

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

VECTOR FLOW, INC.,
Petitioner

v.

HID GLOBAL CORPORATION,
Patent Owner

Case IPR2023-00353
Patent 8,234,704 B2

**PETITIONER'S REQUEST FOR REHEARING
BY THE DIRECTOR¹**

¹ This request is being filed pursuant to the Revised Interim Director Review Process adopted on July 24, 2023.

Pursuant to 37 C.F.R. § 42.71(d) and the Revised Interim Director Review Process adopted on July 24, 2023, Petitioner respectfully requests rehearing of the Board’s decision denying institution of *inter partes* review (Paper 8).

Petitioner respectfully seeks Director Review and rehearing because this case presents important procedural and substantive issues relating to *Fintiv* discretionary denials. These issues include: (1) whether petitioners must affirmatively address *Fintiv* challenges in the petitions to avoid discretionary denial under § 314(a), and if so, under what circumstances, (2) the proper procedure for petitioners to seek to file pre-institution reply briefs to address *Fintiv* challenges, and (3) the impact of parallel litigation assignor estoppel arguments on the *Fintiv* analysis.

I. BACKGROUND AND INTRODUCTION

The Board’s decision here characterized the IPR petition as a garden variety application of *Fintiv*, in which a jury trial in the parallel litigation was scheduled to occur several months before the date of any Final Written Decision here. But the Board never took into account a critical fact that Patent Owner failed to mention in making its *Fintiv* arguments – that one month after the IPR petition was filed, Patent Owner brought a motion for summary judgment in the district court asking that Petitioner be entirely barred from presenting any patent invalidity defenses based on assignor estoppel. (EX1013 (Patent Owner’s Opening Brief), at 14 (“Assignor estoppel applies as a matter of law to preclude *all* of Vector Flow’s invalidity

defenses, not only prior art focused defenses....”) (italics in original).² Patent Owner’s motion remains pending and, as a result, Petitioner’s ability to present invalidity defenses in the parallel litigation remains very much up in the air.

But the Board was never told about this motion. Although the district court motion was fully briefed more than a month before Patent Owner filed its Preliminary Response, that response misleadingly suggested to the Board that the parallel litigation presented a textbook *Fintiv* scenario in which invalidity issues would be resolved in an earlier-scheduled court trial. (Paper 7, at 14-15.) Patent Owner never told the PTAB that it had formally asked the district court to bar Petitioner from presenting any invalidity defenses at trial. As explained below, Patent Owner’s assignor estoppel arguments would have tipped the balance of the *Fintiv* factors in favor of institution had they been disclosed because, if Patent Owner succeeds in its arguments, there would be zero overlap in the two proceedings.

But the Board’s decision also committed several critical procedural errors in its handling of the *Fintiv* issue. Shortly after receiving the Preliminary Response, Petitioner and Patent Owner met and conferred on a request by Petitioner for

² As noted in the Petition, assignor estoppel is inapplicable to IPR. (See Paper 2, at 8 (citing *Arista Networks, Inc. v. Cisco Sys., Inc.*, 908 F.3d 792, 804 (Fed. Cir. 2018) (“[A]ssignor estoppel has no place in IPR proceedings.”)).)

permission to file a reply brief, not to exceed three (3) pages, to address Patent Owner's discretionary denial arguments. Patent Owner opposed the request.

During the meet and confer process, Patent Owner demanded that Petitioner include, in Petitioner's email to the Board requesting permission to file a reply, arguments that good cause did not exist to file a reply. Petitioner declined, explaining that "the Board has repeatedly stated that emails to the Board should not include argument." (EX1016.) Petitioner's subsequent email to the Board, in accordance with long-established PTAB practice, therefore did not include any arguments either in support of or opposition to the request; it simply notified the Board of the requested relief and stated that the parties would confer and provide availability for a conference call if needed. (EX3001.)

But Petitioner was ultimately punished for its adherence to these rules. Patent Owner, undeterred by the longstanding prohibition against argumentative emails, sent an unauthorized "reply-to-all" response to Petitioner's email to the Board, arguing to the Board that the issues on which Petitioner was seeking a reply brief were "foreseeable" such that leave to file a reply should be denied. (EX3001.)

This tactic apparently succeeded because, the very next day, the Board denied the request via email without providing reasons and without scheduling a conference call. (*Id.*) Petitioner thus had no opportunity to respond to Patent Owner's improper email arguments, or to notify the Board of the basis for its requested reply brief –

the existence of intervening assignor estoppel arguments that were responsive (and fatal) to the *Fintiv* arguments made by Patent Owner.

On July 17, 2023, the Board issued its decision denying institution of IPR based on the *Fintiv* factors. (Paper 8.) The Board’s decision made no mention of Patent Owner’s assignor estoppel positions in the parallel litigation, let alone their impact on the *Fintiv* analysis under § 314(a).

II. ANALYSIS AND ARGUMENT

Under 37 C.F.R. § 42.71(d), a request must 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, a reply, or a sur-reply.” Petitioner respectfully seeks Director Review because the Board misapprehended and overlooked Patent Owner’s concurrent assignor estoppel arguments in the litigation, and their decisive impact on the *Fintiv* factors.

Patent Owner’s assignor estoppel arguments were not “previously addressed” under § 42.71(d) because Patent Owner failed to mention them in its Preliminary Response, and the Board rebuffed all attempts by Petitioner to highlight Patent Owner’s failure prior to institution. Petitioner did disclose in the IPR petition that Patent Owner was taking an assignor estoppel position in the parallel litigation, which the Board appears to have misapprehended or overlooked as it was not mentioned in the institution decision. (Paper 2, at 8) But it was not until after the

IPR petition was filed that Patent Owner took definitive action to seek assignor estoppel relief in the parallel litigation, by asking the district court to bar Petitioner from presenting any invalidity defenses. As explained below, Petitioner did not have reason to know at the time of IPR filing that Patent Owner would make *Fintiv* arguments while concealing its ongoing assignor estoppel arguments.

The Director should provide clear guidance on these three issues of significant importance given the prevalence of *Fintiv* arguments, which are addressed below: (1) whether petitioners must affirmatively address *Fintiv* challenges in their petitions to avoid denial of institution under § 314(a), and if so, under what circumstances, (2) the procedures for petitioners to seek to file pre-institution reply briefs to address *Fintiv* challenges, and (3) the impact of assignor estoppel arguments in the parallel litigation on the *Fintiv* analysis. On issues (1) and (2), the Board erred by assuming that Petitioner was required to provide detailed *Fintiv* arguments in the IPR petition, and then using that assumption to summarily deny leave to file a pre-institution reply while affording no opportunity for Petitioner to be heard. The Board thus did not reach issue (3) as Petitioner had no means of addressing this issue.

Petitioner respectfully submits that the Board should have allowed Petitioner to be heard pre-institution – at the very minimum by holding a telephone conference with the parties. Parallel litigations often involve complex procedural nuances that may be unknown to the Board, and that may have evolved significantly in the

intervening months between the original IPR filing and the patent owner's preliminary response. Discretionary denial questions should not be decided based on the type of one-sided and incomplete record with which the Board based its decision here. Additionally, affording the petitioner an opportunity to be heard pre-institution gives the petitioner the opportunity, in light of intervening events, to offer a *Sotera* stipulation to ameliorate the concerns in *Fintiv* (which Petitioner here would have done if it had been afforded any opportunity to be heard).

As explained in detail below, the Board exceeded its discretion in its handling of the *Fintiv* factors, both procedurally and substantively. First, the Board erred procedurally in refusing to allow Petitioner to file a pre-institution reply, which prevented the Board from learning of Patent Owner's concurrent attempts to preclude Petitioner from presenting invalidity defenses in the parallel litigation, and assess their impact on the *Fintiv* factors. Second, the Board erred substantively because, in light of this critical yet omitted fact, the *Fintiv* factors would not have supported discretionary denial of institution.

A. The Board Exceeded Its Discretion in Denying Leave to File a Pre-Institution Reply Regarding the *Fintiv* Analysis, Which Deprived the Board of a Complete Record on Discretionary Denial.

The Board's institution decision, in justifying its earlier denial of leave to file a reply, noted that a request to file a reply "must make a showing of good cause" (Paper 8, at 18), but this was an impossible task for Petitioner given the lack of any

opportunity to make such a showing. Petitioner’s only permitted communication with the Board was via email – a medium that the Board has consistently said may not be used to make substantive arguments. *See, e.g., Hewlett-Packard Co. v. U.S. Philips Corp.*, IPR2015-01505, Paper 15 at 2 (PTAB Dec. 16, 2015) (“The parties are reminded that 37 C.F.R. § 42.20(b) expressly prohibits the filing of a motion without prior authorization. Substantive e-mails to the Board merely act as an attempt to circumvent this rule... The parties are instructed to limit future e-mail communications to the Board to requests for a conference call, including only a short explanation as to why the party requests the call, and to avoid including substantive discussions in e-mail communications.”); *Snap Inc. v. You Map, Inc.*, IPR2022-00568, Paper 11 at 2 (PTAB Sept. 2, 2022) (“The email may not contain substantive argument....”). It was fundamentally unfair to deny Petitioner leave to file a reply, based on the lack of a showing of “good cause,” without giving Petitioner any opportunity to make the requisite showing.

And in explaining its denial of Petitioner’s request for leave file a reply brief, the Board reasoned that “if Petitioner wished to provide a more complete *Fintiv* analysis for us to consider, it should have done so in the Petition.” (Paper 8.) Petitioner respectfully submits that this analysis was also clearly erroneous for two reasons. First, as discussed below, there is no basis in the rules for requiring that Petitioner include any *Fintiv* analysis in its IPR petition to avoid discretionary denial

under § 314(a), let alone an analysis anticipating the glaring and unexpected omissions Patent Owner would later make in its Preliminary Response. Second, even if there were some legal basis to require an IPR petition to rebut anticipated and foreseeable *Fintiv* arguments, that obligation would not have applied here.

1. The Rules Do Not Require IPR Petitions to Affirmatively Rebut Possible *Fintiv* Arguments.

The rules governing IPR petitions under the AIA are clear on the content an IPR petition must include. Under 37 C.F.R. § 42.8, an IPR petition must include certain mandatory notices, and under § 42.104, the grounds for standing and an identification and explanation of the challenge and the relief requested. With respect to any parallel litigation, the rules merely require that an IPR petition identify “any other judicial or administrative matter that would affect, or be affected by, a decision in the [IPR] proceeding.” 37 C.F.R. § 42.8(b)(2). And of course, the rules require that IPR petitions not exceed 14,000 words. *See* 37 C.F.R. § 42.24(a)(1)(i). Nothing in these rules requires that an IPR petition include a further discussion of *Fintiv* issues in order to avoid discretionary denial under § 314(a).³

³ For example, when the PTO promulgated rules for petitions for Covered Business Method (CBM) patent review, the rules identified additional required content for a CBM petition beyond the requirements for IPR, and accordingly increased the

IPR petitioners may of course voluntarily address discretionary denial issues, and often do so in their IPR petitions. But nothing in the rules actually requires an IPR petition to discuss *Fintiv* issues in an IPR petition, nor should any such requirement exist given that *Fintiv* issues are not raised by the Board *sua sponte* but only in response to arguments a patent owner may or may not elect to advance.

For example, in *Google LLC v. Vantrus Innovations, Ltd.*, IPR2022-01197, Paper 12 (PTAB March 29, 2023), the Director vacated a denial of institution after the Board denied a request to file a pre-institution reply by an IPR petitioner on discretionary denial issues under § 325(d). The Director rejected the argument that the IPR petitioner was required to preemptively rebut the discretionary denial arguments in its petition, noting that “[a] petitioner... cannot be expected to anticipate every argument that may be raised by a patent owner.” *Id.* at 5.

2. Patent Owner’s § 314(a) Argument Was Not Foreseeable.

But even if there was basis in the rules for the Board’s assumption that Petitioner had an affirmative obligation to anticipate and rebut possible *Fintiv* arguments in the Petition, no such obligation would have been triggered. The Board reasoned that Petitioner had “‘good reason’ to expect a *Fintiv* argument by Patent

maximum word count. *See* 37 C.F.R. §§ 42.304(b)(2), 42.24(a)(1)(iii). The PTAB has not increased the maximum word count to address § 314(a) factors.

Owner, at least because ‘Petitioner knew that it was filing on the last day before the one-year statutory bar, and also knew of the advanced stage of the parallel litigation and the impending claim construction and discovery deadlines.’” (Paper 18 (quoting Preliminary Response, at 18-20).) This reasoning was perhaps understandable given the incomplete information on which the Board appears to have relied, but it was clearly erroneous in view of the complete evidentiary record of which the Board was deprived as a result of Patent Owner’s actions.

Petitioner did not have “good reason” to expect that Patent Owner would attempt to make a *Fintiv* argument, given Patent Owner’s position in the parallel litigation that Petitioner had no right to present invalidity defenses. The likelihood of a discretionary denial argument by Patent Owner was thus reduced by the fact that a *Fintiv* argument – if presented in good faith – would have had to reconcile the inconsistency between (1) arguing for denial of institution based on overlap of invalidity issues with the parallel litigation, while (2) simultaneously arguing in the parallel litigation that no invalidity issues should be heard. It was not foreseeable that Patent Owner would dodge this inconvenient inconsistency by leaving out any mention of its ongoing assignor estoppel arguments in its *Fintiv* analysis.⁴ The

⁴ Indeed, the sole mention of assignor estoppel anywhere in Patent Owner’s Preliminary Response was a footnote buried on the very last page, in which Patent

Board thus exceeded its discretion by refusing to allow Petitioner to be heard on these issues prior to institution.

B. Discretionary Denial under *Fintiv* Was an Abuse of Discretion Light of Patent Owner’s Assignor Estoppel Arguments.

Patent Owner’s pending assignor estoppel arguments in the parallel litigation would have been a game-changer to the *Fintiv* factors had they been disclosed to the Board. As explained by the Director, the key concern addressed by *Fintiv* is “avoid[ance] [of] duplicative efforts between the PTAB and federal district courts.” (*Interim Procedure for Discretionary Denials in AIA Postgrant Proceedings with Parallel District Court Litigation*, Director Vidal, June 21, 2022, at 6.) This is why the Director has stated that discretionary denial under *Fintiv* is inappropriate when the IPR petitioner provides a *Sotera* stipulation that it will not pursue in district court any grounds that raised or reasonably could have raised before the PTAB. (*Id.* at 3.) This is because such a stipulation “mitigates concerns of potentially conflicting decisions and duplicative efforts between the district court and the PTAB.” (*Id.* at 7.) In other words, such a stipulation eliminates substantive overlap with parallel litigation, thus flipping the *Fintiv* factors against discretionary denial.

Owner merely reserved its rights to argue, notwithstanding controlling Federal Circuit authority, that assignor estoppel applies in IPR. (Paper 7, at 37 n.11.)

Patent Owner's assignor estoppel arguments seek the same outcome as a *Sotera* stipulation by attempting to prevent Petitioner from presenting any invalidity defenses in the parallel litigation. And this entirely undermines the basis for the Board's discretionary denial. For example, in analyzing the *Fintiv* factors, the Board reasoned that a trial date in the district court was likely to occur several months prior to a Final Written Decision, that the district court had made a substantial investment in the litigation, and that there was an overlap in the invalidity issues including common prior art relied upon in both proceedings. (Paper 8, at 19-22.) But this reasoning was premised on the incorrect factual assumption that invalidity would actually be decided in the course of the district court case.

This is now little more than speculation in light of Patent Owner's concurrent arguments in the district court. The district court did issue a claim construction ruling after the IPR petition was filed, but it has issued no orders addressing the invalidity of the '704 patent, and as noted previously, has not issued a ruling on Patent Owner's pending assignor estoppel motion. And even if the district court rejects Patent Owner's assignor estoppel arguments, either at summary judgment or during trial, Patent Owner could appeal that decision to the Federal Circuit. It is therefore unlikely that the parties will obtain any final decision on the assignor estoppel issue, one way or another, prior to a Final Written Decision in IPR. This tips the balance of the *Fintiv* factors decisively against denial of institution. *See*

Liquidia Techs., Inc. v. United Therapeutics Corp., IPR2021-00406, Paper 18 (PTAB Aug. 11, 2021), at 14 (“Patent Owner may prevail on its assignor estoppel argument. In that case, Petitioner would be barred from raising any invalidity arguments in the District Court proceeding, and the District Court would then have no opportunity to rule on invalidity, eliminating any overlap with the present proceeding.”) (emphasis added).

Petitioner acknowledges that the merits of the assignor estoppel motion are disputed, that Petitioner has argued to the district court that assignor estoppel should not apply (EX1014 (Opposition Brief), EX1015 (Reply Brief)), and that these issues have not yet been decided in the parallel litigation. But this uncertainty only further weighs against discretionary denial based on the *Fintiv* factors. For example, in the *Sand Revolution* case cited in the institution decision here, the PTAB repeatedly refused to find that *Fintiv* factors weighed against institution when (as here) application of those factors depended on speculation as to what the court in the parallel litigation might do. *See Sand Revolution II, LLC v. Continental Intermodal Group*, IPR2019-01303, Paper 24 (PTAB June 16, 2020), at 7 (“[W]e will not attempt to predict how the district court in the related district court litigation will proceed because the court may determine whether or not to stay any individual case... based on a variety of circumstances and facts beyond our control and to which the Board is not privy.”); *id.* at 8 (“[A]t this point it is 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.”).

The uncertainty here is far more fundamental than *Sand Revolution* because it does not speak to when invalidity issues may be tried in parallel litigation, but whether those invalidity issues will be tried at all. A correct analysis of the *Fintiv* factors, therefore, would have weighed decisively against discretionary denial.

Finally, to the extent the PTAB even needs to reach the issue, Petitioner also respectfully submits that the Board clearly erred in finding that the IPR petition did not present a “compelling” meritorious challenge. (Paper 8, at 24-25.) Patent Owner presented few substantive arguments in its Preliminary Response and submitted no expert testimony. In finding a lack of a “compelling” meritorious challenge, the sole fault identified by the Board was the IPR petition failing to take a “firm position” on the interpretation of “**unique**” and “**exclusively**” as recited in claim 11. (*Id.*) But Petitioner respectfully submits that the approach taken in the Petition demonstrated how “compelling” the challenge actually was.

This is because the Petition acknowledged the potential ambiguity in the scope of “**unique**” and “**exclusively**,” but identified and applied the narrowest possible interpretation (*i.e.*, that the claimed access privileges and credentials were “not shared by any other user or user profile in the system”), and explained why these claim limitations would have been obvious even under that interpretation. (Paper 2,

at 40-41.) Petitioner did not need to take any “firm position” on construction of these terms – and thereby burden the Board with having to resolve a potential claim construction issue – when the proposed grounds render those terms obvious regardless of where they may fall on the continuum of broader constructions. *See Vivid Techs., Inc. v. Am. Sci. & Eng’g, Inc.*, 200 F.3d 795, 803 (Fed. Cir. 1999) (“[O]nly those terms need be construed that are in controversy, and only to the extent necessary to resolve the controversy.”). Patent Owner did not, for its part, offer any substantial response to Petitioner’s showing. It did not offer any position on interpretation of these terms or any evidence disputing Petitioner’s analysis.

Patent Owner’s response provided nothing more than speculation about potential claim construction disputes, which it did not support with any actual proposed constructions of its own or any explanation of how such disputes would impact application of the prior art to the claims. The IPR petition thus presented a “compelling” meritorious challenge, providing an independent basis under *Fintiv* to institute trial notwithstanding the existence of the parallel litigation.

III. CONCLUSION

For the foregoing reasons, Petitioner respectfully requests that the Director grant this request for rehearing and institute IPR.

Dated: August 4, 2023

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify, pursuant to 37 C.F.R. Sections 42.6, that a complete copy of the attached **PETITIONER'S REQUEST FOR REHEARING** and related documents, are being served via electronic mail on the 4th day of August 2023, upon the Patent Owner's attorneys of record in this proceeding as follows:

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