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Paper 12
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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

PARUS HOLDINGS, INC.,
Patent Owner.

IPR2020-00686
Patent 7,076,431 B2

Before DAVID C. McKONE, STACEY G. WHITE, and SHELDON M. McGEE, *Administrative Patent Judges*.

McKONE, *Administrative Patent Judge*.

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

I. INTRODUCTION

A. Background and Summary

Apple Inc. ("Petitioner") filed a Petition requesting an *inter partes* review of claims 1–7, 9, 10, 13, 14, 18–21, and 25–30 of U.S. Patent No. 7,076,431 B2 (Ex. 1001, "the '431 patent"). Paper 1 ("Pet."). Parus Holdings, Inc. ("Patent Owner") filed a Preliminary Response to the Petition. Paper 6 ("Prelim. Resp."). Pursuant to our authorization (Ex. 1033), Petitioner filed a Reply, Paper 7 ("Reply"), and Patent Owner filed a Sur-reply, Paper 8 ("Sur-reply").

Upon consideration of the Petition, Preliminary Response, Reply, and Sur-reply, we instituted an *inter partes* review of the '431 patent. Paper 9 ("Dec."), 1. In doing so, we rejected arguments by Patent Owner that we should exercise our discretion under 35 U.S.C. § 314(a), *NHK Spring Co. v. Intri-Plex Technologies, Inc.,* IPR2018-00752, Paper 8 (PTAB Sept. 12, 2018) (precedential), and *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) (precedential), to deny the petition in light of a trial scheduled in *Parus Holdings Inc. v. Apple, Inc.*, No. 6:19-cv-00432 (W.D. Tex.[1]) ("the Texas case"). Dec. 8–22.

Patent Owner asks us to reconsider our decision not to exercise our discretion to deny the Petition in light of alleged "new facts that have arisen since the Board's Decision, which decidedly tilt the *Fintiv* factors in favor of denying institution in light of the earlier trial in the Parallel Proceeding in the District Court for the Western District of Texas." Paper 11 ("Req."), 1. For the reasons given below, we decline to modify our Decision.

[1] We refer to the United States District Court for the Western District of Texas, Waco Division, as "the Texas court" in this Decision.

II. ANALYSIS

A. Legal Background

When rehearing a decision on institution, we review the decision for an abuse of discretion. *See* 37 C.F.R. § 42.71(c) (2019). An abuse of discretion may be indicated 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. *See Star Fruits S.N.C. v. U.S.*, 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). The burden of showing that the Institution Decision should be modified is on Patent Owner, the party challenging the Decision. *See* 37 C.F.R. § 42.71(d) (2019). In addition, "[t]he request must specifically identify all matters the party believes [we] misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply." *Id.*

Institution of *inter partes* review is discretionary. *See Harmonic Inc. v. Avid Tech., Inc.*, 815 F.3d 1356, 1367 (Fed. Cir. 2016) ("[T]he PTO is permitted, but never compelled, to institute an IPR proceeding."); 35 U.S.C. § 314(a). The Board has held that the advanced state of a parallel district court action is a factor that may weigh in favor of denying a petition under § 314(a). *See NHK Spring*, Paper 8 at 20; Patent Trial and Appeal Board, Consolidated Trial Practice Guide, 58 & n.2 (Nov. 2019). We consider the following factors to assess "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":

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.

Fintiv, Paper 11 at 5–6. In evaluating these factors, we "take[] a holistic view of whether efficiency and integrity of the system are best served by denying or instituting review." *Id.* at 6.

B. Patent Owner's Arguments

Patent Owner does not argue that we misapprehended or overlooked any argument or evidence that it presented previously. Rather, Patent Owner argues that we should re-evaluate our Decision in light of "new facts" that have arisen in the Texas court after our Decision. Req. 1–2. In particular, Patent Owner argues that

(1) Petitioner has moved for, and Patent Owner has opposed, a stay in the Texas court, which should impact our evaluation of *Fintiv* factor 1; and

(2) Petitioner and Patent Owner have indicated that they are available for trial in July 2021, and

(3) the Texas court has resumed conducting jury trials, which, together, should impact our evaluation of *Fintiv* factors 2 and 5 by removing any doubt that a trial in the Texas court will happen in July 2021. *Id.*

1. Fintiv Factor 1: Whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted

Patent Owner asserts that Petitioner requested a stay in the Texas court on October 1, 2020, and that Patent Owner opposed the request on the next day. Req. 5. Patent Owner argues that a decision from the Texas court on the motion to stay is imminent and that, given its prior rulings "in exactly the same circumstances," the Texas court will deny the motion. *Id.*

Patent Owner did not make this argument in its Preliminary Response or Sur-reply; thus, we could not have misapprehended or overlooked it. For that reason alone, Patent Owner's new argument is improper and insufficient. Nevertheless, even if we were to consider the argument, it would not be persuasive.

In the Decision, we made clear that it would improper for us to speculate as to how the Texas court might rule on a motion to stay. Dec. 10–11 (citing *Sand Revolution II, LLC v. Continental Intermodal Group – Trucking LLC*, IPR2019-01393, Paper 24 at 7 (PTAB June 16, 2020) (informative); *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 15 at 12 (PTAB May 13, 2020) (informative) ("*Fintiv II*")). On that basis, we determined that this *Fintiv* factor was neutral as to whether we should exercise our discretion to deny the Petition. *Id.*

The circumstances have not changed materially in the Texas court. Although a motion to stay has been filed, the Texas court has not ruled on it. Accordingly, Patent Owner still asks us to speculate as to how the Texas court might rule. We decline to speculate, and instead determine that this factor remains neutral. *See Sand Revolution*, Paper 24 at 7; *Fintiv II*, Paper 15 at 12.

2. Fintiv Factor 2: Proximity of the court's trial date to the Board's projected statutory deadline for a final written decision / Fintiv Factor 5: Whether the petitioner and the defendant in the parallel proceeding are the same party

The Texas court's scheduling order sets a "Predicted Jury Selection/Trial" for July 12–30, 2021. Ex. 1032, 2. As to *Fintiv* factor 2, we determined that there was "substantial uncertainty in the Texas court's 'Predicted Jury Selection/Trial' date given the ongoing pandemic, the fact that the scheduled trial date is 10 months from now and much can change during this time, and the Western District of Texas's general orders continuing trials." Dec. 12–13 (citing Ex. 1035). Thus, we decided, "[w]hether the Texas court's trial takes place before, contemporaneously with, or after our final written decision statutory deadline involves substantial speculation," and "this factor is, at best, neutral to whether we should exercise our discretion to deny the Petition." *Id.* at 13. As to *Fintiv* factor 5, we explained that "[t]his fact could weigh either in favor of, or against, exercising discretion to deny institution, depending on which tribunal was likely to address the challenged patent first," a matter on which we declined to speculate and, accordingly, we determined the factor to be neutral. *Id.* at 19–20.

Patent Owner argues that, after pre-institution briefing, the Texas court held a *Markman* hearing, during which the Texas court stated that the Texas case would have a trial during the latter half of July 2021, and requested that the parties provide their availability. Req. 4 (citing Ex. 2017, 52–53). According to Patent Owner, after our Decision, both Petitioner and Patent Owner indicated to the Texas court that they are available for a trial between July 12–23. *Id.* (citing Ex. 2018). Patent Owner further argues that "jury trials are now going forward in the Western District of Texas," and the

Texas court "is hearing a patent case this week." *Id.* (citing Ex. 2019). In light of these developments, Patent Owner argues, "[t]here is thus no reason to doubt that the district court trial will go forward in July 2021." *Id.* Patent Owner concludes that *Fintiv* factors 2 and 5 "now weigh heavily against institution." *Id.* at 4–5.

Patent Owner did not make this argument in its Preliminary Response or Sur-reply; thus, we could not have misapprehended or overlooked it. For that reason alone, Patent Owner's new argument is improper and insufficient. Nevertheless, even if we were to consider the argument, it would not be persuasive.

We do not view the circumstances to have changed materially. At the *Markman* hearing, the Texas court reiterated "the goal of the Court . . . to get the case tried in July," and indicated that it was "not going to pick a date right now," but that it was "looking at setting trial in this case somewhere between July 12th and the end of July [2021]." Ex. 2017, 52:16–20, 53:9–10. The Texas court then asked counsel for Petitioner and several other defendants in the Texas case and related cases to consult their calendars and suggest dates for the trial. *Id.* at 52:20–53:13. Petitioner, Patent Owner, and two other defendants later informed the Texas court that they could be available for trial between July 12 and either July 23 or July 31, 2021. Ex. 2018. Another defendant indicated that it could be available after August 9, 2021. *Id.* The record does not indicate that the Texas court has set a trial date as of yet. Thus, while the Texas court might still have a "goal" of a July 2021 trial, the Texas court does not look to have calendared such a trial.

Fintiv factor 2 looks at the *proximity* of the trial date to the date of our final decision to assess the weight to be accorded a trial date set earlier than

the expected final written decision date. This proximity inquiry is a proxy for the likelihood that the trial court will reach a decision on validity issues before the Board reaches a final written decision. A trial set to occur soon after the institution decision is fairly likely to happen prior to the Board's final decision, even if the trial date were postponed due to intervening circumstances. Here, however, the trial still is predicted to be scheduled for approximately two months before our final written decision is due. Even considering the allegedly changed circumstances raised by Patent Owner, there is at least some persuasive evidence that delays are possible. In these circumstances, the efficiency and system integrity concerns that animate the *Fintiv* analysis are not as strong—all other things being equal. Accordingly, even if we were to consider Patent Owner's new arguments, this factor still would be, at best, neutral to whether we should exercise our discretion to deny the Petition. For the same reasons, our analysis of *Fintiv* factor 5 also would remain unchanged.

III. CONCLUSION

For the foregoing reasons, Patent Owner has not demonstrated that we misapprehended or overlooked its arguments or abused our discretion in instituting a trial of the '431 patent.

IV. ORDER

In consideration of the foregoing, it is hereby:

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

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