

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

VERIZON BUSINESS NETWORK SERVICES LLC,
Petitioner,

v.

HUAWEI TECHNOLOGIES CO. LTD.,
Patent Owner.

IPR2020-01278
Patent 9,312,982 B2

Before TREVOR M. JEFFERSON, CHARLES J. BOUDREAU, and
MICHELLE N. WORMMEESTER, *Administrative Patent Judges*.

BOUDREAU, *Administrative Patent Judge*.

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

I. INTRODUCTION

Verizon Business Network Services LLC (“Petitioner”) filed a Petition (Paper 1, “Pet.”) seeking *inter partes* review of claims 1–14 of U.S. Patent No. 9,312,982 B2 (Ex. 1001, “the ’982 patent”). Huawei Technologies Co. Ltd. (“Patent Owner”) filed a Preliminary Response (Paper 6, “Prelim. Resp.”). With our authorization, Petitioner filed a Reply to Patent Owner’s Preliminary Response (Paper 7, “Pet. Reply”), and Patent Owner filed a Sur-reply (Paper 8, “PO Sur-reply”).¹ We have jurisdiction under 35 U.S.C. § 314 and 37 C.F.R. § 42.4(a).

For the reasons that follow, we decline to institute an *inter partes* review of the challenged claims.

II. BACKGROUND

A. Related Proceeding

The parties identify one related federal district court case, namely, *Huawei Technologies Co. v. Verizon Communications, Inc.*, 2:20-cv-00030-JRG (E.D. Tex.), filed February 5, 2020. Pet. xii; Prelim. Resp. vi, 13; Paper 4, 2 (Patent Owner’s Mandatory Notice).

B. The ’982 Patent

The ’982 patent relates to “methods and apparatuses for mapping processing and de-mapping processing in an optical transport network.” Ex. 1001, code (57).

¹ We authorized the filing of Papers 7 and 8 in an e-mail sent on December 1, 2020.

C. Challenged Claims

Of the challenged claims, claims 1, 5, 9, and 12 are independent. Claim 1 is illustrative of the challenged subject matter and is reproduced below.

1. A method for processing data in an Optical Transport Network (OTN), comprising:

mapping, by a processor of an apparatus for processing data, a Lower Order Optical Channel Data Unit (LO ODU) signal into a payload area of an Optical Channel Data Tributary Unit (ODTU) signal in groups of M bytes, wherein M is equal to the number of time slots of a Higher Order Optical Channel Payload Unit (HO OPU) that are to be occupied by the ODTU signal, and M is an integer larger than 1;

encapsulating overhead information to an overhead area of the ODTU signal; and

multiplexing the ODTU signal into the HO OPU.

Ex. 1001, 9:44–56.

D. Asserted Grounds of Unpatentability

Petitioner challenges claims 1–14 of the '982 patent on the following grounds.

Claim(s) Challenged	35 U.S.C. §	Reference(s)/Basis
1, 2, 5, 6, 9, 10, 12, 13	103(a) ²	Zou, ³ Binetti ⁴

² The Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112-29, 125 Stat. 284, 285–88 (2011), revised 35 U.S.C. § 103 effective March 16, 2013. Because the '982 patent issued from a continuation of an application filed before that date (*see* Ex. 1001, code 63) and does not include any claims with a later effective filing date, we refer to the pre-AIA version of § 103.

³ EP 1826926 A1, published Aug. 29, 2007 (Ex. 1004).

⁴ US 2006/0228115 A1, published Oct. 12, 2006 (Ex. 1005).

Claim(s) Challenged	35 U.S.C. §	Reference(s)/Basis
3, 4, 7, 8, 11, 14	103(a)	Zou, Binetti, Lahav ⁵

Pet. 1. In support of its arguments, Petitioner relies on a Declaration of Dr. Paul Min. (Ex. 1003). With its Preliminary Response, Patent Owner submitted a Declaration of Dr. George Rouskas (Ex. 2001).

III. DISCRETIONARY DENIAL UNDER 35 U.S.C. § 314(A)

As mentioned above, the parties identify that the '982 patent is the subject of a pending district court proceeding. *See supra* § II.A; Pet. xii; Paper 4, 2. Patent Owner argues that we should exercise discretion under 35 U.S.C. § 314(a) and deny institution based on the district court proceeding because it involves the same parties, the same claims of the same patent, as well as the same prior art, and the scheduled trial date in the district court proceeding is June 7, 2021. Prelim. Resp. 3, 5–14; Sur-reply 1–5. For its part, Petitioner argues that an evaluation of the *Apple v. Fintiv* factors demonstrates that we should not exercise discretion to deny institution of *inter partes* review. Pet. 1–4; Reply 2–5.

Institution of an *inter partes* review is discretionary. *See* 35 U.S.C. § 314(a) (2018) (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); *Harmonic Inc. v. Avid Tech., Inc.*, 815 F.3d 1356, 1367 (Fed. Cir. 2016) (“[T]he PTO is permitted, but

⁵ US 2003/0048813, published Mar. 13, 2003 (Ex. 1006).

never compelled, to institute an IPR proceeding.”). In determining whether to exercise that discretion on behalf of the Director, we are guided by the Board’s precedential decision in *NHK Spring Co. v. Intri-Plex Techs., Inc.*, IPR2018-00752, Paper 8 (PTAB Sept. 12, 2018).

In *NHK*, the Board found that the “advanced state of the district court proceeding” was a “factor that weighs in favor of denying” the petition under § 314(a). *NHK*, Paper 8 at 20. The Board determined that “[i]nstitution 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.’” *Id.* (citing *Gen. Plastic Indus. Co. v. Canon Kabushuki Kaisha*, IPR2016-01357, Paper 19, 16–17 (PTAB Sept. 6, 2017) (precedential in relevant part)).

The Board’s precedential decision in *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) (“*Fintiv*”) sets forth six factors that we consider when determining whether to use our discretion to deny institution due to the advanced state of parallel litigation:

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.

Id. at 6. “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.” *Id.* 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.* (citing Patent Trial and Appeal Board Consolidated Trial Practice Guide 58 (Nov. 2019), <https://www.uspto.gov/TrialPracticeGuideConsolidated>).

For the reasons explained below, we exercise our discretion to deny institution based on § 314(a).

A. Analysis of Factors

We start with an analysis of the six *Fintiv* factors, addressing each factor in turn.

1. Whether the Court Granted a Stay or Evidence Exists that One May Be Granted if a Proceeding Is Instituted

A district court stay of a litigation pending resolution of a PTAB trial allays concerns about inefficiency and duplication of efforts, a fact which weighs strongly against exercising the authority to deny institution. *Fintiv*, Paper 11 at 6. Here, Petitioner has requested a stay of the district court case pending this proceeding. *See* Ex. 1012, 1–2. The district court characterized Petitioner’s motion as “premature,” however, and denied the motion without prejudice to refiling of the same. *Id.* at 3.

Petitioner argues that “a denial of stay but with a willingness to reconsider if the PTAB institutes review[] weighs against discretionary denial of institution.” Reply 2 (emphasis omitted) (quoting *Shenzhen Carku Tech. Co. v. Noco Co.*, IPR2020-00944, Paper 20 at 57 (PTAB Nov. 12,

2020)). Patent Owner asserts that “the district court did not substantively consider [Petitioner]’s motion,” and, therefore, “the present circumstance is indistinguishable from one in which a motion to stay had never been filed.” Sur-reply 1. Patent Owner further asserts that the presiding judge in the district court case “routinely denies motions to stay when, as here, fewer than all asserted patents are challenged in IPRs (here two asserted patents are unchallenged in IPRs) or where the litigation is in an advanced stage (at the time of institution, claim construction proceedings will have concluded, fact discovery will have closed, and rebuttal expert witness reports will be served within days).” *Id.* at 1–2. Patent Owner adds that *Shenzhen* “is inapposite because two parallel cases ***had already been stayed*** pending resolution of the IPR proceeding, and different district courts were at issue.” *Id.* at 1 (citing *Shenzhen*, Paper 20 at 57).

As Patent Owner points out, the district court has not substantively considered Petitioner’s motion to stay. A judge determines whether to grant a stay based on the facts of each specific case as presented in the briefs by the parties. We decline to infer, based on actions taken in different cases with different facts, how the district court would rule should a stay be requested again in the parallel case here. The district court’s denial of Petitioner’s initial motion to stay without prejudice, however, suggests that the district court may be willing to avoid duplicative efforts and await the Board’s final resolution of the patentability issues raised in the petition before proceeding with the parallel litigation. *See Fintiv*, Paper 11 at 6–7. We determine that this factor is neutral or weighs marginally against exercising discretion to deny institution.

2. *Proximity of the Court's Trial Date to the Board's
Projected Statutory Deadline for a Final Written Decision*

If a district court's trial date is earlier than the Board's projected statutory deadline for a final written decision, the Board generally has weighed this fact in favor of exercising discretion to deny institution. *Fintiv*, Paper 11 at 9. Here, the district court has set its trial date for June 7, 2021, approximately eight months before our deadline to reach a final decision. Ex. 2002, 1 (district court's scheduling order).

Petitioner expresses its concern about the uncertainty of this trial date due to the COVID-19 pandemic, which Petitioner asserts will "make trial postponement probable." Pet. 2. Petitioner notes that "the Eastern District of Texas (the litigation venue) issued an Order in March continuing all jury trials for several months, given COVID-19 issues." *Id.* Petitioner also notes that the presiding judge in the parallel district court case "has already commenced delaying jury trials (and related pretrial conferences) for nearly 4 months, noting that another EDTX trial had already resulted in a mistrial due to COVID-19." Reply 2 (citing Ex. 1013, 1, 2 n.3, 3). According to Petitioner, "[t]his delay will likely have a cascading effect on later trials including the trial in the parallel litigation." *Id.*

In response, Patent Owner asserts that the March order continuing jury trials in the Eastern District of Texas expired in May 2020, and that the district has not extended its suspension of jury trials since the expiration. Prelim. Resp. 7–8 (citing Ex. 2008; Ex. 2009). Patent Owner also asserts that Petitioner's "reference to a four-month delay[] in a different case before [the presiding judge] is neither applicable to this case, nor sufficient to overcome the ***eight-month gap*** between the scheduled trial date and the

expected date of any final written decision.” Sur-reply 2. In addition, Patent Owner asserts that Petitioner’s “suggestion of cascading effects on later trials is speculative and incorrect,” as the presiding judge’s “continuation of trials is expressly limited to cases that were set for in-person jury trials between December 2020 and February 2021.” *Id.* (citing Ex. 1013, 1). Patent Owner adds, “Critically, the 6/7/2021 trial date in the Co-pending Litigation remains on the calendar.” *Id.* (citing Ex. 2002); *see also* Prelim. Resp. 9 (“[N]either party has sought an extension of any deadline, much less one that will affect the trial date, nor has the court *sua sponte* changed any deadlines. . . . [T]he district court scheduling order does not include any qualifying language, instead identifying a specific date and time for jury selection.”).

We agree with Patent Owner. The trial date is set for June 7, 2021. The circumstances here do not give rise to any uncertainty regarding the district court’s schedule. *Cf. Sand Revolution II, LLC v. Cont’l Intermodal Grp. – Trucking LLC*, IPR2019-01393, Paper 24 at 8–9 (PTAB June 16, 2020) (informative) (explaining that the district court’s extension of the trial date three times as well as its inclusion of the qualifier “or as available” for each calendared trial date made it “unclear that the court in the related district court litigation will adhere to any currently scheduled jury trial date or, if it is changed, when such a trial will be held”). We generally take courts’ trial schedules at face value absent sufficient evidence to the contrary. Here, apart from speculation, we have no reason to believe that the scheduled trial date will be postponed. Because the district court trial is currently scheduled to begin approximately eight months before our deadline

to reach a final decision, this factor weighs in favor of exercising discretion to deny institution.

3. *Investment in the Parallel Proceeding by the Court and the Parties*

We consider now 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. *See Fintiv*, Paper 11 at 9.

Patent Owner argues that this factor “strongly favors discretionary denial in view of the significant investment in the parallel proceeding by the parties and Court that has already occurred and will occur by the deadline for institution.” Prelim. Resp. 10. Patent Owner asserts that “[a]s of the expected date of the Board’s institution decision on January 27, 2021, the parties will have fully briefed and argued claim construction at the *Markman* hearing (December 18, 2020), completed fact discovery (January 19, 2021), and exchanged expert reports (January 19, 2021).” *Id.* (citing Ex. 2002, 3); *accord* Sur-reply 3. Patent Owner also asserts that “[e]xpert discovery will close one month after the expected institution decision date (February 26, 2021).” Prelim. Resp. 10 (citing Ex. 2002, 3). Additionally, Patent Owner notes that “[t]he present case will be even more advanced than in *NHK*, where the Board exercised its § 314(a) discretion when expert discovery was scheduled to close in less than two months and a jury trial was scheduled to begin in six months.” *Id.* (citing *NHK*, Paper 8 at 20).

Petitioner replies that this factor weighs in favor of institution because Petitioner filed this Petition two months after receiving Patent Owner’s preliminary infringement contentions, within two weeks of the preliminary invalidity contention deadline, and before any claim construction proceedings. Pet. 3; *see also* Reply 3.

Although we credit Petitioner's diligence in filing its Petition in this proceeding within a relatively short time (two months) after being served infringement contentions in the parallel litigation, we also recognize that the parties and the court have expended considerable resources to date on the parallel case. This effort includes, for example, submitting fully briefed arguments on claim construction and conducting a *Markman* hearing. Prelim. Resp. 10; Ex. 2002, 3.⁶ Additionally, discovery is well underway, with fact discovery already completed and expert discovery closing on February 26, 2021. Prelim. Resp. 10; Ex. 2002, 3. The trial is scheduled to begin in less than five months. *See* Ex. 2002, 3. Petitioner does not dispute these facts. On balance, we determine that this factor weighs in favor of exercising discretion to deny institution.

4. Overlap Between Issues Raised in the Petition and in the Parallel Proceeding

This factor evaluates “concerns of inefficiency and the possibility of conflicting decisions” when substantially identical prior art is submitted in both the district court and the *inter partes* review proceeding. *Fintiv*, Paper 11 at 12.

Patent Owner argues that “all of the same grounds and claims in this Petition are also at issue in the co-pending litigation,” and that “addressing these same issues here would duplicate efforts.” Prelim. Resp. 11 (citing Ex. 2011, 56–73).

⁶ The district court issued a *Markman* order in the parallel litigation on January 15, 2021. Ex. 2027.

Petitioner responds by stipulating that it “will not pursue certain invalidity arguments in the parallel litigation upon institution of corresponding IPRs.” Reply 1; Ex. 1010 (Petitioner’s stipulation). This stipulation is formalized in an e-mail among counsel for the parties. *See* Ex. 1010. In light of its stipulation, Petitioner asserts that “any duplication of efforts would be *de minimis*, given that efforts expended towards these theories in the parallel litigation would be redirected to the instituted IPR.” Reply 4.

Patent Owner counters that Petitioner’s stipulation “covers only prior art references expressly raised in the petition,” and that Petitioner “has not offered to withdraw all grounds that it reasonably could have raised.” Sur-reply 4 (citing Ex. 1010). According to Patent Owner, “[t]he narrow scope of [Petitioner’s] stipulation means that [Petitioner] would not be precluded from asserting other printed publications, including highly similar obviousness theories, in the Co-pending Litigation.” *Id.*

Although Petitioner’s stipulation mitigates to some degree the concerns of duplicative efforts between the district court and the Board, as well as concerns of potentially conflicting decisions, we agree with Patent Owner that the stipulation is too narrow to sufficiently allay such concerns. We note that Petitioner could have stipulated that it would not pursue any ground raised or that could have been reasonably raised in an *inter partes* review, that is, any ground that could have been raised under 35 U.S.C. §§ 102 or 103 on the basis of prior art patents or printed publications. *See Sand Revolution*, Paper 24 at 12 n.5; *see also Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020-01019, Paper 12 at 19 (PTAB Dec. 1, 2020) (precedential) (finding that the petitioner’s stipulation “mitigates any

concerns of duplicative efforts between the district court and the Board, as well as concerns of potentially conflicting decisions,” where the petitioner “broadly stipulates to not pursue ‘*any ground* raised or that could have been reasonably raised’”). A broader stipulation of that nature “might better address concerns regarding duplicative efforts and potentially conflicting decisions in a much more substantial way.” *Sand Revolution*, Paper 24 at 12 n.5. “Likewise, such a stipulation might help ensure that an IPR functions as a true alternative to litigation in relation to grounds that could be at issue in an IPR.” *Id.* “Further still, Petitioner could have expressly waived in the district court any overlapping patentability [or] invalidity defenses.” *Id.* Thus, Petitioner’s stipulation reduces concerns regarding overlapping issues, but it does not eliminate them.

We note that subsequent to the briefing in this case the parties filed a joint motion to narrow the patent claims and prior art at issue in the parallel litigation (Ex. 1014) and that the district court has granted that motion (Ex. 1016). We further note, however, that related correspondence between the parties now entered into the record of this proceeding indicates that all four of the challenged independent claims, as well as dependent claims 2, 3, 6, 7, and 8, continue to be asserted in the parallel litigation. *See* Ex. 1015.

Given the facts here, we determine that this factor weighs somewhat against exercising discretion to deny institution.

5. Whether the Petitioner and the Defendant in the Parallel Proceeding Are the Same Party

Both Petitioner and Patent Owner acknowledge that the parties in the parallel district court proceeding and this proceeding are the same. Pet. 4; Prelim. Resp. 12. Petitioner argues that “[t]his factor should not be a basis

for denying institution.” Pet. 4. Petitioner has not provided sufficient explanation as to why this factor should not weigh against it. On its face, *Fintiv* indicates that this is a factor that should be considered as part of our analysis. See *Fintiv*, Paper 11 at 6. Thus, we determine that this factor weighs in favor of exercising discretion to deny institution.

6. Other Circumstances that Impact the Board’s Exercise of Discretion, Including the Merits

For the final *Fintiv* factor, we take into account any other relevant circumstances.

Petitioner argues that “policy considerations support institution.” Pet. 4. According to Petitioner, “[d]enying institution in this situation—where a petition is filed within five months of a Complaint—merely because a trial has been scheduled prior to the [final decision] date, would deny petitioners any right to pursue an IPR in speedy jurisdictions.” *Id.* Petitioner asserts that “even had [it] filed its petition on the day it was sued (February 5, 2020), it would still have been unable to complete an IPR prior to the scheduled trial date (June 7, 2021).” *Id.* (emphasis omitted). Patent Owner counters that Petitioner “waited more than 15 months from the time it received notice of its infringement before filing this Petition,” and that such “significant delay . . . undercuts Petitioner’s argument regarding policy considerations.” Prelim. Resp. 13–14. On the record before us, we do not consider Petitioner’s filing untimely, but that does not alter the fact that the district court’s trial date is nearly eight months before our deadline to reach a final decision.

As a separate consideration, each party argues that the merits tip the balance in its favor. Pet. 4; Prelim. Resp. 13; Sur-reply 5. Although we may

consider the merits for this factor, a full analysis of the merits is not necessary; rather, the parties may point out particular strengths or weaknesses to aid us in deciding whether the merits tip the balance one way or another. *Fintiv*, Paper 11 at 14–16. Thus, a petitioner may draw attention to certain grounds that it believes are particularly persuasive of unpatentability. *Id.* at 14–15. Conversely, a patent owner may point to arguments that, on balance, make the petitioner’s case a close call. *Id.* at 15.

Our initial inspection of the merits here suggests that Petitioner’s challenges across both asserted grounds contain certain weaknesses. For example, Patent Owner identifies a potential deficiency in Petitioner’s evidence supporting its contention that the cited references teach or suggest the “mapping” and “de-mapping” steps recited in independent claims 1 and 9, respectively, and the corresponding executable instructions recited in independent claims 5 and 12, respectively. *See* Prelim. Resp. 33–43.

Thus, on balance, we find that this factor weighs in favor of exercising discretion to deny institution. *See Fintiv*, Paper 11 at 15 (“[I]f 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.”).

B. Balancing of Factors

We have considered the circumstances and facts before us in view of the *Fintiv* factors. Our analysis is fact-driven, and no single factor is determinative of whether we exercise our discretion to deny institution under § 314(a). Here, Factors 2, 3, 5, and 6 weigh to varying degrees in favor of discretionary denial, while Factors 1 and 4 weigh somewhat against discretionary denial. In short, the merits of Petitioner’s arguments are a close call. The district court will evaluate Petitioner’s assertions regarding

the art cited in the Petition, and trial in the parallel litigation will conclude well before this matter would reach a final decision if we were to institute an *inter partes* review. The parties and the court have made significant investment in the parallel litigation, with fact discovery and claim construction already completed and expert discovery closing in approximately one month. Factor 1 weighs at most marginally against discretionary denial because the district court has not entirely ruled out the possibility of a stay. The court's trial date, however, is set to begin eight months before our deadline to reach a final decision. *See Fintiv*, Paper 11 at 7 (explaining that a court's willingness to reconsider a stay "has usually weighed against exercising authority to deny institution," but "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"). Moreover, as noted above, discovery is well underway with the deadlines for completing discovery fast-approaching. *See id.* Factor 4 also weighs somewhat against discretionary denial because Patent Owner has elected to narrow the asserted claims in the parallel litigation and Petitioner's stipulation reduces concerns regarding overlapping issues raised in the Petition and in the parallel litigation. Petitioner's stipulation, however, does not sufficiently eliminate those concerns, and, as noted above, all four challenged independent claims, among others, continue to be at issue in the parallel litigation. Thus, evaluating the *Fintiv* factors with a holistic view of whether the efficiency and integrity of the system are best served by denying or instituting review, we determine that the specific facts of this case weigh in favor of exercising discretion to deny institution.

IV. CONCLUSION

For the foregoing reasons, we exercise our discretion under § 314(a) to deny institution of *inter partes* review.

V. ORDER

For the reasons given, it is

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

IPR2020-01278
Patent 9,312,982 B2

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