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Paper 24
Entered: February 6, 2020

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE, INC.,
Petitioner,

v.

OMNI MEDSCI, INC.,
Patent Owner.

IPR2019-00916
Patent 9,651,533 B2

Before GRACE KARAFFA OBERMANN, JOHN F. HORVATH, and SHARON FENICK, *Administrative Patent Judges*.

HORVATH, *Administrative Patent Judge*.

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

I. INTRODUCTION

Apple, Inc. ("Petitioner") filed a Petition challenging claims 5, 7–10, 13, and 15–17 ("the challenged claims") of U.S. Patent No. 9,651,533 B2 (Ex. 1001, "the '533 patent") as obvious over the combination of Carlson[1] and Lisogurski[2], and claims 8, 9, 16, and 17 as obvious over the combination of Carlson, Lisogurski, and Mannheimer.[3] Paper 1 ("Pet."), 3. Omni MedSci, Inc. ("Patent Owner") filed a Preliminary Response (Paper 10, "Prelim. Resp.").

In its Preliminary Response, Patent Owner argued that we should exercise our discretion to deny institution under 35 U.S.C. § 314(a) because a related case in the Eastern District of Texas was set to go to trial and "Petitioner is challenging the validity of the '533 Patent as obvious over . . . the **same references** asserted in this proceeding." Prelim. Resp. 5 (citing Ex. 2101, 2).[4] Therefore, Patent Owner argued, we should deny the Petition because "the district court will determine the validity of the '533 Patent[] using the same claim construction standard, and over the same art in February 2020," eight months before any final decision would issue in this

[1] US 2005/0049468 A1
[2] US 9,241,676 B2
[3] US 5,746,206
[4] We note that Exhibit 2101 is "Apple Inc.'s Final Election of Asserted Prior Art." Ex. 2101, 1. As such, it only identifies the prior art Apple intends to assert against the '533 patent in district court. *Id. at* 2–3. It does not identify Apple's invalidity contentions, i.e., how Apple contends particular claims are invalid over particular combinations of prior art.

proceeding. *Id*. at 5–6 (citing *NHK Spring Co. v. Intri-Plex Tech., Inc*., IPR2018-00752, Paper 8 at 20 (PTAB, Sept. 12, 2018) (Precedential).

Given Patent Owner's discretionary denial argument, we authorized the parties to brief the facts and factors the Board should consider when deciding how to exercise discretion under § 314(a). *See* Paper 12, 3. Specifically, we asked the parties to brief

> whether, and to what extent, the Board should consider (a) the merits of Petitioner's challenge; (b) the amount of time between the District Court's expected findings on validity and any expected Board findings on patentability; (c) any differences between the claims challenged in the District Court and the Petition; (d) any differences between the grounds raised in the District Court and the Petition, where a ground challenges the validity/patentability of an identified claim over identified prior art; and (e) any delay between the filing of Petitioner's invalidity contentions in the District Court and the filing of the Petition.

Paper 12, 5. Petitioner filed a Reply (Paper 13, "Pet. Reply") and Patent Owner filed a Sur-Reply (Paper 15, "PO Sur-Reply").

In its Reply, Petitioner alleged that "[e]very claim being asserted in the litigation has been challenged in the petition," and that "Petitioner's challenges in the district court action include, but are not limited to, the prior art used in the grounds of the Petition." Pet. Reply 3–4.[5] Therefore, Petitioner argued that "address[ing] the prior art in the grounds of the

[5] Notably, Petitioner's Reply does not identify Petitioner's district court invalidity contentions, i.e., how particular claims are alleged to be invalid over particular combinations of prior art. Nor does Petitioner's Reply aver that Petitioner's district court invalidity contentions are the same as or substantially similar to the Petition's unpatentability contentions.

Petition . . . would simplify and narrow the dispute in district court." *Id*. at 4. Moreover, Petitioner argued that Patent Owner's reason for requesting discretionary denial was moot because "the Eastern District of Texas granted [Petitioner's] motion to transfer the district court case to the Northern District of California" and "all pending deadlines in the Texas action were suspended and the February 2020 trial date was vacated." *Id*. at 1.

In its Sur-Reply, Patent Owner argued that, although the district court case had been transferred to the Northern District of California and no trial date had been set there, the Petition should nonetheless be denied on discretionary grounds because the district court case was *likely* to go to trial "in the second quarter of 2020 and certainly no later than June 2020." PO Sur-Reply 2–3. Patent Owner further argued that the Petition should be denied because the prior art identified in the Petition and district court case "overlaps significantly—[Petitioner] combines the 'pre-existing system' prior art [identified in district court] with the same references that it uses in the IPR combinations, as confirmed by [Petitioner's] Final Election of Prior Art (Ex. 2101)." *Id*. at 5.[6]

We instituted review of the '533 patent based on the papers filed by the parties. *See* Paper 16 ("Dec. Inst."), 58–59. In doing so, we declined to

[6] Notably, like Petitioner's Reply, Patent Owner's Sur-Reply does not identify Petitioner's district court invalidity contentions, i.e., how particular claims are alleged to be invalid over particular combinations of prior art. Nor does Patent Owner's Sur-Reply allege that Petitioner's district court invalidity contentions are the same as or substantially similar to the Petition's unpatentability contentions.

exercise our discretion to deny the Petition because "the validity of the claims challenged in the Petition over the art raised in the Petition will not be determined in the related district court proceeding until a jury makes that determination after a trial on the merits" for which no date had been set, and because we were not inclined to deny the Petition based on Patent Owner's speculation that the district court case was *likely* to go to trial by June 2020. *Id*. at 55.

Patent Owner subsequently filed a Request for Rehearing of our Institution Decision and further requested its consideration by the Precedential Opinion Panel. Paper 18 ("Reh'g Req."), 10–11. The Precedential Opinion Panel declined to consider the rehearing request. Paper 22, 2. For the reasons discussed below, Patent Owner's Request for Rehearing is *denied*.

II. ANALYSIS

Under 37 C.F.R. § 42.71(c), a panel "rehearing a decision on petition . . . will review the decision for an abuse of discretion." An abuse of discretion occurs when a "decision was based on an erroneous conclusion of law or clearly erroneous factual findings, or . . . a clear error of judgment." *PPG Indus., Inc. v. Celanese Polymer Specialties Co.*, 840 F.2d 1565, 1567 (Fed. Cir. 1988). A request for rehearing "must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply." 37 C.F.R. § 42.71(d). The burden of showing a

decision should be modified on a request for rehearing lies with the party challenging the decision. *Id*.

Patent Owner first argues that our Institution Decision "represents an unreasonable judgement in weighing the relevant factors with regard to the Board's discretion to deny institution under 35 U.S.C. § 314(a)." Reh'g Req. 1. Specifically, Patent Owner argues that we erred in our Institution Decision because we

> did not address . . . a critical factor relevant to [the Board's] discretion, namely whether, and to what extent, Petitioner's district court invalidity contentions are the same as or substantially similar to the unpatentability grounds raised in the Petition. (Paper 12, 5–6.) Properly weighed, this factor would militate against the Board granting institution of the Petition.

Id.

We are not persuaded by this argument. We could not have addressed whether Petitioner's district court invalidity contentions are the same as or substantially similar to the Petition's unpatentability grounds in our Institution Decision because neither party has identified Petitioner's district court invalidity contentions. Although Petitioner avers that it is challenging the same claims in district court and the Petition, and that its district court challenges *include* the same prior art used in the Petition, Petitioner never identifies any of its district court invalidity contentions, i.e., which claims are invalid over which combinations of prior art, and why. *See* Pet. Reply 3–4. Likewise, Patent Owner also fails to identify any of Petitioner's district court invalidity contentions. *See* Prelim. Resp. 5 (identifying prior art relied on in the Petition that Petitioner intends to rely on in district court, but

failing to identify Petitioner's district court contentions regarding which claims are invalid over which combinations of prior art, and why); *see also* PO Sur-Reply 4–5 (alleging the grounds raised in district court and the Petition "overlap significantly," but citing as evidence Petitioner's Reply and Petitioner's Final Election of Asserted Prior Art in district court (Ex. 2101), neither of which contain Petitioner's district court invalidity contentions).

Moreover, Patent Owner cites no *authority* to support its contention that the similarity between Petitioner's district court invalidity contentions and the Petition's unpatentability grounds is a "critical factor" that warrants denying institution. *Id.* Although Patent Owner cites to Paper 12 of this proceeding for such authority, Paper 12 does not set forth the factors the Board will consider when deciding whether to deny institution under § 314(a), let alone the "critical factors" the Board will consider. Rather, Paper 12 invites the parties to provide "input . . . on the facts and factors the Board *should consider* when deciding whether to exercise its discretion to deny institution under 35 U.S.C. § 314(a)." Paper 12, 3 (emphasis added). We could not have erred in our Institution Decision by failing to consider as a "critical factor" a factor that was not in evidence (as explained above), and that Patent Owner has not shown to be a "critical factor."

The only authority Patent Owner does cite to support its argument that we should deny institution under § 314(a) is *NHK Spring*. *See* Prelim. Resp. 4; PO Sur-Reply 3. In *NHK Spring*, a patent owner argued that because a petitioner "relie[d] on *the same prior art . . . and arguments* in its district

court invalidity contentions as asserted in the [p]etition," it would be an inefficient use of Board resources to grant the petition because "the *district court proceeding* will [1] analyze the same issues and [2] be resolved before any trial on the [p]etition concludes." *NHK Spring*, Paper 8 at 19–20 (emphases added). Agreeing with that argument, the Board denied the petition because granting it "*under these circumstances* would not . . . provide an effective and efficient alternative to district court litigation." *Id.* at 20 (emphasis added). Thus, the critical factor in *NHK Spring* was not simply the similarity between the prior art raised in the petition and district court proceeding, but the similarity of the *prior art and arguments* (i.e., the unpatentability/invalidity contentions) raised in the petition and district court proceeding combined with evidence that the district court was scheduled to decide invalidity before the Board would decide unpatentability over similar prior art and arguments.

In our Institution Decision, we declined to deny the Petition because the evidence, including Patent Owner's admissions, did not show that the Northern District of California was scheduled to decide any invalidity contentions raised in the Petition before we could decide them. *See* Dec. Inst. 54–55 (citing Ex. 1057, 1–3; PO Sur–Reply 2) (finding (1) the related district court case had been transferred from the Eastern District of Texas to the Northern District of California, (2) the February 2020 Eastern District of Texas trial date had been vacated, and (3) the Northern District of California had yet to schedule a new trial date). Patent Owner has not shown that the reasoning in our Institution Decision is either (a) inconsistent with the

Board's decision in *NHK Spring*, (b) an improper weighting of the relevant *NHK Spring* factors, or (c) otherwise erroneous.

Patent Owner next argues that we erred in our Institution Decision by failing to address Patent Owner's one-paragraph argument that we should deny the Petition because "Petitioner is challenging the validity of the patents with several additional grounds in litigation, including grounds that cannot be used in IPRs" and this "will create inefficiencies because . . . the art overlaps significantly—[Petitioner] combines the 'pre-existing system' prior art with the same references that [Petitioner] uses in the IPR combinations." Reh'g Req. 5–6 (citing PO Sur-Reply 4–5) (emphasis omitted). Adding eight paragraphs to this argument in its Request for Rehearing, Patent Owner further argues that our Institution Decision was erroneous because "estoppel will not apply to seven of the eight [prior art] combinations asserted in the [district court]." *Id*. at 7.

We are not persuaded by these arguments. Patent Owner cites no authority for its contention that the nature of Petitioner's district court invalidity contentions—i.e., that they are based on combinations of public uses with prior art relied on in the Petition—weighs in favor of denying institution. *See* PO Sur-Reply 4–5. Thus, we could not have erred in our Institution Decision by failing to consider a factor that Patent Owner has not shown to be a relevant factor in a § 314(a) analysis. Moreover, Patent Owner had not previously argued that we should deny institution because estoppel will not apply to seven of Petitioner's eight district court invalidity contentions. *See* Prelim. Resp. 4–6; PO Sur-Reply 1–7. We could not have

erred in our Institution Decision by failing to consider an argument Patent Owner raised for the first time in its Request for Rehearing.

Lastly, Patent Owner complains that Petitioner, despite stating in its Reply that it would move to stay the district court case if *inter partes* review was granted, has not only failed to move to stay the district court case but has moved to dismiss it. *See* Reh'g Req. 9–10 (citing Pet. Reply 3; Ex. 2119). To the extent Patent Owner provides this information in its Request for Rehearing as evidence that we erred in granting *inter partes* review, we are not persuaded of such error. We could not have erred in our Institution Decision by failing to consider evidence that was not available to us and could not have been made available to us until *after* we issued our Institution Decision.

III. CONCLUSION

We have considered Patent Owner's arguments that we abused our discretion by granting the Petition and instituting *inter partes* review of the '533 patent. For the reasons discussed above, Patent Owner has failed to show that our Institution Decision resulted from an abuse of our discretion. Accordingly, Patent Owner's Request for Rehearing is *denied*.

IV. ORDER

It is ORDERED that Patent Owner's Request for Rehearing is *denied.*

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