part framework: (1) whether the same or substantially the same art previously was presented to the Office or whether the same or substantially the same arguments previously were presented to the Office; and (2) if either condition of first part of the framework is satisfied, whether the petitioner has demonstrated that the Office erred in a manner material to the patentability of challenged claims.⁹ If a condition in the first part of the

⁹ An example of a material error may include misapprehending or overlooking specific teachings of the relevant prior art where those teachings impact patentability of the challenged claims. Another example may include

IPR2019-01469
Patent 8,634,909 B2

framework is satisfied and the petitioner fails to make a showing of material error, the Director generally will exercise discretion not to institute *inter partes* review. If reasonable minds can disagree regarding the purported treatment of the art or arguments, it cannot be said that the Office erred in a manner material to patentability. At bottom, this framework reflects a commitment to defer to previous Office evaluations of the evidence of record unless material error is shown.

2. Becton, Dickinson *Factors*

We recognize that restating the framework in its statutory language does not address challenging factual questions, such as when a ground of unpatentability presents “substantially the same prior art or arguments” previously presented to the Office. In this regard, the *Becton, Dickinson* factors¹⁰ provide useful insight into how to apply the framework under 35 U.S.C. § 325(d). *Becton, Dickinson* specifically addressed the situation in which the petition relied on the same or substantially the same art or

an error of law, such as misconstruing a claim term, where the construction impacts patentability of the challenged claims.

¹⁰ *Becton, Dickinson* identifies the following non-exclusive factors: (a) the similarities and material differences between the asserted art and the prior art involved during examination; (b) the cumulative nature of the asserted art and the prior art evaluated during examination; (c) the extent to which the asserted art was evaluated during examination, including whether the prior art was the basis for rejection; (d) the extent of the overlap between the arguments made during examination and the manner in which petitioner relies on the prior art; (e) whether petitioner has pointed out sufficiently how the examiner erred in its evaluation of the asserted prior art; and (f) the extent to which additional evidence and facts presented in the petition warrant reconsideration of the prior art or arguments. *See Becton, Dickson*, Paper 8 at 17–18 (§ III.C.5, first paragraph).

IPR2019-01469
Patent 8,634,909 B2

arguments previously presented during initial examination of the challenged patent. The factors set forth in *Becton, Dickinson* should be read broadly, however, to apply to any situation in which a petition relies on the same or substantially the same art or arguments previously presented to the Office during a proceeding pertaining to the challenged patent. For example, although *Becton, Dickinson* factors (a) and (b) pertain to art evaluated “during examination,” these factors more broadly provide guidance as to whether the art presented in the petition is the “same or substantially the same” as the prior art previously presented to the Office during *any* proceeding, including prior AIA proceedings. Similarly, although *Becton, Dickinson* factor (d) pertains to arguments made “during examination,” this factor more broadly provides guidance as to whether the arguments presented in the petition are “the same or substantially the same” as the arguments previously presented to the Office during *any* proceeding.

If, after review of factors (a), (b), and (d), it is determined that the same or substantially the same art or arguments previously were presented to the Office, then factors (c), (e), and (f) relate to whether the petitioner has demonstrated a material error by the Office. Factor (c) focuses on the record developed by the Office in previously reviewing the art or arguments. It informs, therefore, the petitioner’s showing under factors (e) and (f), which focus on the petitioner’s evidence of previous Office error regardless of the context in which the same or substantially the same art or arguments were previously presented. For example, if the record of the Office’s previous consideration of the art is not well developed or silent, then a petitioner may show the Office erred by overlooking something persuasive under factors (e) and (f). On the other hand, if the alleged error is a disagreement with a

IPR2019-01469
Patent 8,634,909 B2

specific finding of record by the Office, then ordinarily the petitioner's required showing of material error must overcome persuasively that specific finding of record. That is, although *Becton, Dickinson* factor (c) evaluates "the extent to which the asserted art was evaluated during examination, including whether the prior art was the basis for rejection," the focus should be on the record when determining whether the Office erred in evaluating such art or arguments.

3. *Application of § 325(d) to the Current Facts*

Petitioner argues that we should exercise our discretion to institute *inter partes* review because evaluation of "[t]he *Becton*[,] *Dickinson* factors all weigh in favor of institution under 35 U.S.C. § 325(d)." Pet. 87. Patent Owner contends that we should exercise our discretion to deny institution of *inter partes* review because the "prior art relied on by Petitioner was previously considered and distinguished during prosecution of the '909 Patent and the arguments presented by Petitioner add nothing new from what was already known and considered by the Examiner during prosecution." Prelim. Resp. 65. We apply the framework set forth above to the facts of the current proceeding to determine whether to exercise our discretion to institute or deny institution of *inter partes* review.

a. Prosecution history of the '909 patent

U.S. Patent Application No. 13/091,352 ("the '352 application"), which claims priority to U.S. Provisional Application No. 61/327,158, issued as the '909 patent. Ex. 1001, codes (10), (21), (60); Pet. 17. The '352 application included original independent claim 1, and dependent claims 2–17. Ex. 1007, 17–19. The Examiner rejected original claims 1–3

IPR2019-01469
Patent 8,634,909 B2

and 5–17 as anticipated by Zimmerling,^{11,12} and rejected original claim 4 as obvious over Zimmerling, relying predominantly on Figures 8A–8C and the description of Figures 8A–8C. *Id.* at 60–62.

The Applicant then amended original independent claim 1 to require that the planar coil housing have “parallel flat planar outer surfaces lying in the plane of the patient’s skin,” and argued the spherical magnet embodiment of Zimmerling did not meet this limitation because “one side of the implant housing must substantially protrude out from the main body of the implant housing.” Ex. 1007, 71, 75. The Examiner rejected amended claim 1 and dependent claims 2, 3, and 5–17 as anticipated by Zimmerling, and dependent claim 4 as obvious over Zimmerling, relying again on Figures 8A–8C and the description of these figures, and further on Figure 9. *Id.* at 82–86. The Examiner found that “an external magnetic field is applied by laying another magnet over [the internal] magnet” and determined that Applicant’s argument that Zimmerling would cause a protrusion in the patient’s skin is unpersuasive because there is “nothing in the disclosure of Zimmerman [sic] to suggest that a spherical or other configuration of [the] magnet would cause a protrusion to appear in the patient’s skin.” *Id.* at 82–83.

The Applicant then further amended claim 1 to require the “coil housing configured to be implanted under the patient’s skin” that has “a

¹¹ The Examiner found that Zimmerling is prior art under 35 U.S.C. § 102(b). Ex. 1007, 60.

¹² Dr. Martin Zimmerling is the first named inventor of both the ’909 patent and the submitted Zimmerling reference. Prelim. Resp. 2. Additionally, both the ’909 patent and Zimmerling list MED-EL Elektromedizinische Geräte GmbH as the assignee. *See* Ex. 1001, code (73); Ex. 1003, code (73).

IPR2019-01469
Patent 8,634,909 B2

planar outer surface configured to lie parallel to the patient's skin.” *Id.* at 95. Claim 1 was also amended to require that the first attachment magnet has a magnetic dipole “moment oriented across a diameter of the first attachment magnet, and configured within the coil housing such that the magnetic dipole moment remains substantially parallel to the planar outer surface.” *Id.* The Applicant argued that amended claim 1 requires that “an implantable magnet that remains substantially parallel to an outer planar surface of its housing (and thus also to the patient's skin) when the magnet rotates within the housing,” whereas Zimmerling discloses a magnet whose moment “does not remain substantially parallel to the outer surface of the housing when the magnet rotates.” *Id.* at 101.

The Examiner then allowed the claims, including independent claims 1 and 10, noting that the claims are “allowable over the prior art for the reasons argued by the Applicant.” *Id.* at 117–118.

b. Whether the same or substantially the same art previously was presented to the Office

In Ground 1, Petitioner relies on the combination of Zimmerling and Charvin. Pet. 26. In Ground 2, Petitioner relies on the combination of Chang, Zimmerling, and Schmid. *Id.* As discussed above, the Examiner rejected original claims 1–3 and 5–17 as anticipated by Zimmerling, and original claim 4 as obvious over Zimmerling. *See* Section II.A.3.a. Petitioner and Patent Owner agree that Zimmerling was discussed during prosecution. Pet. 88; Prelim. Resp. 66. Accordingly, it is not disputed that Zimmerling is the same art previously presented to the Office.

Petitioner and Patent Owner agree that Charvin, Chang, and Schmid were not were not of record during prosecution. Pet. 87; Prelim. Resp. 70.

IPR2019-01469
Patent 8,634,909 B2

Thus, neither Charvin, nor Chang, nor Schmid is the “same” art previously presented to the Office.

Patent Owner asserts that each of Charvin, Chang, and Schmid is “substantially the same” as Zimmerling. Prelim. Resp. 70. Petitioner argues, however, that the Examiner did not cite Zimmerling for the same purposes as Petitioner relies on Charvin and Schmid. Pet. 87. Petitioner also asserts that both grounds of unpatentability alleged in the Petition combine Zimmerling with references not before the Examiner to create a distinct combination not considered by the Examiner, and both grounds rely, at least in part, on Zimmerling as a secondary reference. *Id.* at 88.

Beginning with Ground 1, Petitioner alleges that Zimmerling discloses all of the limitations of independent claim 1¹³ except for the limitations “a planar disc shaped first attachment magnet within the coil housing” and “the magnetic dipole moment remains substantially parallel to the planar outer surface of the coil housing when the first attachment magnet rotates.” Pet. 27–61. Petitioner alleges that Charvin alone discloses these two limitations. *Id.* at 44–46, 48–49.¹⁴

¹³ Petitioner alleges Zimmerling discloses all of the limitations of independent claims 1 and 10, and dependent claims 3, 5, 6, 10, and 20. Pet. 25–61. We recognize that Petitioner does not allege that Zimmerling alone discloses the additional limitations of claims 11, 14, and 16. *Id.*

¹⁴ In addition to alleging that Charvin discloses these two limitations, Petitioner often supplements its citations to Zimmerling with additional citations to Charvin, asserting that Charvin also discloses the same limitations of the challenged claims. *See id.* at 37, 39–40, 42–44, 47–48, 50–52, 54–55, 61. We do not understand, however, Petitioner to rely on Charvin as the primary reference, and Petitioner does not propose modifying Charvin with the teachings of Zimmerling.

IPR2019-01469
Patent 8,634,909 B2

For these two limitations, we review whether Petitioner relies on Charvin in substantially the same manner as the Examiner cited Zimmerling during prosecution such that Charvin discloses substantially the same information as Zimmerling in relevant part. As to the first limitation, Petitioner relies on Charvin for disclosure of “a planar disc shaped first attachment magnet within the coil housing,” arguing that Charvin discloses flat, circular magnets housed within separate casings. Pet. 44–46 (citing Ex. 1004, 4:66–5:1, 6:34–39, 6:58–6:61, Figs. 4, 6, 9). During prosecution, the Examiner found that Zimmerling discloses this limitation. *See* Ex. 1007, 84 (“Zimmerling discloses (Figures 8-9) . . . a planar disc shaped (col. 9, lines 34-47) first attachment magnet (805/901) within the plane of the coil housing”); *see* Prelim. Resp. 68–69. As such, both Charvin and Zimmerling disclose substantially the same magnet shape and configuration, thereby disclosing substantially the same information already considered by the Office. Thus, as to this first limitation, Charvin is substantially the same art as Zimmerling.

As to the second limitation, Petitioner relies on Zimmerling for disclosure of “a freely turnable first attachment magnet” and relies on Charvin for disclosure of “a first attachment magnet oriented such that the magnetic dipole moment is substantially parallel to the outer surface of the coil housing and the skin when it is in transcutaneous magnetic interaction with a corresponding second attachment magnet.” Pet. 48–49 (citing Ex. 1002 ¶¶ 147–149; Ex. 1004, 2:47–55, 6:33–44, Fig. 4).¹⁵ During

¹⁵ Petitioner does not allege that Charvin discloses a first attachment magnet that rotates. Pet. 48. Rather, Petitioner argues that Zimmerling discloses a

IPR2019-01469
Patent 8,634,909 B2

prosecution, the Examiner found that magnetized part 802 of Zimmerling's embodiment shown in Figures 8A and 8B met the limitation for a magnetic dipole parallel to the plane of the coil housing. Ex. 1007, 84 ("The low-reluctance part 802 is thus magnetized along its axis, generating a magnetic dipole parallel to the symmetry axis 815." (quoting Ex. 1004, 8:15–54)); Prelim. Resp. 69. The Examiner allowed the claims only after they had been amended to specifically require that the first attachment magnet have a magnetic dipole moment "oriented across a diameter of the first attachment magnet, and configured within the coil housing such that the magnetic dipole moment remains substantially parallel to the planar outer surface of the coil housing when the first attachment magnet rotates for transcutaneous magnetic interaction with a corresponding second attachment magnet." Ex. 1007, 95, 118–119; Prelim. Resp. 69. Petitioner does not rely on Charvin to disclose a magnet with a magnetic dipole moment that remains substantially parallel to the planar outer surface of the coil housing when the magnet rotates. Specifically, Petitioner does not rely on Charvin to disclose a magnet that rotates. Pet. 48. Thus, Petitioner relies on Charvin in the same manner as the Examiner relied on Zimmerling during prosecution. Therefore, as to this second limitation, Charvin is substantially the same art as Zimmerling.

Accordingly, we are not persuaded by Petitioner that, because Charvin was not of record during prosecution of the '909 patent, there are "significant and material differences between the prior art asserted in this Petition and the prior art evaluated during prosecution." Pet. 87. Rather,

first attachment magnet that rotates, and relies on the combination of Zimmerling and Charvin to meet the entire limitation. *Id.* at 48–49.

IPR2019-01469
Patent 8,634,909 B2

because Ground 1 relies on at least Zimmerling to disclose almost all of the limitations of the claims, and relies on Charvin solely to disclose limitations that the Examiner previously found disclosed in Zimmerling in the same manner that the Examiner relied on Zimmerling, based on the totality of the evidence presented, we agree with Patent Owner that Ground 1 includes only “the same or substantially the same prior art that was previously presented to the Office.” *See* Prelim. Resp. 66–70.

Turning to Ground 2, Petitioner alleges that Chang and/or Schmid discloses the limitations of several of the challenged claims, and further alleges that Zimmerling discloses all of the limitations of the challenged claims except for the limitations “a planar disc shaped first attachment magnet within the coil housing” and “the magnetic dipole moment remains substantially parallel to the planar outer surface of the coil housing when the first attachment magnet rotates.” Pet. 61–87. Petitioner alleges that Chang and Schmid disclose these limitations, respectively. *Id.* at 70–71, 73–75. Although Petitioner asserts that a person having ordinary skill in the art would have found it obvious to modify Chang with the teachings of Zimmerling and Schmid, Petitioner also admits that “Chang, Zimmerling, and Schmid all disclose a similar system in which external and internal components are magnetically attracted to each other to maintain alignment when transmitting signals through the skin.” *Id.* at 61–62.

We turn to the two additional limitations for which the Petitioner does not cite to Zimmerling, and evaluate whether Petitioner relies on Chang or Schmid in substantially the same manner as the Examiner cited Zimmerling during prosecution. As to the first limitation, the Examiner found that Zimmerling discloses the same limitation for which Petitioner relies on

IPR2019-01469
Patent 8,634,909 B2

Chang. *See id.* at 70–71; Ex. 1007, 84. As such, both Chang and Zimmerling disclose substantially the same magnet shape and configuration, thereby disclosing substantially the same information already considered by the Office. Thus, as to this first limitation, Chang is substantially the same art as Zimmerling.

As to the second limitation, Petitioner relies on Zimmerling for disclosure of “a freely turnable first attachment magnet” and relies on Schmid for disclosure of “a first attachment magnet oriented such that the magnetic dipole moment is substantially parallel to the outer surface of the coil housing and the skin when it is in transcutaneous magnetic interaction with a corresponding second attachment magnet.” Pet. 73–75 (citing Ex. 1002 ¶¶ 230–232; Ex. 1006, 1:65–2:2, Figs. 2A, 3).¹⁶ During prosecution, the Examiner found that magnetized part 802 of Zimmerling’s embodiment shown in Figures 8A and 8B met the limitation for a magnetic dipole parallel to the plane of the coil housing. Ex. 1007, 84 (“The low-reluctance part 802 is thus magnetized along its axis, generating a magnetic dipole parallel to the symmetry axis 815.” (quoting Ex. 1004, 8:15–54)); Prelim. Resp. 69. The Examiner allowed the claims only after they had been amended to specifically require that the first attachment magnet have a magnetic dipole moment “oriented across a diameter of the first attachment magnet, and configured within the coil housing such that the magnetic dipole moment remains substantially parallel to the planar outer

¹⁶ Petitioner does not allege that Schmid discloses a first attachment magnet that rotates. Pet. 73. Rather, Petitioner argues that Zimmerling discloses a first attachment magnet that rotates, and relies on the combination of Chang, Zimmerling, and Schmid to meet the entire limitation. *Id.* at 73–75.

IPR2019-01469
Patent 8,634,909 B2

surface of the coil housing when the first attachment magnet rotates for transcutaneous magnetic interaction with a corresponding second attachment magnet.” Ex. 1007, 95, 118–119; Prelim. Resp. 69. Petitioner does not rely on Schmid to disclose a magnet with a magnetic dipole moment that remains substantially parallel to the planar outer surface of the coil housing when the magnet rotates. Specifically, Petitioner does not rely on Schmid to disclose a magnet that rotates. Pet. 73. Thus, Petitioner relies on Schmid in the same manner as the Examiner relied on Zimmerling during prosecution. That is, as far as the patentability of the ’909 patent, Schmid is not materially different from Zimmerling. Therefore, as to this second limitation, Schmid is substantially the same art as Zimmerling.

Accordingly, we are not persuaded by Petitioner that because Chang and Schmid were not of record during prosecution of the ’909 patent, there are “significant and material differences between the prior art asserted in this Petition and the prior art evaluated during prosecution.” Pet. 87. Rather, Petitioner presents Zimmerling in the same manner in Ground 2 as it did in Ground 1. As such, based on the totality of the evidence presented, we agree with Patent Owner that Ground 2 includes only the “same or substantially the same prior art that was previously presented to the Office.” *See* Prelim. Resp. 66–70.

Therefore, because it is undisputed that Zimmerling was evaluated during prosecution of the ’909 patent, Petitioner extensively relies on Zimmerling in both of the asserted grounds of unpatentability, and Charvin, Chang, and Schmid disclose information already considered by the Office, we determine that the Petition presents “the same or substantially the same prior art that was previously presented to the Office.”

IPR2019-01469
Patent 8,634,909 B2

c. Whether the same or substantially the same arguments previously were presented to the Office

As discussed above, we determine that the “same or substantially the same prior art” previously was presented to the Office. Accordingly, the first condition of the first part of the framework is satisfied, and we need not reach whether the “same or substantially the same arguments” previously were presented to the Office. *See* Section II.A.1.

d. Whether Petitioner sufficiently demonstrates that the Office erred

Having determined that the “same or substantially the same prior art” previously were presented to the Office, we evaluate whether Petitioner sufficiently demonstrates that the Office erred. *See* Section II.A.1.

Petitioner argues that the Examiner erred in evaluating the prior art because art, such as Charvin and Schmid, “disclosing a dipole parallel to the skin was not in front of the examiner during prosecution.” Pet. 88. Specifically, Petitioner argues that the Examiner erred by not reviewing prior art that discloses “internal planar disk shaped magnets, in the context of implanted cochlear/hearing implants, with this supposedly ‘changed’ alignment of the magnetic dipole moment.” *Id.* at 3.

Patent Owner argues that the Examiner did not err because the Examiner determined that Figures 8A and 8B of Zimmerling “met the claimed requirement for a magnetic dipole parallel to the plane of the coil housing,” and the claims were amended to distinguish over Zimmerling by requiring the first attachment magnet to “have a magnetic dipole moment oriented across its diameter” and the “magnetic dipole moment remains substantially parallel to the planar outer surface of the coil housing *when the first attachment magnet rotates* for transcutaneous magnetic interaction with

IPR2019-01469
Patent 8,634,909 B2

a corresponding second attachment magnet.” Prelim. Resp. 69–71 (emphasis added) (citing Ex. 1007, 95, 118–19). Accordingly, Patent Owner argues that “Zimmerling [] was evaluated and distinguished during prosecution of the ’909 Patent.” *Id.* at 71.

We agree with Patent Owner. As discussed above, the Examiner relied on Zimmerling for disclosure of a first attachment magnet “having a magnetic dipole parallel to the plane of the coil housing.” Ex. 1007, 84 (citing Ex. 1003, 8:15–54); *see* Prelim. Resp. 70. Petitioner must demonstrate that the Examiner erred in the evaluation of the prior art, for example, by showing that the Examiner misapprehended or overlooked specific teachings in the relevant prior art such that the error by the Office was material to the patentability of the challenged claims. Petitioner argues that Charvin¹⁷ and Schmid¹⁸ disclose a first attachment magnet with dipole moments that remain parallel to the coil housing, and, therefore, the patient’s skin, when the first attachment magnet is in transcutaneous magnetic interaction with a corresponding second attachment magnet. Pet. 3 (citing Ex. 1004, 6:39–44; Ex. 1006, 1:65–2:2). Petitioner has not persuaded us that the Examiner erred by failing to consider Charvin and Schmid. The Examiner allowed the claims over the teachings of Zimmerling in light of

¹⁷ Petitioner does not allege that Charvin discloses a first attachment magnet that rotates. Pet. 48. Rather, Petitioner argues that Zimmerling discloses a first attachment magnet that rotates, and relies on the combination of Zimmerling and Charvin to meet the entire limitation. *Id.* at 48–49.

¹⁸ Petitioner does not allege that Schmid discloses a first attachment magnet that rotates. Pet. 73. Rather, Petitioner argues that Zimmerling discloses a first attachment magnet that rotates, and relies on the combination of Chang, Zimmerling, and Schmid to meet the entire limitation. *Id.* at 73–75.

IPR2019-01469
Patent 8,634,909 B2

Applicant's arguments that Zimmerling does not disclose an implantable magnet having a dipole moment that remains parallel to the coil housing and the patient's skin *as the magnet rotates*. *Id.* at 118–119. Petitioner does not argue that Charvin or Schmid cure this deficiency in Zimmerling. The fact that Petitioner presented additional references that, similar to Zimmerling, also disclose an implantable magnet having a magnetic dipole parallel to the plane of the coil housing does not persuade us that the Examiner materially erred in determining the patentability of the challenged claims.

Accordingly, we determine that the “same or substantially the same art previously were presented to the Office” and Petitioner has not demonstrated that the Examiner erred when considering the prior art or arguments.

B. Conclusion

For the foregoing reasons, we exercise our discretion to deny institution of *inter partes* review under 35 U.S.C. § 325(d).

III. ORDER

After due consideration of the record before us, and for the foregoing reasons, it is:

ORDERED that the Petition is *denied* as to all challenged claims, and no trial is instituted.

IPR2019-01469
Patent 8,634,909 B2

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Patent Trial and Appeal Board
PRECEDENTIAL
Standard Operating Procedure 2
Designated: 5/5/20

Paper No. 11
Entered: March 20, 2020

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

FINTIV, INC.,
Patent Owner.

Case IPR2020-00019
Patent 8,843,125 B2

Before WILLIAM M. FINK, *Vice Chief Administrative Patent Judge*, and
LINDA E. HORNER and LYNNE E. PETTIGREW, *Administrative Patent
Judges*.

FINK, *Vice Chief Administrative Patent Judge*.

ORDER
Conduct of the Proceeding
Supplemental Briefing on Discretionary Denial
35 U.S.C. § 314(a) and 37 C.F.R. § 42.5(a)

IPR2020-00019
Patent 8,843,125 B2

I. INTRODUCTION

Petitioner, Apple, Inc., filed a Petition in this case on October 28, 2019, challenging certain claims of U.S. Patent No. 8,843,125 B2 (Ex. 1001, “the ’125 patent”) owned by Patent Owner, Fintiv, Inc. Paper 1 (“Pet.”). Patent Owner filed a Preliminary Response on February 15, 2020. Paper 10 (“Prelim. Resp.”). In its Preliminary Response, Patent Owner requests that the Board apply its discretion under 35 U.S.C. § 314(a) to deny institution of the requested proceeding due to the advanced state of a parallel district court litigation in which the same issues have been presented and trial has been set for November 16, 2020. Prelim. Resp. 22–26 (citing *NHK Spring Co. v. Intri-Plex Techs., Inc.*, IPR2018-00752, Paper 8 (PTAB Sept. 12, 2018) (precedential, designated May 7, 2019)). Although Petitioner addressed the issue briefly in the Petition, at that time no trial date had been set. *See* Pet. 7. In light of the apparent change in status of the parallel proceeding, the panel has determined that supplemental briefing on the issue of discretionary denial is necessary in this case to give Petitioner an opportunity to respond. This Order discusses the factors relevant to the Board’s decision on whether to apply its discretion under 35 U.S.C. § 314(a) to deny institution. This Order authorizes the parties to file supplemental briefing addressing facts in this case relevant to these factors.

II. DISCRETIONARY DENIAL UNDER *NHK*

In *NHK*, the patent owner argued the Board should deny institution under 35 U.S.C. § 314(a) because institution of a trial at the PTAB would be an inefficient use of Board resources in light of the “advanced state” of the parallel district court litigation in which the petitioner had raised the same invalidity challenges. IPR2018-00752, Paper 8. The Board denied

IPR2020-00019
Patent 8,843,125 B2

institution, relying in part on § 314(a). Specifically, under § 314(a) the Board considered the fact that the parallel district court proceeding was scheduled to finish before the Board reached a final decision as a factor favoring denial.¹ The Board found that the earlier district court trial date presented efficiency considerations that provided an additional basis, separate from the independent concerns under 35 U.S.C. § 325(d),² for denying institution. Thus, *NHK* applies to the situation where the district court has set a trial date to occur earlier than the Board's deadline to issue a final written decision in an instituted proceeding. In a case where, in contrast to the facts present in *NHK*, the district court has set a trial date *after* the Board's deadline to issue a final written decision in an instituted proceeding, the Board may be less likely to deny institution under 35 U.S.C. § 314(a) based on district court trial timing depending on other factors as set forth below.³

¹ See 35 U.S.C. § 316(a)(11) (2018) (requiring issuance of a final written decision within one year of institution, absent extension up to six months for good cause).

² Section 325(d) provides that the Director may elect not to institute a proceeding if the challenge to the patent is based on the same or substantially the same prior art or arguments previously presented to the Office.

³ See *Polycom, Inc. v. directPacket Research, Inc.*, IPR2019-01233, Paper 21 at 13 (PTAB Jan. 13, 2020) (declining to apply discretion to deny institution when district court trial is scheduled to occur months after the statutory deadline for completion of the IPR); *Iconex, LLC v. MAXStick Products Ltd.*, IPR2019-01119, Paper 9 at 10 (PTAB Dec. 6, 2019) (same).

IPR2020-00019
Patent 8,843,125 B2

A. *The Parties' Arguments*

In the Petition, Petitioner argues that although a parallel district court proceeding is ongoing involving the challenged patent, the Board should not exercise authority to deny institution under *NHK* because, at the time of the Petition filing, “no preliminary injunction motion has been filed, the district court has not been presented with or invested any time in the analysis of prior art invalidity issues, and no trial date has been set.” Pet. 7. Petitioner also argues that it timely filed its petition within the statutorily prescribed one-year window, and that declining to institute IPR here would “essentially render nugatory” the one-year filing period of § 315(b). *Id.* Petitioner also argues that declining to institute an IPR based on a parallel district court litigation “ignores the common scenario, contemplated by Congress, of obtaining a district court stay based on institution.” *Id.*

In its Preliminary Response, Patent Owner has raised several factors that it contends weigh in favor of exercising authority to deny institution under *NHK*, including an earlier trial date (six months prior to the projected deadline for a final written decision if the Board institutes a proceeding),⁴ significant overlap between issues raised in the Petition and in the district court proceeding (identical claims and arguments), and investment in the district court trial (claim construction already issued). *See* Prelim. Resp. 23–27.

⁴ After the filing of the Petition, the district court entered a scheduling order setting a trial date to occur prior to projected deadline for a final written decision in this matter. Ex. 2009 (setting trial date of November 16, 2020).

IPR2020-00019
Patent 8,843,125 B2

B. Factors Related to a Parallel, Co-Pending Proceeding in Determining Whether to Exercise Discretionary Institution or Denial

As with other non-dispositive factors considered for institution under 35 U.S.C. § 314(a), an early trial date should be weighed as part of a “balanced assessment of all relevant circumstances of the case, including the merits.”⁵ Consolidated Trial Practice Guide November 2019 (“TPG”)⁶ at 58. Indeed, the Board’s cases addressing earlier trial dates as a basis for denial under *NHK* have sought to balance considerations such as system efficiency, fairness, and patent quality.⁷ When the patent owner raises an argument for discretionary denial under *NHK* due to an earlier trial date,⁸ the Board’s decisions have balanced the following factors:

⁵ See *Abbott Vascular, Inc. v. FlexStent, LLC*, IPR2019-00882, Paper 11 at 31 (PTAB Oct. 7, 2019) (declining to adopt a bright-line rule that an early trial date alone requires denial in every case).

⁶ Available at <https://www.uspto.gov/TrialPracticeGuideConsolidated>.

⁷ See *Magellan Midstream Partners L.P. v. Sunoco Partners Marketing & Terminals L.P.*, IPR2019-01445, Paper 12 at 10 (PTAB Jan. 22, 2020) (citing “unnecessary and counterproductive litigation costs” where district court would most likely have issued a decision before the Board issues a final decision); *Intel Corp. v. VLSI Tech. LLC*, IPR2019-01192, Paper 15 at 11 (PTAB Jan. 9, 2020) (“When considering the impact of parallel litigation in a decision to institute, the Board seeks, among other things, to minimize the duplication of work by two tribunals to resolve the same issue.”); *Illumina, Inc. v. Natera, Inc.*, IPR2019-01201, Paper 19 at 6 (PTAB Dec. 18, 2019) (“We have considered the positions of the parties and find that, on this record, considerations of efficiency, fairness, and the merits of the grounds in the Petition do not weigh in favor of denying the Petition.”).

⁸ To the extent we refer to such a denial of institution as a “denial under *NHK*,” we refer to *NHK*’s § 314(a) denial due to the earlier trial date in the district court and not the independent basis for denial under § 325(d).

IPR2020-00019
Patent 8,843,125 B2

1. whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted;
2. proximity of the court's trial date to the Board's projected statutory deadline for a final written decision;
3. investment in the parallel proceeding by the court and the parties;
4. overlap between issues raised in the petition and in the parallel proceeding;
5. whether the petitioner and the defendant in the parallel proceeding are the same party; and
6. other circumstances that impact the Board's exercise of discretion, including the merits.

These factors relate to whether efficiency, fairness, and the merits support the exercise of authority to deny institution in view of an earlier trial date in the parallel proceeding. As explained below, there is some overlap among these factors. Some facts may be relevant to more than one factor. Therefore, in evaluating the factors, the Board takes a holistic view of whether efficiency and integrity of the system are best served by denying or instituting review. *See* TPG at 58 (quoting 35 U.S.C. § 316(b)).

1. whether a stay exists or is likely to be granted if a proceeding is instituted

A district court stay of the litigation pending resolution of the PTAB trial allays concerns about inefficiency and duplication of efforts. This fact has strongly weighed against exercising the authority to deny institution under *NHK*.⁹ In some cases, there is no stay, but the district court has denied

⁹ *See Precision Planting, LLC v. Deere & Co.*, IPR2019-01052, Paper 19 at 10 (PTAB Jan. 7, 2020) (finding that the district court stay of the parallel district court case rendered moot the patent owner's argument for discretionary denial of the petition); *Apotex Inc. v. UCB Biopharma Sprl*,

IPR2020-00019
Patent 8,843,125 B2

a motion for stay without prejudice and indicated to the parties that it will consider a renewed motion or reconsider a motion to stay if a PTAB trial is instituted. Such guidance from the district court, if made of record, suggests the district court may be willing to avoid duplicative efforts and await the PTAB's final resolution of the patentability issues raised in the petition before proceeding with the parallel litigation. This fact has usually weighed against exercising authority to deny institution under *NHK*,¹⁰ but, for reasons discussed below, proximity of the court's trial date and investment of time are relevant to how much weight to give to the court's willingness to reconsider a stay.^{11, 12} If a court has denied a defendant's motion for a stay

IPR2019-00400, Paper 17 at 31–32 (PTAB July 15, 2019) (finding that the district court stay of the parallel district court case predicated on the *inter partes* review means that the trial will not occur before the Board renders a final decision).

¹⁰ See *Abbott Vascular*, IPR2019-00882, Paper 11 at 30–31 (noting district court's willingness to revisit request for stay if Board institutes an *inter partes* review proceeding).

¹¹ See *DMF, Inc. v. AMP Plus, Inc.*, Case No. 2-18-cv-07090 (C.D. Cal. July 12, 2019) (denying defendants' initial motion to stay without prejudice to their renewing the motion should PTAB grant their IPR petition); *id.* (Dec. 13, 2019) (denying renewed motion to stay after PTAB instituted, in part, because in the interim claim construction order had issued, trial date was fast approaching, and discovery was in an advanced stage).

¹² It is worth noting that the district court, in considering a motion for stay, may consider similar factors related to the amount of time already invested by the district court and proximity of the trial date to the Board's deadline for a final written decision. See *Space Data Corp. v. Alphabet Inc.*, Case No. 16-cv-03260, slip op. at 3 (N.D. Cal. Mar. 12, 2019) (denying motion to stay where the court had ruled on a motion for partial summary judgment and issued a *Markman* order, and fact and expert discovery are closed, and thus "much work has been completed"); *Intellectual Ventures I LLC v. T-*

IPR2020-00019
Patent 8,843,125 B2

pending resolution of a PTAB proceeding, and has not indicated to the parties that it will consider a renewed motion or reconsider a motion to stay if a PTAB trial is instituted, this fact has sometimes weighed in favor of exercising authority to deny institution under *NHK*.

One particular situation in which stays arise frequently is during a parallel district court *and* ITC investigation involving the challenged patent. In such cases, the district court litigation is often stayed under 28 U.S.C. § 1659 pending the resolution of the ITC investigation. Regardless, even though the Office and the district court would not be bound by the ITC's decision, an earlier ITC trial date may favor exercising authority to deny institution under *NHK* if the ITC is going to decide the same or substantially similar issues to those presented in the petition. The parties should indicate whether there is a parallel district court case that is ongoing or stayed under 28 U.S.C. § 1659 pending the resolution of the ITC investigation. We

Mobile USA, Inc., Case No. 2-17-cv-00577 (E. D. Tex. Dec. 13, 2018) (denying motion to stay after dispositive and *Daubert* motions had been filed and the court had expended material judicial resources to prepare for the pretrial in three weeks); *Plastic Omnium Advanced Innovation and Research v. Donghee Am., Inc.*, Case No. 1-16-cv-00187 (D. Del. Mar. 9, 2018) (denying motion for stay after PTAB's institution of *inter partes* reviews because the court "has construed the parties' disputed claim terms, handled additional discovery-related disputes, begun reviewing the parties' summary judgment and *Daubert* motions . . . and generally proceeded toward trial" and "[d]elaying the progress of this litigation . . . would risk wasting the Court's resources"); *Dentsply Int'l, Inc. v. US Endodontics, LLC*, Case No. 2-14-cv-00196, slip op. at 5 (E.D. Tenn. Dec. 1, 2015) (denying motion for stay pending *inter partes* review because a stay at this point in the proceedings "would waste a significant amount of the time and resources already committed to this case by the parties and the Court").

IPR2020-00019
Patent 8,843,125 B2

recognize that ITC final invalidity determinations do not have preclusive effect,¹³ but, as a practical matter, it is difficult to maintain a district court proceeding on patent claims determined to be invalid at the ITC.

Accordingly, the parties should also indicate whether the patentability disputes before the ITC will resolve all or substantially all of the patentability disputes between the parties, regardless of the stay.¹⁴

2. *proximity of the court's trial date to the Board's projected statutory deadline*

If the court's trial date is earlier than the projected statutory deadline, the Board generally has weighed this fact in favor of exercising authority to deny institution under *NHK*. If the court's trial date is at or around the same time as the projected statutory deadline or even significantly after the projected statutory deadline, the decision whether to institute will likely implicate other factors discussed herein, such as the resources that have been invested in the parallel proceeding.¹⁵

3. *investment in the parallel proceeding by the court and parties*

The Board also has considered the amount and type of work already completed in the parallel litigation by the court and the parties at the time of the institution decision. Specifically, if, at the time of the institution decision, the district court has issued substantive orders related to the patent

¹³ See *Texas Instruments v. Cypress Semiconductor Corp.*, 90 F.3d 1558 (Fed. Cir. 1996) (holding that an invalidity determination in an ITC section 337 action does not have preclusive effect).

¹⁴ See *infra* § II.A.4.

¹⁵ See, e.g., *infra* § II.A.3, § II.A.4.

IPR2020-00019
Patent 8,843,125 B2

at issue in the petition, this fact favors denial.¹⁶ Likewise, district court claim construction orders may indicate that the court and parties have invested sufficient time in the parallel proceeding to favor denial.¹⁷ If, at the time of the institution decision, the district court has not issued orders related to the patent at issue in the petition, this fact weighs against exercising discretion to deny institution under *NHK*.¹⁸ This investment factor is related to the trial date factor, in that more work completed by the parties and court in the parallel proceeding tends to support the arguments that the parallel proceeding is more advanced, a stay may be less likely, and instituting would lead to duplicative costs.

¹⁶ See *E-One, Inc. v. Oshkosh Corp.*, IPR2019-00162, Paper 16 at 8, 13, 20 (PTAB June 5, 2019) (district court issued preliminary injunction order after finding petitioner's invalidity contentions unlikely to succeed on the merits).

¹⁷ See *Next Caller, Inc. v. TRUSTID, Inc.*, IPR2019-00963, Paper 8 at 13 (PTAB Oct. 28, 2019) (district court issued claim construction order); *Thermo Fisher Scientific, Inc. v. Regents of the Univ. of Cal.*, IPR2018-01370, Paper 11 at 26 (PTAB Feb. 7, 2019) (district court issued claim construction order). We note that the weight to give claim construction orders may vary depending upon a particular district court's practices. For example, some district courts may postpone significant discovery until after it issues a claim construction order, while others may not.

¹⁸ See *Facebook, Inc. v. Search and Social Media Partners, LLC*, IPR2018-01620, Paper 8 at 24 (PTAB Mar. 1, 2019) (district court proceeding in its early stages, with no claim constructions having been determined); *Amazon.com, Inc. v. CustomPlay, LLC*, IPR2018-01496, Paper 12 at 8–9 (PTAB Mar. 7, 2019) (district court proceeding in its early stages, with no claim construction hearing held and district court having granted extensions of various deadlines in the schedule).

IPR2020-00019
Patent 8,843,125 B2

As a matter of petition timing, notwithstanding that a defendant has one year to file a petition,¹⁹ it may impose unfair costs to a patent owner if the petitioner, faced with the prospect of a looming trial date, waits until the district court trial has progressed significantly before filing a petition at the Office. The Board recognizes, however, that it is often reasonable for a petitioner to wait to file its petition until it learns which claims are being asserted against it in the parallel proceeding.²⁰ Thus, the parties should explain facts relevant to timing. If the evidence shows that the petitioner filed the petition expeditiously, such as promptly after becoming aware of the claims being asserted, this fact has weighed against exercising the authority to deny institution under *NHK*.²¹ If, however, the evidence shows

¹⁹ See 35 U.S.C. § 315(b) (2018) (setting a one-year window from the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent in which to file a petition).

²⁰ See 157 Cong. Rec. S5429 (Sept. 8, 2011) (S. Kyl) (explaining that in light of the House bill's enhanced estoppels, it is important to extend the deadline for allowing an accused infringer to seek *inter partes* review from 6 months, as proposed in the Senate bill, to one year to afford defendants a reasonable opportunity to identify and understand the patent claims that are relevant to the litigation). Our discussion of this factor focuses on the situation where the petitioner also is a defendant in the parallel litigation. If the parallel litigation involves a party different than the petitioner, this fact weighs against exercising authority to deny institution under *NHK*. See *infra* § II.A.5.

²¹ See *Intel Corp.*, IPR2019-01192, Paper 15 at 12–13 (finding petitioner was diligent in filing the petition within two months of patent owner narrowing the asserted claims in the district court proceeding); *Illumina*, IPR2019-01201, Paper 19 at 8 (finding petitioner was diligent in filing the

IPR2020-00019
Patent 8,843,125 B2

that the petitioner did not file the petition expeditiously, such as at or around the same time that the patent owner responds to the petitioner's invalidity contentions, or even if the petitioner cannot explain the delay in filing its petition, these facts have favored denial.²²

4. *overlap between issues raised in the petition and in the parallel proceeding*

In *NHK*, the Board was presented with substantially identical prior art arguments that were at issue in the district court (as well as those previously addressed by the Office under § 325(d)). IPR2018-00752, Paper 8 at 20. Thus, concerns of inefficiency and the possibility of conflicting decisions were particularly strong. Accordingly, if the petition includes the same or substantially the same claims, grounds, arguments, and evidence as presented in the parallel proceeding, this fact has favored denial.²³ Conversely, if the petition includes materially different grounds, arguments,

petition several months before the statutory deadline and in response to the patent being added to the litigation in an amended complaint).

²² See *Next Caller, Inc. v. TRUSTID, Inc.*, IPR2019-00961, Paper 10 at 16 (PTAB Oct. 16, 2019) (weighing the petitioner's unexplained delay in filing the petition in favor of denial of the petition and noting that had the petitioner filed the petition around the same time as the service of its initial invalidity contentions, the PTAB proceeding may have resolved the issues prior to the district court).

²³ See *Next Caller*, IPR2019-00963, Paper 8 at 11–12 (same grounds asserted in both cases); *ZTE (USA) Inc. v. Fractus, S.A.*, IPR2018-01451, Paper 12 at 20 (PTAB Feb. 19, 2019) (same prior art and identical evidence and arguments in both cases).

IPR2020-00019
Patent 8,843,125 B2

and/or evidence than those presented in the district court, this fact has tended to weigh against exercising discretion to deny institution under *NHK*.²⁴

In many cases, weighing the degree of overlap is highly fact dependent. For example, if a petition involves the same prior art challenges but challenges claims in addition to those that are challenged in the district court, it may still be inefficient to proceed because the district court may resolve validity of enough overlapping claims to resolve key issues in the petition. The parties should indicate whether all or some of the claims challenged in the petition are also at issue in district court. The existence of non-overlapping claim challenges will weigh for or against exercising discretion to deny institution under *NHK* depending on the similarity of the claims challenged in the petition to those at issue in the district court.²⁵

5. *whether the petitioner and the defendant in the parallel proceeding are the same party*

If a petitioner is unrelated to a defendant in an earlier court proceeding, the Board has weighed this fact against exercising discretion to

²⁴ See *Facebook, Inc. v. BlackBerry Limited*, IPR2019-00899, Paper 15 at 12 (PTAB Oct. 8, 2019) (different prior art relied on in the petition than in the district court); *Chegg, Inc. v. NetSoc, LLC*, IPR2019-01165, Paper 14 at 11–12 (PTAB Dec. 5, 2019) (different statutory grounds of unpatentability relied on in the petition and in the district court).

²⁵ See *Next Caller*, IPR2019-00961, Paper 10 at 14 (denying institution even though two petitions jointly involve all claims of patent and district court involves only a subset of claims because the claims all are directed to the same subject matter and petitioner does not argue that the non-overlapping claims differ significantly in some way or argue that it would be harmed if institution of the non-overlapping claims is denied).

IPR2020-00019
Patent 8,843,125 B2

deny institution under *NHK*.²⁶ Even when a petitioner is unrelated to a defendant, however, if the issues are the same as, or substantially similar to, those already or about to be litigated, or other circumstances weigh against redoing the work of another tribunal, the Board may, nonetheless, exercise the authority to deny institution.²⁷ An unrelated petitioner should, therefore, address any other district court or Federal Circuit proceedings involving the challenged patent to discuss why addressing the same or substantially the same issues would not be duplicative of the prior case even if the petition is brought by a different party.

6. *other circumstances that impact the Board's exercise of discretion, including the merits*

As noted above, the factors considered in the exercise of discretion are part of a balanced assessment of all the relevant circumstances in the case, including the merits.²⁸ For example, if the merits of a ground raised in the petition seem particularly strong on the preliminary record, this fact has

²⁶ See *Nalox-1 Pharms., LLC. v. Opiant Pharms., Inc.*, IPR2019-00685, Paper 11 at 6 (PTAB Aug. 27, 2019) (distinguishing *NHK* because in *NHK*, “the Board considered ‘the status of the district court proceeding *between* the parties’” and, in the *Nalox-1* case, the petitioner was not a party to the parallel district court litigations).

²⁷ See *Stryker Corp. v. KFx Medical, LLC*, IPR2019-00817, Paper 10 at 27–28 (PTAB Sept. 16, 2019) (considering a jury verdict of no invalidity, based in part on evidence of secondary considerations, weighed in favor of denying institution where the unrelated petitioner failed to address this evidence in the petition).

²⁸ TPG at 58.

IPR2020-00019
Patent 8,843,125 B2

avored institution.²⁹ In such cases, the institution of a trial may serve the interest of overall system efficiency and integrity because it allows the proceeding to continue in the event that the parallel proceeding settles or fails to resolve the patentability question presented in the PTAB proceeding.³⁰ By contrast, if the merits of the grounds raised in the petition are a closer call, then that fact has favored denying institution when other factors favoring denial are present.³¹ This is not to suggest that a full merits analysis is necessary to evaluate this factor.³² Rather, there may be strengths

²⁹ *Illumina*, IPR2019-01201, Paper 19 at 8 (PTAB Dec. 18, 2019) (instituting when “the strength of the merits outweigh relatively weaker countervailing considerations of efficiency”); *Facebook, Inc. v. BlackBerry Ltd.*, IPR2019-00925, Paper 15 at 27 (PTAB Oct. 16, 2019) (same); *Abbott Vascular*, IPR2019-00882, Paper 11 at 29–30 (same); *Comcast Cable Commc’ns., LLC v. Rovi Guides, Inc.*, IPR2019-00231, Paper 14 at 11 (PTAB May 20, 2019) (instituting because the proposed grounds are “sufficiently strong to weigh in favor of not denying institution based on § 314(a)”).

³⁰ Were a final judgment entered on the patentability issues in the parallel proceeding, the parties may jointly request to terminate the PTAB proceeding in light of the fully resolved parallel proceeding. *See* 37 C.F.R. § 42.72.

³¹ *E-One*, IPR2019-00162, Paper 16 at 8, 13, 20 (denying institution based on earlier district court trial date, weakness on the merits, and the district court’s substantial investment of resources considering the invalidity of the challenged patent).

³² Of course, if a petitioner fails to present a reasonable likelihood of prevailing as to unpatentability of at least one challenged claim, then the Board may deny the petition on the merits and may choose not to reach a patent owner’s discretionary denial arguments.

IPR2020-00019
Patent 8,843,125 B2

or weaknesses regarding the merits that the Board considers as part of its balanced assessment.³³

C. Other Considerations

Other facts and circumstances may also impact the Board's discretion to deny institution. For example, factors unrelated to parallel proceedings that bear on discretion to deny institution include the filing of serial petitions,³⁴ parallel petitions challenging the same patent,³⁵ and considerations implicated by 35 U.S.C. § 325(d).³⁶ The parties should explain whether these or other facts and circumstances exist in their proceeding and the impact of those facts and circumstances on efficiency and integrity of the patent system.

III. ORDER

The panel requests that the parties submit supplemental briefing, as set forth below, to present on the record facts in this case relevant to the factors discussed above. The supplemental briefing may be accompanied by

³³ See *id.* at 13–20 (finding weaknesses in aspects of petitioner's challenges).

³⁴ See *Valve Corp. v. Elec. Scripting Prods., Inc.*, IPR2019-00064, Paper 10 (PTAB May 1, 2019) (precedential); *Valve Corp. v. Elec. Scripting Prods., Inc.*, IPR2018-00752, Paper 8 (PTAB Sept. 12, 2018); *Gen. Plastic Indus. Co. v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19 (PTAB Sept. 6, 2017) (precedential as to § II.B.4.i).

³⁵ TPG at 59–61.

³⁶ See *Advanced Bionics, LLC v. MED-EL Elektromedizinische Geräte GmbH*, IPR2019-01469, Paper 6 (PTAB Feb. 13, 2020) (discussing two-part framework for applying discretion to deny institution under 35 U.S.C. § 325(d)).

IPR2020-00019
Patent 8,843,125 B2

documentary evidence in support of any facts asserted in the supplemental briefing, but may not be accompanied by declaratory evidence.

Accordingly, it is

ORDERED that Petitioner is authorized to file a reply to the Preliminary Response, no more than ten (10) pages and limited to addressing the issue of discretionary denial under 35 U.S.C. § 314(a), by March 27, 2020; and it is

FURTHER ORDERED that Patent Owner is authorized to file a sur-reply to Petitioner's reply, no more than ten (10) pages and limited to the issue of discretionary denial under 35 U.S.C. § 314(a), by April 3, 2020.

IPR2020-00019
Patent 8,843,125 B2

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Patent Trial and Appeal Board
PRECEDENTIAL
Standard Operating Procedure 2
Designated: 05/07/2019

Paper No. 8
Entered: September 12, 2018

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

NHK SPRING CO., LTD.,
Petitioner,

v.

INTRI-PLEX TECHNOLOGIES, INC.,
Patent Owner.

Case IPR2018-00752
Patent 6,183,841 B1

Before CHRISTOPHER M. KAISER, ELIZABETH M. ROESEL, and
MICHELLE N. ANKENBRAND, *Administrative Patent Judges*.

ANKENBRAND, *Administrative Patent Judge*.

DECISION
Denying Institution of *Inter Partes* Review
35 U.S.C. § 314(a)

IPR2018-00752
Patent 6,183,841 B1

I. INTRODUCTION

NHK Spring Co., Ltd. (“Petitioner”) requests an *inter partes* review of claims 1, 4, 7, and 10 of U.S. Patent No. 6,183,841 B1 (“the ’841 patent,” Ex. 1001). Paper 1 (“Pet.”). Intri-Plex Technologies, Inc. (“Patent Owner”) timely filed a Preliminary Response. Paper 7 (“Prelim. Resp.”).

Based upon the particular circumstances of this case, we exercise our discretion under 35 U.S.C. §§ 314(a) and 325(d) and do not institute an *inter partes* review of the challenged claims.

II. BACKGROUND

A. Related Matters

The parties identify *Intri-Plex Technologies, Inc. v. NHK International Corp.*, 3:17-cv-01097-EMC (N.D. Cal.) as a related matter under 37 C.F.R. § 42.8(b)(2). Pet. 2; Paper 4, 2.

B. The ’841 patent

The ’841 patent, titled “Optimized Low Profile Swage Mount Base Plate Attachment of Suspension Assembly for Hard Disk Drive,” issued on February 6, 2001, based on an application filed April 21, 1998. Ex. 1001, [22], [45], [54]. The ’841 patent relates to a base plate for attaching a suspension assembly to an actuator arm in a hard disk drive. *Id.* at Abstract. The base plate includes a flat flange portion and a cylindrical hub portion. *Id.* at 3:41–42. The base plate has several parameters, including a base plate thickness (T_{BP}), hub overall height (H_H), hub inner diameter (D_{ID}), base plate length (L_{BP}), base plate width (W_{BP}), hub outer diameter (D_{OD}), hub inner surface depth (H_{IS}), base plate opening diameter (D_{BP}), hub radial width (W_H , which is $(D_{OD} - D_{ID})/2$), and a hub counter bore depth (H_{CB}). *Id.* at

IPR2018-00752
 Patent 6,183,841 B1

3:48–55, 4:3–18. The '841 patent states that “[t]he optimum parameters . . . are such as to satisfy the following equation:”

$$\frac{W_H}{T_{BP}} \cdot \frac{W_H}{(H_{IS} + H_H - H_{CB})/2} \geq 5$$

Id. at 3:56–63. The calculation on the left-hand side results in a Geometry Metric Value (*id.* at 4:18), and the equation is satisfied when the Geometry Metric Value is less than or equal to five (*id.* at 3:60).

The '841 patent provides a table, reproduced below, that compares an exemplary inventive base plate to a prior art base plate.

SYMBOL	NAME	TYP. PRIOR ART DIMEN- SION(MM) PN: 15120-09	TYP. IN- VENTION DIMEN- SION(MM) PN: 15120-05
L _{BP}	Base Plate Length	5.080	5.080
W _{BP}	Base Plate Width	5.080	5.080
T _{BP}	Base Plate Thickness	0.150	0.150
D _{BP}	Base Plate Opening Diameter	2.375	2.510
D _{ID}	Hub Inner Diameter	2.145	1.956
D _{OD}	Hub Outer Diameter	2.731	2.731
H _H	Hub Overall Height	0.270	0.269
H _{IS}	Hub Inner Surface Depth	0.114	0.115
H _{CD}	Hub Counterbore Height	0.038	0.127
W _H	Hub Radial Width	0.293	0.3875
	Geometry Metric Value	3.308	7.810

Id. at 4:3–18. The table above sets forth the dimensions of the parameters that form the prior art and inventive base plates, and the Geometry Metric Value that results for each after applying the values for W_H, T_{BP}, H_{IS}, H_H, and H_{CB} to the equation. According to the table, the dimensions of the prior

IPR2018-00752
 Patent 6,183,841 B1

art base plate result in a Geometry Metric value of 3.308, which does not satisfy the equation, whereas the dimensions of the exemplary inventive base plate result in a Geometry Metric Value of 7.810, which satisfies the equation. *Id.*

According to the '841 patent, a base plate with parameters that satisfy the equation has several advantages, including that it reduces gram load change inherent in swaging and allows a large retention torque in “low hub height configurations that offer limited retention torque in a standard hub geometry.” *Id.* at 2:27–30. The '841 patent also states that such a base plate eliminates the neck region associated with prior art base plates that was known to result in bending moment decoupling of the hub and flange. *Id.* at 4:23–65, Figs. 3, 4.

C. Illustrative Claim

Claim 1 is independent and illustrative of the claimed subject matter.

Claim 1 recites:

1. An optimized low profile base plate for attachment of a suspension assembly to an actuator arm in a hard disk drive comprising:

a flange having a flange thickness (T_{BP}); and,

a hub having, a hub height (H_H), a hub radial width W_H , a land height hub inner surface depth (H_{IS}), and a lead in shoulder hub counter bore height (H_{CB});

wherein:

$$\frac{W_H}{T_{BP}} \cdot \frac{W_H}{(H_{IS} + H_H - H_{CB})/2} \geq 5$$

Ex. 1001, 5:41–53.

IPR2018-00752
 Patent 6,183,841 B1

D. The Asserted Grounds of Unpatentability

Petitioner challenges the patentability of claims 1, 4, 7, and 10 of the '841 patent based on the following grounds:

Reference(s)	Statutory Basis	Claims Challenged
Braunheim ¹	§ 102(e)	1, 4, 7, 10
Braunheim	§ 103	1, 4, 7, 10
Braunheim and Applicant Admitted Prior Art (AAPA) ²	§ 103	1, 4, 7, 10

Pet. 4. Petitioner relies on the Declaration of David B. Bogy, Ph.D. (Ex. 1002) to support its asserted grounds of unpatentability. Patent Owner disputes that Petitioner's asserted grounds renders any of the challenged claims unpatentable. *See generally* Prelim. Resp.

III. ANALYSIS

A. Level of Ordinary Skill in the Art

Petitioner, citing Dr. Bogy's testimony, asserts that a person of ordinary skill in the art at the time of the invention of the '841 patent "would have had at least a Bachelor's degree in mechanical engineering, with at least two years of work and/or academic experience in the design and/or study of disk drive components." Pet. 4 (citing Ex. 1002 ¶ 13).

At this stage of the proceeding, Patent Owner does not dispute Petitioner's assertion regarding the level of ordinary skill in the art, which

¹ U.S. Patent No. 5,689,389, filed Jan. 22, 1996, and issued Nov. 18, 1997 (Ex. 1003).

² Petitioner relies on the dimensional values set forth for the parameters of the base plate in the '841 patent's table that are described as typical prior art dimensions. *See, e.g.*, Pet. 15 ("Ground 3 (Braunheim in view of AAPA) is non-cumulative [to Grounds 1 and 2] because AAPA expressly specifies a 'typical' prior art value for the flange thickness (T_{BP}).").

IPR2018-00752
Patent 6,183,841 B1

we adopt for purposes of this decision. Further, based on the information presented at this stage of the proceeding, we consider Petitioner's declarant, Dr. Bogy, qualified to opine from the perspective of an ordinary artisan at the time of the invention. *See* Ex. 1002 ¶¶ 3–11 (Dr. Bogy's background and qualifications), Attachment A (Dr. Bogy's curriculum vitae).

B. Claim Construction

For an unexpired patent, the Board interprets claims using the “broadest reasonable construction in light of the specification of the patent.” 37 C.F.R. § 42.100(b); *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144–46 (2016). In this proceeding, however, Patent Owner filed a Motion for District Court-Type Claim Construction (Paper 6), in which it certified under 37 C.F.R. § 42.100(b) that the '841 patent would expire within 18 months of March 13, 2018 (i.e., the entry of the Notice of Filing Date Accorded to Petition). Paper 6, 2. Petitioner agrees that the claims of the '841 patent should be interpreted “similar to that of a District Court's review.” Pet. 11–12. Because the '841 patent will expire before we would enter a final written decision, we find that district court-type claim construction, rather than broadest reasonable construction, applies to this proceeding. *See In re CSB-Sys. Int'l, Inc.*, 832 F.3d 1335, 1340–42 (Fed. Cir. 2016) (“[C]onsistent with our prior precedent and customary practice, we reaffirm that once a patent expires, the PTO should apply the *Phillips* standard for claim construction.”); *Black & Decker, Inc. v. Positec USA, Inc.*, 646 Fed. App'x 1019, 1024 (Fed. Cir. 2016); *see also* Amendments to the Rules of Practice for Trials before the Patent Trial and Appeal Board, 81 Fed. Reg. 18,750, 18,750 (Apr. 1, 2016) (amending 37 C.F.R. § 42.100(b) to allow a district court-style claim construction approach “for claims of

IPR2018-00752
Patent 6,183,841 B1

patents that will expire before entry of a final written decision”). Under the district court standard, claim terms “are generally given their ordinary and customary meaning,” which is the “meaning that the term would have to a person of ordinary skill in the art . . . at the time of the invention” when read “in the context of” the specification and prosecution history of the patent. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312–14 (Fed. Cir. 2005) (en banc) (internal quotation marks and citation omitted).

For purposes of this proceeding, Petitioner adopts the parties’ agreed-upon constructions from the related district court litigation. Pet. 13–14. Patent Owner does not dispute the agreed-upon constructions, which Patent Owner notes the district court has adopted. Prelim. Resp. 21. Patent Owner contends, however, that claim construction is not necessary to resolve the parties’ dispute at this stage of the proceeding. *Id.* at 22. We determine that no claim term requires express construction to resolve any controversy at this stage of the proceeding. *See Vivid Techs., Inc. v. Am. Sci. & Eng’g, Inc.*, 200 F.3d 795, 803 (Fed. Cir. 1999) (“[O]nly those terms need be construed that are in controversy, and only to the extent necessary to resolve the controversy.”).

C. Asserted References

Before turning to the parties’ arguments, we provide a brief summary of the asserted references.

1. Braunheim (Ex. 1003)

Braunheim discloses a low profile swage mount for connecting a disk drive actuator arm to the load beam of a head suspension assembly. Ex. 1003, Abstract. The swage mount includes a base plate formed on one side with an opening and a hollow hub disposed on the opposite side. *Id.*

IPR2018-00752
 Patent 6,183,841 B1

“The hub is formed with an inner swaging surface having a diameter approximating the diameter of the base plate opening to give the swage mount torque retention characteristics comparable to conventional swage mounts much larger in size.” *Id.*

Braunheim discloses a number of parameters for the swage mount, including a base plate thickness (T_{BP}), hub overall height (H_H), hub inner diameter (D_{ID}), base plate length (L_{BP}), base plate width (W_{BP}), hub outer diameter (D_{OD}), hub inner surface depth (H_{IS}), base plate opening diameter (D_{BP}), and hub radial width (W_H). *Id.* at 6:34–49 (Table 1). Table 1 of Braunheim, which is reproduced below, provides approximate dimensions for all of the parameters of a preferred embodiment of the swage mount.

TABLE 1

SYMBOL	NAME	DIMENSION (MM)
L_{BP}	Base Plate Length	5.080
W_{BP}	Base Plate Width	5.080
T_{BP}	Base Plate Thickness	0.203
D_{BP}	Base Plate Opening Diameter	2.312
D_{ID}	Hub Inner Diameter	2.083
D_{OD}	Hub Outer Diameter	2.731
H_H	Hub Overall Height	0.145
H_{IS}	Hub Inner Surface Depth	0.094
W_H	Hub Radial Width	0.648

Id. at 6:37–49. According to Braunheim, “by adhering to particular dimensional relationships” between the parameters, the swage mount “may be reduced in size to exhibit a vertical profile nowhere anticipated in the art while maintaining torque retention of magnitudes comparable to much larger swage mount profiles.” *Id.* at 6:4–10. In particular, Braunheim describes the relationship between the base plate opening diameter (D_{BP}) and the hub inner diameter (D_{ID}) and the relationship between hub height (H_H) and hub

IPR2018-00752
Patent 6,183,841 B1

inner surface depth (H_{IS}) as providing the advantages to its disclosed swage mount. *Id.* at 6:11–33, 7:29–34.

Braunheim further explains that although the base plate thickness (T_{BP}) “is on the order of 0.20 millimeters,” it “may be reduced further in accordance with the present invention.” *Id.* at 5:28–31. Braunheim describes the relationship that exists between the hub wall radial thickness and the base plate thickness, *id.* at 3:15–18, 30–31, and states that the invention overcomes the conventional assumption that “the hub can be no thicker than the base plate thickness” by maintaining the relationships between D_{BP} and D_{ID} , and H_H and H_{IS} , *id.* at 7:41–52.

2. Applicant Admitted Prior Art (“AAPA”)

Petitioner relies on the dimensional values set forth for the parameters of the base plate in the ’841 patent’s table that are described as typical prior art dimensions. Ex. 1001, 4:3–18. In particular, for its first ground—anticipation based on Braunheim—Petitioner points to the “typical” known hub counter bore height (H_{CB}) of 0.038 mm from the ’841 patent’s table. *See, e.g.*, Pet. 22. For its second ground—obviousness over Braunheim—Petitioner, in an alternative application of Braunheim, relies on the 0.038 value for H_{CB} from the ’841 patent’s table. *See id.* at 43–45. Also for its second ground, and for its third ground (obviousness over Braunheim in view of the AAPA), Petitioner directs us to the “typical” prior art base plate thickness (T_{BP}) of 0.150 mm from the ’841 patent’s table. *See, e.g., id.* at 40–41 (obviousness over Braunheim in view of the knowledge of the person of ordinary skill in the art), *id.* at 46 (obviousness over Braunheim in view of the AAPA).

IPR2018-00752
Patent 6,183,841 B1

D. Petitioner's Challenges to the '841 Patent

Petitioner contends that claims 1, 4, 7, and 10 of the '841 patent are unpatentable as anticipated by Braunheim, obvious over Braunheim alone, and obvious over Braunheim in view of the AAPA. *See* Pet. 15–50. In brief, Petitioner argues that Braunheim anticipates the challenged claims because, once supplemented to include a typical AAPA value for H_{CB} , or pursuant to Braunheim's own suggestions (for T_{BP}), Braunheim discloses a base plate having dimensions that satisfy the equation recited in the challenged claims. *See, e.g.*, Pet. 15–26 (claim 1). In addition, Petitioner argues that the challenged claims would have been obvious over Braunheim because reducing H_{CB} or T_{BP} would have been within the knowledge of the ordinary artisan. *See id.* at 37 (relying on anticipation analysis for reduction of T_{BP}), *id.* at 42–46 (asserting that the AAPA as background knowledge would have led the skilled artisan to reduce H_{CB} with a reasonable expectation of success in achieving a Geometry Metric Value of ≥ 5). In addition, Petitioner contends that the challenged claims would have been obvious over Braunheim in view of the AAPA because the AAPA expressly specifies a “typical” prior art value for T_{BP} . *See id.* at 46–49. In all three grounds, Petitioner relies on the parameters set forth in Braunheim's Table 1 and directs us to the typical prior art dimensions for H_{CB} and T_{BP} set forth in the '841 patent's table. *See supra* § II.B.2.

Patent Owner contends that Braunheim does not anticipate the challenged claims and that the challenged claims would not have been obvious over Braunheim or the combination of Braunheim and the AAPA. Prelim. Resp. 39–54. First, however, Patent Owner contends that we should exercise our discretion under 35 U.S.C. § 325(d) to deny institution. *Id.* at

IPR2018-00752
Patent 6,183,841 B1

22–36. Patent Owner argues that we should deny institution under § 325(d) because “the Petition simply repackages and restyles arguments made by the Examiner and overcome by [Patent Owner] during prosecution of the application that led to the grant of the ’841 patent and that are being simultaneously asserted by Petitioner in the District Court case.” *Id.* at 4. Patent Owner also argues that we should deny institution under § 314(a) because Petitioner filed the Petition shortly before the time-bar under § 315(b) expired and because proceeding in parallel with the district court litigation is an inefficient use of our time and resources. *Id.* at 36–39. For the reasons explained below, we agree with Patent Owner and exercise our discretion under 35 U.S.C. §§ 314(a), 325(d) to deny institution.

1. Discretion Under 35 U.S.C. § 325(d)

Institution of *inter partes* review is discretionary. *See Harmonic Inc. v. Avid Tech., Inc.*, 815 F.3d 1356, 1367 (Fed. Cir. 2016) (“the PTO is permitted, but never compelled, to institute an IPR proceeding”). Section 325(d) gives us express discretion to deny a petition when “the same or substantially the same prior art or arguments previously were presented to the Office.” 35 U.S.C. § 325(d). In evaluating whether to exercise our discretion under Section 325(d), we weigh the following non-exclusive factors: “(a) the similarities and material differences between the asserted art and the prior art involved during examination; (b) the cumulative nature of the asserted art and the prior art evaluated during examination; (c) the extent to which the asserted art was evaluated during examination, including whether the prior art was the basis for rejection; (d) the extent of the overlap between the arguments made during examination and the manner in which Petitioner relies on the prior art or Patent Owner distinguishes the prior art;

IPR2018-00752
Patent 6,183,841 B1

(e) whether Petitioner has pointed out sufficiently how the Examiner erred in its evaluation of the asserted prior art; and (f) the extent to which additional evidence and facts presented in the Petition warrant reconsideration of prior art or arguments.” *Becton, Dickinson & Co. v. B. Braun Melsungen AG*, IPR2017-01586, slip op. at 17–18 (Paper 8) (PTAB Dec. 15, 2017) (informative).

We analyze these factors below as they apply to the record in this proceeding, and find that, on balance, the factors weigh in favor of exercising our discretion under 35 U.S.C. § 325(d). We also decide, for reasons explained below, that an additional factor supports denying institution under § 314(a).

(a) The similarities and material differences between the asserted art and the prior art involved during examination

As explained above, Petitioner relies on Braunheim as anticipating claims 1, 4, 7, and 10, and Braunheim, as well as Braunheim and the AAPA for its arguments that claims 1, 4, 7, and 10 would have been obvious. Pet. 4. As Petitioner acknowledges, the Examiner considered Braunheim and the AAPA during prosecution of the '841 patent. *Id.* at 7 (“The primary reference (Braunheim) in the proposed grounds of this Petition was applied by the Examiner during prosecution of the '841 patent.”), 8–9 (explaining that the Examiner relied on “a side-by-side comparison of a ‘typical’ embodiment’s dimensions versus ‘typical’ prior art dimensions admitted by the '841 [p]atent”); *see also* Ex. 1001, [56] (listing Braunheim among the References Cited); Ex. 1004, 47, 67 (rejecting all pending claims for obviousness over “applicant’s admission of the state of the prior art in the table [in the '841 patent specification] . . . in view of Brooks . . . (U.S.

IPR2018-00752
Patent 6,183,841 B1

5,717,545) and Braunheim (U.S. 5,689,389)"). Thus, the Examiner considered the prior art that Petitioner asserts here.

(b) The cumulative nature of the asserted art and the prior art evaluated during examination

As explained above, Petitioner relies on the same prior art that the Examiner considered during prosecution of the '841 patent. Because it is the same, we need not address whether the AAPA and Braunheim are cumulative of the art that the Examiner considered.

(c) The extent to which the asserted art was evaluated during examination, including whether the prior art was the basis for rejection

As Patent Owner points out, the Examiner cited Braunheim and the AAPA, along with Brooks, during examination to reject all pending claims for obviousness in the initial Office Action and the Final Office Action. *See* Prelim. Resp. 25–26; Ex. 1004, 47 (initial Office Action), 67 (Final Office Action). In those rejections, the Examiner relied on the AAPA dimensions for each of the parameters listed in the '841 patent's table. *See, e.g.,* Ex. 1004, 47–48. The Examiner explained that the AAPA dimensions for H_{CB} and W_H were the only AAPA dimensions that differed from the dimensions recited in the claims. *Id.* at 49. The Examiner concluded that a person of ordinary skill in the art would have increased H_{CB} based on the teachings in Brooks and would have increased slightly W_H based on Braunheim's disclosure. *Id.* at 48–49.

In other words, the Examiner (1) started with the AAPA dimensions for the base plate parameters, and (2) increased or decreased dimensions for certain parameters (i.e., H_{CB} and W_H) in the equation recited in the claims based on the prior art teachings in Brooks and Braunheim in order to arrive

IPR2018-00752
Patent 6,183,841 B1

at the optimized relationship recited in the claims, i.e., a Geometry Metric Value of ≥ 5 . *See id.* at 47–49. Accordingly, we find that the Examiner evaluated Braunheim and the AAPA during examination and substantively applied their teachings to reject the '841 patent's claims.

(d) The extent of the overlap between the arguments made during examination and the manner in which Petitioner relies on the prior art or Patent Owner distinguishes the prior art

Although Petitioner argues to the contrary, we determine that the findings the Examiner made during prosecution and the arguments Petitioner makes here are substantially the same. As discussed above, Petitioner contends Braunheim anticipates the challenged claims by pointing to the dimensions Braunheim discloses for most of the base plate parameters and by relying on the value for H_{CB} that the AAPA discloses. For its obviousness grounds, Petitioner relies on Braunheim's dimensions, as well as the typical values for H_{CB} and T_{BP} that the AAPA discloses.

Petitioner, anticipating Patent Owner's argument under § 325(d), contends that it relies on Braunheim "*in an entirely different manner*" than the Examiner relied on Braunheim during prosecution. *Id.* at 7–8. In particular, Petitioner contends that the asserted grounds "rely *primarily* on a base plate exemplified in Braunheim (Table 1) and using the metric formula of the challenged claims to '*calculate a metric value*' from its dimensions," whereas the Examiner omitted a metric value calculation "and instead rel[ie]d] on a side-by-side comparison of a 'typical' embodiment's dimensions versus 'typical'" AAPA dimensions set forth in the '841 patent. *Id.* at 8–9; *see also* Ex. 1002 ¶¶ 39, 41 (Dr. Bogy's testimony to the same effect).

IPR2018-00752
Patent 6,183,841 B1

We disagree. Patent Owner argues persuasively that the Petition “simply applies the same references in the opposite order.” Prelim. Resp. 33–34. As explained above, in rejecting the claims, the Examiner started with the AAPA base plate dimensions from the ’841 patent’s table and modified two of them (including W_H) based on Braunheim to arrive at a value for the metric equation of ≥ 5 . Ex. 1004, 47–48. Here, Petitioner starts with Braunheim’s base plate dimensions, including W_H , and either supplements those dimensions with H_{CB} as disclosed by the AAPA or modifies the value for T_{BP} based on the AAPA. For example, in arguing that Braunheim anticipates the challenged claims, Petitioner directs us to the parameters Braunheim’s Table 1 discloses for a base plate (e.g., T_{BP} , W_H , H_{IS} , and H_H). Pet. 21. Because Braunheim does not disclose H_{CB} , Petitioner uses the “‘typical’ known H_{CB} admitted by the ’841 Patent”—0.038 mm. *Id.* at 22. Similarly, in arguing that Braunheim and Braunheim in view of the AAPA would have rendered the challenged claims obvious, Petitioner relies on the values in Braunheim’s Table 1 for all of the parameters in the metric equation except T_{BP} . *See, e.g., id.* at 37 (referring back to anticipation argument). Petitioner then directs us to the “‘typical prior art’ T_{BP} of 0.150 mm set forth in the ’841 patent’s table. *Id.* at 40, 47.

Thus, Petitioner’s analysis here is substantially the same as the Examiner’s during prosecution: both rely upon prior art values for base plate parameters and conclude that the ordinary artisan would have modified certain of the values for parameters in the metric equation to achieve the relationship of ≥ 5 that is recited in the claims.

IPR2018-00752
Patent 6,183,841 B1

(e) Whether Petitioner has pointed out sufficiently how the Examiner erred in its evaluation of the asserted prior art

Petitioner contends that the Examiner “overlooked” Braunheim’s Table 1 and that “[h]ad the Examiner considered the Braunheim base plate and applied its dimensions to the claimed metric formula, the claims would not have been allowed.” Pet. 8, 11. The flaw in Petitioner’s argument, however, is that none of Petitioner’s asserted grounds relies solely on Braunheim’s Table 1 values. Rather, as previously explained, Petitioner relies on Braunheim’s Table 1 for some of the parameters of the metric equation recited in the challenged claims and relies on the AAPA for other parameters. *See, e.g.*, Pet. 22, 40, 47. Petitioner, therefore, does not point out sufficiently how the Examiner erred in evaluating the asserted prior art.

(f) The extent to which additional evidence and facts presented in the Petition warrant reconsideration of prior art or arguments

For the reasons discussed in subsection (d) above, we find that Petitioner’s arguments substantially overlap the Examiner’s findings during examination. Petitioner explains that the Petition presents declaratory evidence—Dr. Bogy’s declaration—that the Office did not consider during examination. Pet. 7. Although Dr. Bogy’s declaration was not before the Examiner, the declaration does not persuade us that we should reconsider Braunheim, the AAPA, or Petitioner’s arguments because the declaration is substantially similar to the Petition (i.e., contains the same arguments that we find substantially overlap the Examiner’s findings)³ and Dr. Bogy fails to

³ Although Dr. Bogy’s declaration is substantially similar to the Petition in most respects, Dr. Bogy’s testimony differs from the Petition with regard to H_{CB} . For Ground 1, Petitioner contends that Braunheim anticipates an H_{CB} value that satisfies the metric equation recited in the claims. Pet. 15–23.

IPR2018-00752
Patent 6,183,841 B1

support his testimony with objective evidence. For example, Dr. Bogy testifies that one of ordinary skill in the art would have changed certain values of Braunheim's base plate parameters based on the AAPA and suggestions in Braunheim. *See, e.g.*, Ex. 1002 ¶¶ 54–61, 62–65. But Dr. Bogy fails to explain why a change in the value of one parameter would not have affected the other parameters of Braunheim's base plate, including D_{BP} , D_{ID} , H_H , and H_{IS} , which Braunheim identifies as having “unexpected relationship[s] deemed critical to the successful operation of the swage mount.” Ex. 1003, 6:11–33; *see also id.* at 7:29–31 (“Important advantages result from constructing the swage mount . . . with the aforescribed relationships between D_{BP} and D_{ID} , and between H_H and H_{IS} .”); *id.* at 7:49–52 (“[B]y maintaining the aforescribed relationships between D_{BP} and D_{ID} , and H_H and H_{IS} , the profile of the swage mount . . . may be greatly reduced while still maintaining sufficient torque retention for fastening the actuator arm to the load beam.”).

Further, as support for adjusting the value of T_{BP} from that disclosed in Braunheim's Table 1 to something less than 0.145 mm, Petitioner argues that “[t]he only lower limit to [T_{BP}] suggested by Braunheim is the hub height (H_H).” Pet. 25 (citing Ex. 1003, 2:59–60, 7:41–43 (“[T]he hub can be no thicker than base plate thickness.”)). Dr. Bogy offers similar testimony in that regard. Ex. 1002 ¶¶ 63, 65. Absent from Petitioner's analysis and Dr. Bogy's testimony, however, is a persuasive reason why the skilled artisan would have understood Braunheim's disclosure of T_{BP} as the upper

But Dr. Bogy testifies that “one of ordinary skill in the art would have found it obvious to include an H_{CB} of 0.038 mm [the AAPA H_{CB}] in Braunheim's base plate.” Ex. 1002 ¶ 58; *see id.* ¶ 61.

IPR2018-00752
Patent 6,183,841 B1

limit for hub thickness to necessarily disclose the converse—i.e., that hub thickness is the upper limit for T_{BP} . Moreover, Petitioner and Dr. Bogy do not explain why Braunheim’s disclosure of an upper limit for *hub thickness* means hub height, H_H , as opposed to hub radial thickness, W_H , in view of Braunheim’s disclosure that a relationship exists between W_H and T_{BP} . See Ex. 1003, 3:30–31 (disclosing relationship between W_H and T_{BP}). Rather, Petitioner and Dr. Bogy simply presume that Braunheim’s disclosure that “the hub can be no thicker” than T_{BP} refers to H_H not W_H . Pet. 25; Ex. 1002 ¶ 63 (“Specifically, because ‘the hub can be no thicker than the [base plate] thickness,’ the lower limit for the [base plate] thickness (T_{BP}) is the hub height (H_H).”).

Given the foregoing, we are not persuaded that we should reconsider Braunheim or the arguments Petitioner presents in the Petition.

2. *Weighing the 325(d) Factors*

Taking into account the above factors, we find that the factors weigh in favor of exercising our discretion and denying institution under § 325(d). Importantly, the asserted art is a subset of the same prior art that the Examiner applied in rejecting the claims during prosecution. Further, the arguments Petitioner advances in its Petition are substantially similar to the findings the Examiner made to reject the claims, and that Patent Owner overcame. Thus, we deny institution under § 325(d). Although a weighing of the § 325(d) factors alone is sufficient to support an exercise of our discretion to deny institution, we also consider Patent Owner’s additional arguments under § 314(a).

IPR2018-00752
Patent 6,183,841 B1

3. *Discretion under § 314(a)*

Patent Owner contends that two additional factors weigh in favor of denying institution under § 314(a). First, Patent Owner argues that Petitioner knew about the '841 patent for more than 10 years, yet provides no explanation for why it waited so long to file the Petition. Prelim. Resp. 37–38. We are not persuaded that this lapse in time favors denying review. As Patent Owner acknowledges, Petitioner filed the Petition shortly before the one-year bar in 35 U.S.C. § 315(b) expired. The Petition, therefore, was timely, and Patent Owner does not apprise us of any tactical advantage, or opportunity for tactical advantage, that Petitioner gained by waiting to file the Petition. Thus, we find this proceeding distinguishable from the facts in *General Plastic Industrial Co., Ltd. v. Canon Kabushiki Kaisha*, Case IPR2016-01357 (Paper 19) (PTAB Sept. 6, 2017) (precedential as to § II.B.4.i) (“*General Plastic*”)—the decision on which Patent Owner relies to support its argument regarding the timing of the Petition.

Second, Patent Owner argues that instituting an *inter partes* review “ultimately would be inefficient,” given the status of the district court proceeding between the parties. Prelim. Resp. 38–39. In particular, Patent Owner directs us to the Scheduling Order in the district court proceeding, which sets a trial date of March 25, 2019. *Id.* at 39. Patent Owner further notes that because the '841 patent has expired, we will apply the same standard for claim construction as the district court (which already has construed the '841 patent claim terms). *Id.* at 38. Patent Owner also represents that Petitioner relies on the same prior art (Braunheim and the AAPA) and arguments in its district court invalidity contentions as asserted in the Petition. *Id.* at 1. Thus, Patent Owner argues, the district court

IPR2018-00752
Patent 6,183,841 B1

proceeding will analyze the same issues and will be resolved before any trial on the Petition concludes. *Id.* at 39. Patent Owner asserts that such inefficiency supports denying the Petition.

We agree. First, we note that there is no “intent to limit discretion under § 314(a), such that it is . . . encompassed by § 325(d).” *Gen. Plastic*, Paper 19, 18–19. Thus, simply because we exercise our discretion to deny the Petition under § 325(d) does not mean that we cannot consider and weigh additional factors that favor denying institution under § 314(a).⁴ Second, Patent Owner argues persuasively that instituting a trial under the facts and circumstances here would be an inefficient use of Board resources. The district court proceeding, in which Petitioner asserts the same prior art and arguments, is nearing its final stages, with expert discovery ending on November 1, 2018, and a 5-day jury trial set to begin on March 25, 2019. Ex. 2004, 1. A trial before us on the same asserted prior art will not conclude until September 2019. Institution of an *inter partes* review under these circumstances would not be consistent with “an objective of the AIA . . . to provide an effective and efficient alternative to district court litigation.” *Gen. Plastic*, Paper 19, 16–17. Accordingly, we find that the advanced state of the district court proceeding is an additional factor that weighs in favor of denying the Petition under § 314(a).

⁴ Indeed, the August 2018 Update to the Office Patent Trial Practice Guide, 83 Fed. Reg. 39,989 (Aug. 13, 2018) (“Trial Practice Guide Update”), invites parties to address additional factors that may bear on the Board’s discretionary decision to institute or not institute under §§ 314(a) and 325(d). Trial Practice Guide Update 11, 13.

IPR2018-00752
Patent 6,183,841 B1

IV. CONCLUSION

Taking account of the information presented in the Petition and the Preliminary Response, and the evidence of record, we exercise our discretion under §§ 314(a) and 325(d) and deny institution. Accordingly, the Petition is *denied*, and no trial is instituted.

V. ORDER

In consideration of the foregoing, it is hereby:

ORDERED that the Petition is *denied*, and no trial is instituted.

IPR2018-00752
Patent 6,183,841 B1

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UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

US INVENTOR, INC., *et al.*,

Plaintiffs,

v.

ANDREW HIRSHFELD, in his official capacity
performing the functions and duties of the Under
Secretary of Commerce for Intellectual Property and
Director, United States Patent and Trademark Office,

Defendant.

No. 2:21-cv-00047

[Proposed] **ORDER**

For the reasons set forth in Defendant's Motion to Dismiss and upon consideration of the entire record herein, it is hereby ORDERED that Plaintiffs' Amended Complaint for Declaratory and Injunctive Relief, ECF No. 6, is DISMISSED WITH PREJUDICE.