UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

VOLKSWAGEN GROUP OF AMERICA, INC.,
Petitioner,

v.

YECHEZKAL EVAN SPERO
Patent Owner.

U.S. Patent No. 9,955,551 to Spero

Case No.: IPR2023-00315*

PATENT OWNER'S REQUEST FOR DIRECTOR REVIEW

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* Porsche Cars North America, Inc., which filed a petition in IPR2023-01225, has been joined as a party to this proceeding.

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Patent Owner, Yechezkal Evan Spero ("Patent Owner" or "Spero") requests Director Review to address the important policy issue of whether partial Board decisions — those that fail to address all grounds — are permitted under governing law.

I. INTRODUCTION

On December 9, 2022, Volkswagen Group of America, Inc. ("Petitioner") filed a petition requesting inter partes review ("IPR") of U.S. Patent No. 9,955,551 B2 (Ex.1001, "the '551 Patent"; IPR2023-00315, Paper 2 ("Pet.")).[1]. The Petition presented four overlapping grounds attacking claims 24-55 of the '551 Patent — ground 1, a combination of the Beam and Satonaka references, ground 2, a combination of the Beam, Satonaka, and Kobayashi references, ground 3, a combination of the Karlsson and Nakamura references, and ground 4, a combination of the Karlsson, Nakamura, and Gotou references. (Pet., 3.) *Inter partes* review was instituted on June 21, 2023. (DI, 9, 13.) During the ensuing trial, the parties introduced over 300 pages of evidence to address the merits of both grounds. On June 18, 2024, the Board issued a final written decision (Paper 35, "FWD"), finding claims 24, 26, 28-32, 34, 36-40, 42, and 44-47 unpatentable

[1] Porsche Cars North America, Inc. filed a Petition July 19, 2023, IPR2023-01225, was instituted on January 22, 2024 and joined with IPR2023-00315.

as obvious. (FWD, 2.) For the claims that were found to be unpatentable under the grounds 3 and 4 obviousness combination involving the Karlsson primary reference, the final written decision did not address the merits of the "redundant challenges" presented in grounds 1 and 2 involving the Beam primary reference. (FWD, 34.)

Notwithstanding the Board's reliance on this approach, the statutory framework for IPRs, legislative history of the America Invents Act ("AIA") and the Supreme Court's guidance in *SAS*, militate against partial Board decisions.[2] *See SAS Inst., v. Iancu*, 138 S. Ct. 1348 (2018). Contrary to the governing policy for Board proceedings, set forth in 37 C.F.R. § 42.1(b), partial final written decisions do <u>not</u> "secure the just, speedy and inexpensive" resolution of the parties' dispute, or of the IPR as a whole. On balance, the additional work required to issue a complete final written decision is outweighed by the negative impact of

[2] Patent Owner further identifies inconsistent application of the "redundant" challenge practice at the Board. In at least one IPR proceeding, the Board provided a complete final written decision on multiple overlapping grounds. *See Google LLC v. Virentem Ventures, LLC*, IPR2019-01244, Paper 39 (PTAB January 25, 2021). Diverse application of the redundancy practice is problematic, as it creates differentiated proceedings depending on panel selection.

partial decisions, which if overturned on appeal, necessitate a remand to address the "redundant" ground, resulting in significant prejudice to the parties and undue delay. Here, entry of a complete final written decision could help streamline issues in related, follow-on IPRs, e.g. IPR2023-01026, IPR2023-01027, IPR2023-01040, and IPR2023-01034, where obviousness grounds rely on the primary reference from the undecided "redundant challenge".

Under the revised interim Director Review process ("RIDRP"), a party may request Director Review of a final written decision to address "important issues of law or policy." The revised interim Director Review process (July 24, 2023) was established following the Supreme Court's decision in *United States v. Arthrex, Inc*., 594 U.S. 1 (2021). Pursuant to the RIDRP, Patent Owner requests Director Review of the final written decision to address whether the Board misapplied governing law by failing to provide a merits adjudication of <u>all grounds challenged by the Petitioner</u>. Given the important legal and policy issues at stake — namely, whether partial final written decisions fall outside the AIA statutory framework and create a significant risk of undue delay and prejudice to the parties — Spero requests that the Director grant this Review and vacate the Board's final written decision so the Board can completely adjudicate all grounds.

II. BASIS FOR RELIEF REQUESTED

A. The Board Improperly Declined to Address Grounds 1 and

2 of the Petition

1. The AIA Statutory Framework, *SAS* and Federal Circuit Law Require Complete Final Written Decisions

The Federal Circuit's post-*SAS* decisions and the relevant AIA statutory framework clearly support equal treatment of claims and grounds for both the institution and final written decisions.

The *SAS* policy rationale underlying the Federal Circuit's decision to extend application of 35 U.S.C. § 318(a) to cover challenged claims and grounds, apply with equal force to all Board decisions. In *PGS Geophysical,* the Federal Circuit reviewed the public policy framing the Supreme Court's *SAS* holding and concluded that "[e]qual treatment of claims and grounds for institution purposes has pervasive support in *SAS*." *PGS Geophysical AS v. Iancu*, 891 F.3d 1354, 1360 (Fed. Cir. 2018). Significantly, the Federal Circuit noted that "[a]lthough 35 U.S.C. § 318(a), the primary statutory ground of decision, speaks only of deciding all challenged and added 'claim[s],' the Supreme Court spoke more broadly when considering other aspects of the statutory regime, and it did so **repeatedly**." *Id*. (emphasis added.) Per the *PGS* decision, under *SAS*, "§ 312 contemplates a review 'guided by a petition describing 'each claim challenged' and 'the grounds on which the challenge to each claim is based,'" adding that "the Director does **not** 'get[] to define the contours of the proceeding.'" *Id.* (emphasis added). Quoting

SAS, the Federal Circuit further concluded that "the petitioner's petition, not the Director's discretion, is supposed to **guide the life of the litigation**," *SAS*, 138 S. Ct. at 1356 (emphasis added), and the "petitioner's contentions … define the scope of the litigation all the way from institution through **to conclusion**." *Id*., at 1357 (emphasis added). Ultimately, the *PGS* court held: "[w]e read those and other similar portions of the *SAS* opinion as interpreting the statute to require a simple yes-or-no institution choice respecting a petition, **embracing all challenges included in the petition**, and we have seen no basis for a contrary understanding of the statute in light of *SAS*." *PGS*, 891 F.3d at 1360 (emphasis added).

PGS noted that a related issue exists as to final written decisions: "We note that it is a distinct question (not presented here) whether, after instituting on the entire petition, the Board, in a final written decision, may decide the merits of certain challenges and then find others moot, the latter subject to revival if appellate review of the decided challenges renders the undecided ones no longer moot." *Id.,* at 1360. Under the AIA and *SAS* because the "petitioner, not the Director [is] who gets to define the contours of the proceeding" and the "petitioner's petition, not the Director's discretion … guide the life of the litigation … from institution through to conclusion," **all challenges** included in the petition should be part of the final decision under 35 U.S.C. § 318(a). *SAS*, 138 S. Ct. at 1355, 1356 (emphasis added).

This conclusion is echoed in the Federal Circuit's *Amazon v. AC Tech* decision. *AC Techs. S.A. v. Amazon.com Inc*., 912 F.3d 1358 (Fed. Cir. 2019). In that case, with a different factual predicate, the Federal Circuit affirmed the Board's post-*SAS* decision on reconsideration, invalidating the remaining challenged claims based on a non-instituted ground of unpatentability raised in the Petition but not addressed in the final written decision. In so doing, the Federal Circuit unequivocally stated "[p]recedent mandates that the Board consider all grounds of unpatentability raised in an instituted petition." *AC Techs. S.A.*, 912 F.3d at 1360 (emphasis added). Citing *SAS* as well as its own precedent, the Federal Circuit explained that, not only did the Board *not* exceed its authority in this proceeding, "it would have violated the **statutory scheme** had the Board *not"* considered the third ground of unpatentability. *AC Techs. S.A*., 912 F.3d at 1364-65 *citing PGS*, 891 F.3d 1354 at 1360. And "neither § 314(b)'s timing requirements nor § 314(d)'s limits on appealability alter the Board's statutory obligation to **rule on all claims and grounds presented in the petition**. *See SAS*, 138 S. Ct. at 1356 (explaining that an IPR must "proceed[] '[i]n accordance with' or 'in conformance to' the petition." *AC Techs. S.A*., 912 F.3d at 1365 (emphasis added).

2. Considerations of Undue Delay and Prejudice Necessitate Complete Final Written Decisions

Unless an extension is granted, the AIA requires an IPR to be **completed** and a final written decision to be issued within one year of when the proceeding is instituted. *See* 37 C.F.R. § 316(a)(11). The AIA does not contemplate partial final written decisions, which only address a subset of the challenges presented. *See* 37 C.F.R. § 42.1(b). Notably, the AIA legislative history struck down proposals that subjected Patent Owners to "serial post-grant challenges" and that denied Patent Owners the "right to expect quiet title at some point without facing an endless series of challenges." *See* Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 Fed. Cir. Bar. Journal 539, 603 (2012) (discussing early legislative history) (emphasis added). Under the Board's practice of partial adjudications, Patent Owners would necessarily be subjected to "serial post-grant challenges" if the partially adjudicated grounds are reversed on appeal. Thus, rather than providing a just, speedy and inexpensive" proceeding, per 37 C.F.R. § 42.1(b), partial adjudications subject the Patent Owner to undue delays in resolution of the underlying patentability issues—impeding their ability to enforce the patent rights conferred upon them.

Established public policy thus counsels against partial adjudications at institution and final written decision. In *Polaris Industries Inc. v Arctic Cat, Inc.*,

the Federal Circuit granted a request for remand to consider both non-instituted claims and grounds, because a "patent owner has an interest in obtaining a final written decision that addresses all challenged claims and resolves all questions of patentability that might otherwise **cloud the perceived validity of its patent**." *Polaris Indus. Inc. v Arctic Cat, Inc*., 724 Fed. App'x. 948, 949 (Fed. Cir. 2018) (per curiam) (emphasis added). The Federal Circuit goes on to explain that the estoppel provisions under 35 U.S.C. § 315(e) require "complete decisions" and that a request for remand is warranted "because the Board's existing final written decisions do not address all challenged claims or all grounds." *Polaris Indus. Inc*., 724 Fed. App'x. 948, 949. Absent a complete adjudication of all grounds, the non-adjudicated grounds may be subject to future review should an appeal reverse the outcome of the adjudicated grounds. In that event, the patent owner could be subjected to two sets of Board proceedings, one for each ground, and two Federal Circuit appeals — requiring the patent owner to wait **up to four years** from the petition filing to finally obtain quiet title. Here, entry of a complete final written decision could help streamline issues in related, follow-on IPRs, e.g. IPR2023-01026, IPR2023-01027, IPR2023-01040, and IPR2023-01034, where obviousness grounds rely on the primary reference from the undecided "redundant challenge".

Relatedly, the increased likelihood of district court judges staying a parallel litigation pending an ongoing IPR post-*SAS*, compounds the prejudicial nature of

partial adjudications. Partial final written decisions thwart the district court's stay rationale, as simplification of issues is only possible when the Board provides a complete adjudication. Accordingly, the parties either wait up to four years for complete adjudication and all related appeals or resume parallel litigation absent simplification of issues. The Board's piecemeal adjudication thus fails to meet one of the core objectives of the AIA — to "improve administrative processes so that disputes over patents can be resolved quickly and cheaply without patents being tied up for years in expensive litigation."); 157 CONG. REC. S1053 (Mar. 1, 2011) (statement of Sen. Whitehouse).

In this IPR, through institution and afterwards, the parties spent a significant amount of time, effort, and resources to brief all claims and grounds (over 300 pages of evidence were submitted). Yet, the Board chose to effectively "dismiss" two grounds, precluding final judgment as to grounds one and two and precluding appeal of a final decision on all claims and all grounds. As the Federal Circuit found in *PGS*, "[f]inality and expedition interests strongly counsel against such action. And so does the Court's emphasis in *SAS* on the petitioner's control of the contours of the proceeding." *PGS*, 891 F.3d at 1363.

III. CONCLUSION

For the reasons set forth above, Patent Owner respectfully requests the Director review the Final Written Decision of the '551 Patent.

Respectfully submitted,

Dated: July 18, 2024

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Certificate of Service

The undersigned hereby certifies that on July 18, 2024, a complete and entire copy of **Patent Owner's Director Request for Review**, was served via electronic mail to the correspondence listed below:

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Certificate of Compliance Pursuant to 37 C.F.R. § 42.24

This paper complies with the type-volume limitation of 37 C.F.R. § 42.24. The paper contains 9 pages excluding the parts of the paper exempted by §42.24(c).

This paper also complies with the typeface requirements of 37 C.F.R. § 42.6(a)(ii) and the type style requirements of § 42.6(a)(iii)&(iv).

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