UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

VOLKSWAGEN GROUP OF AMERICA, INC., AND
PORSCHE CARS NORTH AMERICA, INC.,
Petitioner,

v.

YECHEZKAL EVAN SPERO,
Patent Owner.

U.S. Patent No. 10,894,503 B2

Case No.: IPR2023-00335*

PATENT OWNER'S REQUEST FOR DIRECTOR REVIEW

* Porsche Cars North America, Inc., which filed a petition in IPR2023-01321, 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 1) whether partial Board decisions—those that fail to address all grounds—are permitted under governing law; and 2) whether a Board decision violates the Administrative Procedures Act ("APA") if it fails to correlate its factual and legal findings with record evidence submitted by a party.

I. INTRODUCTION

On December 23, 2022, Volkswagen Group of America, Inc. ("Petitioner") filed a petition requesting inter partes review ("IPR") of U.S. Patent No. 10,894,503 B2 (Ex.1001, "the '503 Patent"; IPR2023-00335, Paper 2 ("Pet."))[1]. The Petition presented nine overlapping grounds attacking claims 1-19 and 37-58 of the '503 Patent—ground 1, a combination of the Beam and Thominet references, ground 2, a combination of the Beam, Thominet, and Stam references, ground 3, a combination of the Beam, Thominet, and Kobayashi references, ground 4, a combination of the Beam, Thominet, Stam, and Kobayashi references, ground 5, a combination of the Beam, Thominet, and Braun references, ground 6, a combination of the Beam, Thominet, Stam, and Braun references, ground 7, a combination of the Karlsson and

[1] Porsche Cars North America, Inc. filed a Petition August 14, 2023, which was instituted February 24, 2024 and joined to this proceeding.

Harbers references, ground 8, a combination of the Karlsson, Harbers, and Gotou references, and ground 9, a combination of the Karlsson, Harbers, and Braun references. (Pet., 3.) *Inter partes* review was instituted on July 17, 2023. (DI, 9-14.) During the ensuing trial, the parties introduced almost 100 pages of evidence to address the merits of grounds 1-6, involving the Beam reference. On July 15, 2024, the Board issued a final written decision (Paper 40, "FWD"), finding claims 1-19 and 37-58 unpatentable as obvious. (FWD, 2.) The final written decision did not address the merits of grounds 1-6, because the decision "determined that claims 1-19 and 37-58 are unpatentable in view Karlsson and Harbers grounds … ." (FWD, 24.)

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*

[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.

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 not "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 partial decisions, which if overturned on appeal, necessitate a remand to address the "redundant" grounds, resulting in significant prejudice to the parties and undue delay. Here, entry of a complete final written decision could also help streamline overlapping issues regarding the Beam reference and the associated claim construction of "*light source*" in related, follow-on IPRs, e.g. IPR2023-01026, IPR2023-01027, IPR2023-01040, and IPR2023-01034.

Additionally, Patent Owner seeks Director Review to determine whether the FWD violates the APA, as it fails to link the Board's underlying findings with Petitioner's record evidence. 5 U.S.C. § 554(b)(3) and § 554(c)(1). Under the APA and Federal Circuit guidance in *Apple Inc. v. Corephotonics Inc.,* "the Board must base its decision on arguments that were advanced by a party." *Apple Inc. v. Corephotonics*, *Ltd*., 81 F.4th 1353, 1360 (Fed. Cir. 2023) quoting *In re Magnum Oil Tools Int'l, Ltd*., 829 F.3d 1364, 1381 (Fed. Cir. 2016). Here, the FWD findings frequently refer to the cited art and not Petitioner's evidence—leading to a confusing disconnect with the evidentiary record. Absent a FWD with evidentiary citations,

the parties must scour 300+ page record to glean whether a finding has evidentiary basis. In this case, because Petitioner chose to present a petition mired with alternative-style arguments (resulting in at least 47 sub-grounds, *see* POR, 13-14), there is a heightened concern that the FWD findings introduce new and/or modified arguments that do not align with Petitioner's fragmented sub-grounds. (POR, 20-33.) Because the lack of particularity in the Petition now extends to the FWD, PO's ability to defend its patent rights under the AIA statutory framework is further prejudiced.

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 all grounds challenged by the Petitioner. 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 FWD so the Board can completely adjudicate all grounds. Additionally, Spero asks the Director to instruct the Board

to provide citations that correlate each finding with Petitioner's arguments, as required by the APA.

II. BASIS FOR RELIEF REQUESTED

A. The Board Improperly Declined to Address Grounds 1-6 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).

B. 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" and introduce an undecided claim construction for the term "*light source*".

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, following institution, the parties spent a significant amount of time, effort, and resources to brief grounds 1-6 (almost 100 pages of evidence were submitted). Yet, the Board chose to effectively "dismiss" these grounds, precluding final judgment as to grounds 1-6 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.

C. The Board's Decision Is Incomplete As It Fails to Correlate Its Findings With Petitioner's Arguments

The APA imposes important limits on the Board's authority during inter partes reviews. Under the APA, "[p]ersons entitled to notice of an agency hearing shall be timely informed of … the matters of fact and law asserted," 5 U.S.C. § 554(b)(3), and the Board "shall give all interested parties opportunity for … the submission and consideration of facts [and] arguments," 5 U.S.C .§ 554(c)(1). Thus, to comply with the APA, the PTAB must base its decision on arguments that were advanced by a party, in the proceedings "and to which the opposing party was given a chance to respond." *Apple Inc*., 81 F.4th at 1360 quoting *In re Magnum Oil Tools Int'l, Ltd*., 829 F.3d at 1381 (Fed. Cir. 2016). Here, because the FWD relies heavily on citations from the prior art, often with no correlation to evidence submitted by the Petitioner, the FWD fails to satisfy the APA requirements. 5 U.S.C. §§ 554(b)(3) and 554(c)(1).

By way of example, on pages 13-14 of the FWD, regarding the "*subsections determined in response to sensor data*" limitation, the Board relied on their interpretation of Karlsson's sensors, with no citations to confirm that the argument was advanced by Petitioner. (FWD, 13-14.) On pages 16-17, the Board concluded that PO's "identifying entities" argument was unpersuasive based on their interpretation of Karlsson, with no citations to confirm that the argument rationale was advanced by Petitioner. (FWD, 16-17.) And, on pages 19-21, as part of its conclusions on the motivation to combine Karlsson and Harbers for dependent

claims 5 and 45, the Board provides its rationale as to why PO's arguments are unpersuasive relative to Karlsson, but except for the first paragraph of page 19, provides no citations to Petitioner's evidentiary record. (FWD, 19-21.)

Because the FWD fails to link each finding with an argument advanced by a party, the FWD is per se incomplete under the APA. To understand whether the conclusions in the FWD are supported by Petitioner's record evidence, PO must search through the 300+ page record for an evidentiary connection for each of the Board's findings. Even if one or more evidentiary connections are identified, PO must still speculate as to the evidence the Board found persuasive. Unsurprisingly, "the Board is obligated to 'provide an administrative record showing the evidence on which the findings are based, accompanied by the agency's reasoning in reaching its conclusions.'" *Apple Inc*., 81 F.4th at 1361 quoting *In re Lee*, 277 F.3d 1338, 1342 (Fed. Cir. 2002).

Moreover, because Petitioner chose to present a Petition replete with disjointed alternative-type (additionally, and/or) arguments resulting in at least 47 sub-grounds, (*see* POR, 13-14, 20-33), PO is concerned that the FWD findings introduce new and/or modified arguments that do not align with Petitioner's fragmented sub-grounds. (POR, 20-33.) Because the lack of particularity in the Petition now extends to the FWD, absent specific correlation between the Board's findings and the record evidence, PO's ability to defend its patent rights under the

AIA statutory framework is further prejudiced.

Like *Apple v Corephotonics*, because the FWD fails to "meet the APA requirements for notice and an opportunity to respond," on appeal the Federal Circuit could decide to vacate the FWD and remand the case to the Board for further proceedings. *Apple Inc*., 81 F.4th at 1362. In the interest of judicial efficiency, delay and minimizing prejudice, Patent Owner requests that the Director grant Director Review and remand the case, so evidentiary citations can be incorporated into the FWD prior to any appeal.

III. CONCLUSION

For the reasons set forth above, Patent Owner respectfully requests the Director review the Final Written Decision of the '503 Patent.

Dated: August 14, 2024

Respectfully submitted,

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Certificate of Service

The undersigned hereby certifies that on August 14, 2024, a complete and entire copy of **Patent Owner's Request for Director Review**, was served via electronic mail by serving the correspondence email address of record as follows:

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