UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

ARM LIMITED,
Petitioner,

v.

ICPILLAR LLC,
Patent Owner.

Case IPR2024-00476
Patent 8,924,899

PATENT OWNER'S REQUEST FOR DIRECTOR REVIEW OF DECISION GRANTING INSTITUTION

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ICPillar LLC ("Patent Owner") respectfully requests that the Director review the August 7, 2024 decision to institute trial in this case.[1] It is clear that the parties' District Court infringement action will complete its trial well before any foreseeable completion of this IPR. But the panel misinterpreted the Director's guidance in *NXP USA, Inc. v. Impinj, Inc.*, IPR2021-01556, Paper 13 (Sep. 7, 2022) (precedential), to *foreclose* discretionary denial on the sole basis that *after the POPR the Petitioner submitted a broadened stipulation under* Fintiv *Factor 4*. The Director should clarify that such untimely gamesmanship matters under *NXP*.

The Director should also grant review to revisit her *Fintiv* guidance on stipulations. Even if Petitioner's stipulation had been timely, such stipulations cannot possibly foreclose discretionary denial under current law, because such stipulations *have little effect*. Federal Circuit law changed sharply in 2022 to establish that IPRs estop petitioners from raising any theory that could have been raised in their IPR petition, *regardless* whether or not they so stipulate. Petitioners cannot foreclose discretionary denial based on a parallel District Court case by filing stipulations that simply track ordinary estoppel. The Director should clarify that such a stipulation has little effect on whether discretionary denial is proper.

[1] This is one of two concurrent, substantially similar requests for review, of two materially similar decisions to institute entered in IPR2024-00476 and -00566.

After review, the Director should herself deny institution. In the alternative, she should remand for consideration of the clarified guidance in the first instance.

I. Statement Of Facts

The petition for IPR in this case notes that the parties' District Court litigation is scheduled for trial on "March 3, 2025," and no final decision can be "expected" in this IPR until "August of 2025," *nearly half a year later*. Pet., 86. Despite this, the petition argued against discretionary denial under *Fintiv*. Pet., 85-87. Citing "the Director's June 2022 interim guidance" in *Interim Procedure For Discretionary Denials In AIA Post Grant Prcdgs. With Parallel Dist. Ct. Litig.* (June 21, 2022)), the petition offered a "*Sand Revolution*" stipulation: "that it will not pursue invalidity against the asserted claims in the district court using the combination of prior art references in the grounds in this Petition for establishing obviousness." *Id.* The petition urged that this stipulation form part of the "holistic" decision on *Fintiv*. *Id.*

The POPR responded with detailed merits arguments. And, in response to the petition's *Fintiv* argument, Patent Owner "devot[ed] over 5,000 words of the POPR to *Fintiv*" (Paper 10, 9), showing in detail that every *Fintiv* factor clearly supports discretionary denial of institution in this case. The POPR noted that the petition's *Sand Revolution* stipulation is "especially meaningless" here, because not only does "the Petition challenge[] the same claims asserted in the parallel litigation, and use[] the same arts relied upon in the District Court," but the stipulation was actually

"agreeing to far less than what even would be the natural consequences of the case proceeding to a final written decision," since in 2022 the Federal Circuit, "'overrul[ing]'" prior law, had "clarif[ied] that estoppel applies not just to claims and grounds asserted in the petition and instituted for consideration by the Board, but to all grounds not stated in the petition but which reasonably could have been asserted against the claims included in the petition." *Id*, 63-64 (quoting *Cal. Inst. of Tech. v. Broadcom Ltd.* ("*CalTech*"), 25 F.4th 976, 991 (Fed. Cir. 2022)).

After receiving the POPR, Petitioner waited almost a month, then proposed to submit a second, broader *Fintiv* stipulation. The panel authorized Petitioner to file a brief explaining "the impact of Petitioner's proposed [new] stipulation on the Fintiv related issues." Paper 7, 3. In that brief, Petitioner did not dispute *any* of the POPR's showing that "[t]he District Court litigation is moving swiftly to" conclusion many months before any IPR and "all *Fintiv* factors weigh[] in Patent Owner's favor." POPR, 1, 44-66. Instead, Petitioner simply insisted that its new stipulation—a *Sotera* stipulation covering "any grounds that could have been reasonably raised" in IPR—simply mooted *Fintiv* because, under the 2022 guidance, "[s]uch stipulations at the POPR stage uniformly moot *Fintiv* issues." Paper 9, 10.

In response, Patent Owner pointed out that the Director clarified in *NXP* that such stipulations are effective only if the stipulation is *timely*; that *NXP* was expressly limited to *post-institution* stipulations; and that the panel retained

discretion to deny institution despite post-POPR stipulations, to prevent "waste," "'gamesmanship'" and "prejudice" to patentees. Paper 10, 9-10 (quoting *NXP*, 4).

The panel instituted trial. The panel made no finding that the petition's merits are strong; it only found that they meet the threshold for institution. And yet the panel did not even consider whether the scheduled early-2025 District Court trial makes denial appropriate under *Fintiv*. The panel simply found that, under the 2022 Memo and *NXP*, Petitioner's post-POPR stipulation *foreclosed* discretionary denial:

> On June 21, 2022, the Director of the USPTO issued several clarifications concerning the application of the *Fintiv* factors. . . . *Th[at] Guidance Memo instructs us not to "discretionarily deny institution in view of parallel district court litigation where a petitioner presents a stipulation not to pursue in a parallel proceeding the same grounds or any grounds that could have reasonably been raised before the PTAB."* . . . Here, Petitioner "stipulates 'not to pursue in a parallel proceeding the same grounds or any grounds that could have reasonably been raised before the PTAB.'" *Petitioner offered this stipulation prior to a decision on whether to institute review, so it is timely under* NXP. *Accordingly, pursuant to the Guidance Memo, we do not exercise discretion under* Fintiv *to deny institution.*

Paper 11, 11-12 (citation omitted). The panel did not even mention, let alone address, whether any of the *Fintiv* factors are met—or *any* of Patent Owner's counter-arguments that the stipulation was untimely, and prejudicial gamesmanship. In sum, this second stipulation short-circuited the *entire* discretionary-denial inquiry.

II. The Director Should Clarify When *Fintiv* Stipulations Are Untimely.

Director Review is appropriate when a decision instituting trial "implicates potential (a) abuse of discretion or (b) important issues of law or policy." *Rev. Interim Dir. Rev. Process* § 5.A. Here, the institution decision implicates both.

The panel incorrectly interpreted the 2022 guidance (the Memorandum and *NXP*) to *foreclose* discretionary denial, even though the *Fintiv* factors, based on the parallel District Court litigation and petitioner delay, otherwise *support* discretionary denial. That abuses the discretion granted by Congress to deny institution. And many other panels have interpreted the 2022 guidance the way this panel does. Since 2022, ***every*** PTAB panel confronting a post-POPR pre-institution *Fintiv* stipulation has found that the 2022 guidance makes denial inappropriate. It is imperative that the Director correct this pervasive and important misunderstanding.

As Patent Owner has shown, and as Petitioner's response brief did not dispute, the parties' related district court litigation is expected to resolve the validity of the asserted claims *well* before this IPR. POPR, 56. Even if the trial date were to move *months* later, the nearly half-year gap between the scheduled jury trial's earlier conclusion and the IPR's end make this a clear case for discretionary denial. In that trial, Petitioner will have the opportunity to try the validity of the patent on any grounds. Granting IPR in such circumstances, in the absence of any finding of compelling merits in the petition, will risk the expenditure of millions of dollars and

thousands of hours on a court trial, and burdening of the judge, jurors, and courts—to be followed by an IPR decision, itself reached at great expense and burden, that may directly contradict the court decision. That's not the system Congress intended.

To alleviate the competing concerns of efficiency, avoiding potentially conflicting outcomes, avoiding overburdening patent owners, and strengthening the patent system, Congress granted discretion to deny institution even when the low standard for institution in IPR is met. 35 U.S.C. § 314(a); *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (Mar. 20, 2020) (precedential); *NHK Spring Co. v. Intri-Plex Techs., Inc.*, IPR2018-00752, Paper 8 (Sep. 12, 2018) (precedential).

In 2022, Director Vidal issued two guidance documents to clarify the exercise of discretion under *NHK-Fintiv* in the presence of parallel district court litigation. On June 21, 2022, the Director published an "interim procedure" meant to "strike[] a balance among the competing concerns of avoiding potentially conflicting outcomes, avoiding overburdening patent owners, and strengthening the patent system" while "mitigat[ing] concerns of potentially conflicting decisions and duplicative efforts between the district court and the PTAB." Ex. 2010, 1, 5, 7. This Memo indicated that discretionary denial should not be exercised, despite parallel district court litigation, "where a petitioner presents a stipulation not to pursue in a parallel proceeding the same grounds or any grounds that could have reasonably been raised before the PTAB." *Id.*, 3; *see also id.*, 5. The Memo cited a pre-2022

proceeding where such a "*Sotera* stipulation" had been presented. *Id.*, 3 n.3, 7-8.

Later in 2022, in the precedential *NXP* decision, the Director granted Director review to issue an expressly "limited" clarification of this guidance. There, the Director considered a *Sand Revolution* stipulation that a petitioner filed after institution had already been granted, and held that institution should not be reconsidered based on a post-institution stipulation. *NXP*, 3-4. Thus, *NXP* established that such stipulations may be *untimely*—notwithstanding the lack of any such language in her June 21, 2022 interim Memo. *NXP* warned that accepting *Fintiv* stipulations that are untimely could "open the door to gamesmanship." *Id.*, 4.

At the last moment, however, the *NXP* opinion added a further comment. Although no pre-institution stipulation was filed in *NXP*, and the Director stated that she had granted review in *NXP* "to address the *limited question* of whether the Board may reconsider a decision to deny institution based on a stipulation filed after the institution decision is made," *id.*, 3-4, the Director nevertheless added a comment mentioning stipulations filed *before* institution. This statement read: "the only appropriate time for a petitioner to offer a stipulation related to the *Fintiv* factor 4 analysis is prior to the Board's decision of whether to institute review." *Id.*, 4.

Unfortunately, *this statement in NXP has since been misinterpreted by PTAB panels, including this one, to effectively foreclose the exercise of discretion to deny institution in view of parallel district court litigation in all cases*. Since 2022, many

petitioners have offered *Fintiv* factor 4 stipulations after the POPR has been filed. And, in *every single one* of those cases that Patent Owner has found, the panel has declined to exercise discretion to deny institution, relying on *NXP* and the Memo. *See, e.g.*, *Wolfspeed, Inc. v. CAO Lighting, Inc.*, IPR2022-00847, Paper 10, 17 (Oct. 19, 2022) ("Petitioner's stipulation is timely because it is offered prior to our decision on institution. *See NXP*"); *Intel Corp. v. 3D Surfaces, LLC*, IPR2022-01591, Paper 12, 18 (Apr. 19, 2023) ("[Petitioner] offered the stipulation before our Decision on whether to institute, which is appropriate.") (*see also* IPR2022-01312, Paper 17, IPR2022-01313, Paper 17); *Google LLC v. Hafeman*, IPR2022-01191, Paper 16 (Jan. 31, 2023) (*see also* IPR2022-01190 (same)); *see also* IPR2023-00571; IPR2023-00747; IPR2023-01003; IPR2023-01005; IPR2023-01019; IPR2023-01020; IPR2023-01021; IPR2023-01022; IPR2023-01023; IPR2023-01024; IPR2024-00053, IPR2024-00063; IPR2024-00064.

This pervasive misunderstanding of the guidance is clearly wrong. The Director has *never* purported to offer guidance, even in the interim June 21, 2022 Memorandum, that petitioners are free to offer *Fintiv* stipulations, or even multiple stipulations, whenever they please prior to institution. As noted above, the Director has clarified that *Fintiv* stipulations *may be untimely*. *NXP*, 3-4. The Director has even warned that accepting untimely stipulations "open[s] the door to gamesmanship." *Id.* Nor did *NXP*'s aside about pre-institution stipulations purport

to shut down ***all*** discretionary denials based on parallel District Court trials any time such stipulations are filed up to institution. Yet since *NXP*, the PTAB has interpreted the Director's guidance to mean just that. And this near-total shutdown of the exercise of discretion in such cases has been widely recognized. *See, e.g.*, Karpan, "PTAB Sees Uptick In Filings After Vidal's *Fintiv* Guidance," Law360, Feb. 15, 2023 ("In her new role, Vidal issued guidance in June [2022] that has had the practical effect of deterring PTAB judges from using *Fintiv* to shoot down petitions" . . . . "'[I]t's fair to say that the board has ceased using *Fintiv* for the time being in all but the most extreme circumstances'").

This misinterpretation of the 2022 guidance as mooting *Fintiv* any time a stipulation is filed before institution should be summarily corrected. Neither the Memo, nor the *NXP* decision, supports this interpretation. It is clearly inconsistent with the Director's repeatedly stated desire to wield the discretion granted by Congress to prevent "inefficiency and gamesmanship in AIA proceedings," Ex. 2010, 1, and "potentially conflicting decisions and duplicative efforts between the district court and the Board," *NXP*, 4. It clearly frustrates Congress's goal, embraced by the Director, "'to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.'" Ex. 2010, 1 (quoting H.R. Rep. No. 112–98, Pt. 1, at 40 (2011), 2011 U.S.C.C.A.N. 67, 69), and citing S. Rep. No. 110–259, at 20 (2008)). The Director

should exercise her power to restore clarity and fairness to the exercise of discretion.

On review the Director should clarify that, when determining whether to exercise discretion to deny institution, if petitioners have filed *Fintiv* stipulations, the timing and gamesmanship of such stipulations *should be taken into account*. For example, if the petitioner files one stipulation, and then changes its position and files a different, delayed stipulation, or if the petitioner files its stipulation after it has had the opportunity to review the arguments in the POPR, the Board should take this and any other evidence of gamesmanship, prejudice, and inefficiency into account.

"'The Director is permitted, but never compelled, to institute an IPR, and no petitioner has a right to such institution.'" *Apple Inc. v. Vidal*, 63 F.4th 1, 6 (Fed. Cir. 2023) (cleaned up). Congress intended that the IPR system, including the discretion to deny IPR, be administered in a manner that promotes efficiency and "limit[s] unnecessary and counterproductive litigation costs." 157 Cong. Rec. S5327 (2011) (stmt. of Sen. Leahy). The Director should clarify that this remains true.

III. The Director Should Clarify When Stipulations Can Affect Discretionary Denial Of Institution Based On Parallel Litigation.

More broadly, review should be granted to address a more fundamental issue of law and policy. The existing guidance on *Fintiv* is based in part on pre-2022 decisions such as *Sotera*. Before 2022, the law appeared to give *Sand Revolution* and *Sotera* stipulations significant effect upon which arguments petitioners could pursue after IPR. But in 2022 the law changed. Under current law, such stipulations

have no effect on which post-IPR arguments petitioners may pursue. The discretion granted by Congress to deny institution to protect efficiency and patent owners should not be foreclosed by stipulations that are all but meaningless. It is therefore overdue for the Director to revisit the expressly interim balancing of such stipulations against other concerns which was struck in her June 2022 Memorandum.

As discussed above, the June 2022 Memorandum guides against discretionary denial under *NHK-Fintiv* "where a petitioner presents a stipulation not to pursue in a parallel proceeding the same grounds or any grounds that could have reasonably been raised before the PTAB," as part of what the Director concluded "strikes a balance among the competing concerns of avoiding potentially conflicting outcomes, avoiding overburdening patent owners, and strengthening the patent system," while still "mitigat[ing] concerns of potentially conflicting decisions and duplicative efforts between the district court and the PTAB." Ex. 2010, 3, 5, 7. But this balancing does not appear to reflect a change of law that occurred at about the same time as the June 2022 Memorandum and was under challenge until mid-2023.

Under pre-2022 law, such stipulations might have had a significant effect on the theories petitioners could pursue following an IPR. At that time, the majority view was that petitioners could raise any theory in parallel district court proceedings not actually instituted for review and taken to final written decision, including theories that the petitioner reasonably could have raised in its petition. *CalTech*, 25

F.4th at 990. However, the June 2022 Memorandum does not appear to satisfactorily address the fact that the law had recently changed, in a way that significantly reduced or eliminated the effect of such stipulations in reducing potential inefficiency. Shortly before the Memorandum, in *CalTech*, the Federal Circuit issued a decision overruling prior law and clarifying that an IPR decision prevents the petitioner from pursuing in district court *all* grounds "which reasonably could have been asserted against the claims included in the petition" for IPR. *Id.*, 991. To be sure, this holding was challenged, but ultimately the Supreme Court denied certiorari in June 2023.

The 2022 guidance does not address the effect of this significant change. If, as the law now provides under *CalTech*, IPR petitioners are not permitted to raise in parallel district court proceedings any grounds that reasonably could have been asserted in the IPR, a *Fintiv* stipulation like those assigned critical importance under the 2022 guidance prevents little or no inefficiency. Unlike under prior decisions overruled by *CalTech*, such a stipulation should not expand—or even have any effect—upon the scope of invalidity theories that a petitioner may assert after the IPR. In fact, it merely states what will be true regardless, based on statutory estoppel.

The importance of this change of law for purposes of balancing the concerns of inefficiency and overburdening versus patent quality in the context of such stipulations can scarcely be overstated. As detailed above, under current guidance, such stipulations have an enormous effect. Indeed, they are thought to virtually

eliminate the discretion granted by Congress to decline institution when other facts would warrant. But it gets worse. If *Sotera* or other *Fintiv* stipulations eliminate much or all of the effect of such stipulations on petitioners' post-IPR scope of action, then petitioners will accordingly see little or no cost to entering into such stipulations, so the number of such stipulations will accordingly burgeon. And sure enough, the cases involving such stipulations are coming thick and fast. *See supra*. The result is that under current guidance, petitioners may in almost all cases submit, and the PTAB will almost always accept, such stipulations, and the stipulations, despite having little or no effect, will almost always be found to moot all inefficiency, no matter how great, caused by instituting IPR despite earlier-scheduled District Court trials. As seen above, that very result is coming to pass.

That result cannot be correct. Congress intended that the discretion to deny institution be exercised to reduce overburdening of patent owners and inefficiency based on parallel proceedings. If discretion to deny review based on parallel district court litigation is always or almost always unavailable, *even when it is reliably expected that district court pretrial and trial proceedings will be completed first*, it will contradict both Congress's and the Office's intent. Every grant of institution in such circumstances will risk—or all but guarantee—the waste of millions of dollars completing pre-trial and trial proceedings, weeks or months of the time of the court and many private citizens on the jury, and potentially competing decisions on the

validity of the same patent. Even if, once the trailing IPR is instituted, the district court exercises its own discretion to stay the parallel district court litigation after institution is granted, that will still mean significant waste and inefficiency from any already completed pre-trial proceedings in the district court. If Congress wanted the filing of IPR petitions to always presumptively take precedence over any already-scheduled District Court trial, it knew how to say so. And it did not say so.

The Director should grant review to clarify how to exercise discretion to deny review in IPRs and other AIA post-grant proceedings in the presence of such stipulations by petitioners under current law, and ensure that the competing concerns of fairness, efficiency, Congressional intent, and patent strength are balanced.

IV. This Case Is An Ideal Vehicle For Clarifying The Director's Guidance.

This case presents an ideal vehicle for clarifying the Director's guidance, both as to post-POPR stipulations and as to the overall treatment of *Fintiv* stipulations.

Here, Petitioner did not merely submit a post-POPR *Sotera* stipulation. Petitioner submitted *two successive* *Fintiv* stipulations, one pre-POPR, one post-POPR—switching to a different position *after* reviewing the POPR's arguments. First, Petitioner submitted a *Sand Revolution* stipulation, and argued unequivocally that the panel should rely on that stipulation to decide whether to discretionarily deny institution based on a "holistic" inquiry of "efficiency and integrity" under the Director's 2022 Memo. Pet., 86-88. Patent Owner relied to its detriment on this

first stipulation. It devoted nearly half its POPR to explaining why the parallel litigation overwhelmingly supports discretionary denial under *Fintiv*, refuting with evidence each one of the petition's factual arguments to the contrary. POPR, 44-66.

Then, *after* reviewing the POPR, Petitioner changed its position and offered a *different* stipulation, a conditional *Sotera* stipulation—offering no explanation or justification for its delay or change of position. Petitioner argued that the *second* stipulation should foreclose discretionary denial because the 2022 guidance makes such stipulations "uniformly moot *Fintiv* issues." Paper 9, 10. The panel accepted that position, ignoring Patent Owner's argument of untimeliness and gamesmanship.

Moreover, the POPR presented arguments regarding the change in *CalTech*.

In sum, this case's facts offer the Director an ideal opportunity to clarify when Congressionally-granted discretion to protect against inefficiency and gamesmanship should or should not be exercised in IPR.[2] Review should be granted.

Respectfully submitted,

____/ Kenneth J. Weatherwax /_____
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LOWENSTEIN & WEATHERWAX LLP

Date: August 21, 2024

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[2] During Director review, in light of the continuing run-up to trial in the District Court, the Director should exercise her authority to stay the case during review to avoid waste and inefficiency. *Rev. Interim Dir. Rev. Process* § 5.A.ii.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the following documents were served by electronic service, by consent between the parties (Pet. at 90), on the date signed below:

PATENT OWNER'S REQUEST FOR DIRECTOR REVIEW OF DECISION GRANTING INSTITUTION

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Respectfully submitted,

/ Robert Pistone /

Date: August 21, 2024