

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

CISCO SYSTEMS, INC.,

Petitioner,

v.

VIDEO SOLUTIONS PTE. LTD.,

Patent Owner.

IPR2024-00695

U.S. Patent No. 8,649,426

PATENT OWNER'S REQUEST FOR DIRECTOR REVIEW

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION	1
II. LEGAL STANDARD	3
III. BACKGROUND	3
IV. ARGUMENTS	9
A. The Board arbitrarily ignored arguments and evidence raised by the Parties, instead relying on manufactured rationales that have no basis in the record	9
B. The Board abused its discretion by instituting based on arguments and evidence not advanced by the Petition	10
C. The Board abused its discretion by finding “compelling merits” under <i>Fintiv</i> based on theories not advanced in the Petition, and instead <i>sua sponte</i> introduced by the Board	12
V. CONCLUSION.....	14

I. INTRODUCTION

Patent Owner requests Director Review because the Board abused its discretion in granting institution of this IPR, and these abuses raise important issues of law and policy.

First, the Board's basis for instituting this IPR arbitrarily manufactured arguments for both Patent Owner and Petitioner that have no basis in the IPR record. In particular, in its analysis of claim elements 1.9 and 12.8 the Board attributed a non-existent arguments to Patent Owner that had no basis in Patent Owner's Preliminary Response ("POPR") or supporting expert declaration (EX2014), and arbitrarily ignored Patent Owner's actual arguments and supporting evidence. With regard to these same elements, the Board additionally did not rely on any arguments or evidence presented in the Petition, and instead *sua sponte* raised new arguments and identified new supporting evidence – effectively backfilling the Petition's failure of proof for elements 1.9 and 12.8.

Second, the Board's introduction of new arguments and evidence to remedy the Petition's deficiencies violates the well-established requirement that the Petition set forth its entire case in chief at the time of filing. As noted above, the Board ignored the actual arguments and supporting evidence that the Petition raised, and instead substituted its own reasoning and evidence. Additionally, Patent Owner was

afforded no notice or opportunity to respond to the Board's *sua sponte* theories of unpatentability, which the Federal Circuit has held to be impermissible in IPR proceedings.

Third, the Board's finding that the Petition met the "compelling merits" standard to avoid discretionary denial under *Fintiv* is contrary the Director's guidance, which places the burden solely on the Petitioner to set forth grounds with arguments and supporting evidence that have compelling merits. Logically, by backfilling and remedying the Petition's shortcomings, the Board has clearly demonstrated that the Petition does not have compelling merits.

While Patent Owner has been unable to locate an instance where Director Review has been granted to a Patent Owner requesting rehearing of a decision granting institution, Patent Owner notes that, even though it presently has the opportunity to further develop the record post-institution, it is improper and highly prejudicial to subject Patent Owner to a full trial under these circumstances. Requiring Patent Owner to defend against a facially deficient challenge—incurring unnecessary time and expense—is counter the purpose of the institution review process. Furthermore, each of the four issues noted above are important and presently unaddressed by the Director, and would greatly benefit from guidance from the Office through Director Review being granted here.

II. LEGAL STANDARD

“Requests for Director Review of the Board’s decision whether to institute an AIA trial ... shall be limited to decisions presenting (a) an abuse of discretion or (b) important issues of law or policy.” USPTO, Revised Interim Director Review Process, Sec. 2.B., <https://www.uspto.gov/patents/ptab/decisions/revised-interimdirector-review-process> (last updated 1/19/2024). “An abuse of discretion is found if [a] decision: (1) is clearly unreasonable, arbitrary, or fanciful; (2) is based on an erroneous conclusion of law; (3) rests on clearly erroneous fact finding; or (4) involves a record that contains no evidence on which the Board could rationally base its decision.” *Intelligent Bio-Sys., Inc. v. Illumina Cambridge Ltd.*, 821 F.3d 1359, 1367 (Fed. Cir. 2016) (internal citation omitted).

III. BACKGROUND

The ’426 patent is generally directed to improvements in video encoding and transmission that can provide reduced latency and enhanced video resolution. EX1001, Title, 1:6-8. The Petition challenged all claims of the ’426 patent across two grounds, with Ground 1 asserting Perlman (US Pub. 2009/0118017, EX1006) under 35 U.S.C. § 103 against claims 1-5 and 7-13, and Ground 2 asserting Perlman in view of Oguz (US Pub. 2008/0151997, EX1008) against claim 6. Paper 2 (Petition) at p. 25. Claims 1 and 12 are in independent form.

In the POPR, Patent Owner specifically addressed deficiencies in the Petition’s allegations for limitations 1.8 / 12.7 and limitations 1.9 / 12.8. Paper 9 at pp. 16-27. Limitation 1.8 recites “transmitting the parallel encoded data streams independently over a network to a receiver to permit the receiver to decode each frame segment and recombine the decoded frame segments from the different encoded data streams to reproduce an image.” Limitation 1.9 recites “wherein during transmission of I-frame segment instances of one of the frame segments, P-frame segment instances of all other frame segments are transmitted.” Limitations 12.7 and 12.8 recite elements similar to limitations 1.8 and 1.9, respectively.

As demonstrated in the following table, the evidence relied on in the Petition with regard to limitations 1.8 / 12.7 is completely different from the evidence raised for limitations 1.9 / 12.8:

Exhibit	Limitations 1.8 / 12.7	Limitations 1.9 / 12.8
1001 (’426 Patent)	Fig. 3	None
1002 (’426 prosecution history)	None	None
1003 (Freeman Declaration)	¶¶ 79-87, 138-140	¶¶ 88-90, 141
1006 (Perlman)	Fig. 10b;	Figs. 7a, 12;

Exhibit	Limitations 1.8 / 12.7	Limitations 1.9 / 12.8
	[0117], [0143], [0170], [0198], [0214]	[0169]

Paper 2 at pp. 47-54, 75-76.

Additionally, as detailed above, the Petition did not raise the '426 prosecution history (EX1002) with regard to either limitations 1.8 / 12.7 or limitations 1.9 / 12.8. The Petition only addressed the prosecution history in its summary of the '426 patent and in its discretionary denial sections to identify claim amendments that purportedly led to allowance. Paper 2 at pp. 15-16 and 22-24. Across these portions, the Petition only raised pages 11-24, 51, 88-109, 127, 134, and 142-168 of the '426 prosecution history (EX1002). *Id.* Notably, the Petition did not cite page 62 of the '426 prosecution history (EX1002), which was first identified and asserted in the Institution Decision with regard to limitations 1.9 / 12.8. Paper 10 at p. 25.

To address the different evidence asserted by the Petition against limitations 1.8 / 12.7 and limitations 1.9 / 12.8, the POPR presented different arguments. *Compare* Paper 9 at pp. 18-24 *with id.* at pp. 25-27. For example, with regard to limitations 1.8 / 12.7, Patent Owner specifically addressed the asserted portions of Perlman—Fig. 7b and [0117], [0143], [0170], [0198], [0214]—and argued that they do not disclose “the ‘*independently*’ transmitted requirement of the claims” because

they instead “addresses video compression and generating a compressed frame, not *transmitting data streams*.” Paper 9 at p. 20 (emphasis added).

In contrast, with regard to limitations 1.9 / 12.8, Patent Owner addressed the different evidence asserted by the Petition from Perlman—Figs. 7a and 12, and [0169]—and argued that they “relate to encoding/compression” instead of teaching the specific requirements for the “*transmitting frame segments*” required by limitations 1.9 / 12.8. Paper 9 at pp. 25-26 (emphasis added). Notably, the POPR did not carry forward the “independently” transmitting “parallel encoded data streams” argument from limitations 1.8 / 12.7 in its arguments for limitations 1.9 / 12.8, which instead are directed to the “transmission of I-frame segment instances” and “P-frame segment instances.” Paper 9 at pp. 25-27.

The Institution Decision found the Petition's assertions with regard to the “transmitting the parallel encoded data streams independently” limitation (limitations 1.8 / 12.7) to be persuasive because, according to the Board, the '426 Patent's Figure 3 and the asserted portions of Perlman “amply demonstrate the same behavior” for transmitting parallel encoded data streams. Paper 10 at p. 24. The evidence relied on by the Board in making this determination was presented in the Petition. Paper 2 at pp. 47-54.

In its analysis of limitations 1.9 / 12.8, the Institution Decision stated that “[w]e disagree with [Patent Owner’s argument] for the reasons explained above” regarding limitations 1.8 / 12.7. Paper 10 at p. 25. Surprisingly, even though the POPR did not argue the “independent” transmission limitation for limitations 1.9 / 12.8, the Institution Decision stated that “we observe that neither of these claim limitations require ‘independent,’ and we discern no intrinsic support for importing such a limitation” – manufacturing an argument not raised in the POPR for these claim limitations. *Compare* Paper 10 at p. 25 *with* Paper 9 at pp. 25-26.

Without addressing the actual evidence relied upon in the Petition (Perlman’s Figures 7a and 12, and [0169]), the Institution Decision goes on to *sua sponte* raise a portion of the prosecution history (EX1002 at p. 62) not cited or addressed anywhere in the Petition and found that “[t]he ***disclosures of Perlman described above*** on which Petitioner relies ***conform to this characterization of Applicant.***” Paper 10 at p. 25 (emphasis added). It is unclear what portions of Perlman the Institution Decision is referencing here. For example, while the Institution Decision could be referring to the portions of Perlman relied on by the Petition for limitations 1.8 / 12.7, which is unaddressed in the analysis here, it is equally or more likely that the Institution Decision is referring to other portions of Perlman. For example, in the same paragraph the Institution Decision uses a similar phrase “reasons explained

above” and includes a footnote (fn.13) that refer to portions of Perlman relied on in the Petition for limitations 1.8 / 12.7.

Furthermore, it is unclear how these unspecified portions of Perlman “conform to this characterization” from the prosecution history and why this purported conforming justifies institution, particularly when the “characterization” is a discussion about what a claim “relates specifically to” along with an illustrative “example.” Paper 10 at 25 (quoting EX1002 at p. 62). The Institution Decision provides no detail or elaboration on this issue and evidence that has been introduced for the first time by the Board. The Patent Owner received no notice or opportunity to address these issues prior to the Institution Decision. Additionally, even with the Institution Decision in hand, Patent Owner has still not received sufficient notice to fully understand or appreciate the basis for institution of this IPR.

With a district court litigation scheduled to go to trial “around seven months before the final written decision” in this IPR, a weak stipulation excluding only instituted invalidity grounds from the litigation, and no indication that a stay will be requested or even granted, the Institution Decision “determine[d] that the first five *Fintiv* factors favor discretionary denial.” Paper 10 at p. 15. The Institution Decision went on to find compelling merits favored institution because “the Petition presents a compelling challenge” based on “Perlman’s disclosure provides clear and robust

teachings for the limitations of those claims.” *Id.* The Institution Decision again mischaracterized the POPR's arguments regarding limitations 1.8 / 12.7 and 1.9 / 12.8 as both being “premised on an interpretation of ‘transmitting . . . data streams independently over a network’ that has no basis in the record.” *Id.*

IV. ARGUMENTS

A. The Board arbitrarily ignored arguments and evidence raised by the Parties, instead relying on manufactured rationales that have no basis in the record

The Board abused its discretion by misstating Patent Owner's arguments in a manner that effectively created strawman issues that overlooked and failed to address the actual rationale set forth in the POPR. As discussed above, in two instances that Institution Decision incorrectly characterized Patent Owner's arguments with regard to limitations 1.9 and 12.8 as being based on the same “independent” transmission arguments for limitations 1.8 and 12.7. Paper 10 at pp. 15, 25. However, that was not the basis of Patent Owner's arguments at all. Instead, as discussed above, the POPR argued that the specific evidence that the Petition presented for limitations 1.9 and 12.8—Perlman's Figures 7a and 12, and [0169]—was directed to encoding data and not transmitting frame segments in the specific manner recited in limitations 1.9 and 12.8. Paper 9 at pp. 25-27.

Additionally, as discussed above, the Institution Decision *sua sponte* manufactured arguments to backfill the deficiencies of the Petition's arguments. And the Institution Decision performed this backfilling in a manner that leaves great uncertainty about what the actual basis for their findings actually are.

Accordingly, the Institution Decision's finding is an abuse of discretion because it has no basis in the actual IPR record, and it has created significant uncertainty about the actual basis for institution due to the lack of precision with which the *sua sponte* arguments adopted in the Institution Decision.

B. The Board abused its discretion by instituting based on arguments and evidence not advanced by the Petition

The Federal Circuit has held that “the Board *must* base its decision *on arguments that were advanced by a party*, and to which the opposing party was given a chance to respond.” *In re Magnum Oil Tools Int’l, Ltd.*, 829 F.3d 1364, 1381 (Fed. Cir. 2016) (emphasis added). In *Magnum Oil*, the Board entered an invalidity argument not raised by the petitioner, which the Federal Circuit indicated is impermissible because the Board’s “authority is not so broad that it allows the PTO to raise, address, and decide unpatentability theories never presented by the petitioner and not supported by record evidence.” *Id.*

Even in situations where the Board is expressly designated to determine patentability on new issues that are raised during a proceeding, such as the

patentability of substitute claims, the Federal Circuit has held that the Board is not permitted to enter *sua sponte* patentability determinations without first providing notice and an opportunity for the parties to respond. *See Nike, Inc. v. Adidas AG*, 955 F.3d 45, 51 (Fed. Cir. 2020) (“If the Board *sua sponte* identifies a patentability issue for a proposed substitute claim . . . ***it must*** provide notice of the issue and an opportunity for the parties to respond ***before*** issuing a final decision” (emphasis added)).

As detailed above, the Institution Decision engaged in this same overreach of authority admonished in *Magnum Oil* and *Nike* by *sua sponte* introducing new theories of patentability that were not advanced in the Petition, and for which Patent Owner was afforded no notice or opportunity to respond. In particular, the Institution Decision's findings with regard to limitations 1.9 / 12.8 is premised on a new theory that compares the page 62 of the prosecution history (EX1002) to some unidentified portion of the Perlman reference (EX1006). Paper 10 at p. 25. As noted above, this portion of the prosecution history is not even cited or raised anywhere in the Petition, let alone the theory comparing it to portions of the Perlman reference.

This overreach by the Board amounts to a clear abuse of discretion that warrants Director Review.

Additionally, Patent Owner has been significantly and unfairly prejudiced because Patent Owner was provided no notice or opportunity to respond to the Board's *sua sponte* arguments and supporting evidence. This action by the Board violates the Administrative Procedures Act ("APA"), which governs IPR proceedings and requires due process in the form of "notice" and a "fair opportunity" to be heard. *See Belden Inc. v. Berk-Tek LLC*, 805 F.3d 1064, 1080 (Fed. Cir. 2015).

C. The Board abused its discretion by finding "compelling merits" under *Fintiv* based on theories not advanced in the Petition, and instead *sua sponte* introduced by the Board

As set out in the Director's 2022 Memo entitled "Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation" ("Guidance Memo") the Director clarified that the sixth *Fintiv* factor favors institution when the petition presents "compelling, meritorious challenges . . . even where district court litigation is proceeding in parallel." Guidance Memo at p. 4. The Director indicated that a compelling merits challenge is one where "the evidence, if unrebutted in trial, would plainly lead to a conclusion that one or more claims are unpatentable by a preponderance of the evidence." *Id.* The Director further envisaged that the Petition itself would need to set forth the compelling merits – describing that "*Fintiv* factor six reflects that the PTAB considers *the merits*

of a petitioner's challenge when determining whether to institute a post-grant proceeding in view of parallel district court litigation.” *Id.* (emphasis added).

The precedential *CommScope* decision reinforced that the compelling merits are required to be presented in the Petition. *CommScope Techs. LLC v. Dali Wireless, Inc.*, IPR2022-01242, Paper 23, p. 3 (PTAB Feb. 27, 2023) (“when determining whether there is a compelling unpatentability challenge, the Board evaluates *whether the Petition presents challenges* . . . [that] would plainly lead to a conclusion that one or more claims are unpatentable” (emphasis added)) (precedential); *see also T-Mobile USA, Inc. v. Wireless Alliance, LLC*, IPR2024-00607, Paper 16, p. 26 (PTAB Sept. 10, 2024) (denying institution and finding no compelling merits because “Petitioner’s argument and evidence, however, include logical gaps that leave Petitioner’s case short of compelling”); *Tesla, Inc. v. Graphite Charging Company, LLC*, IPR2024-00388, Paper 15, p. 16 (PTAB Aug. 27, 2024) (*Fintiv* factor six “concern[s] *only whether the Petition* made a showing of unpatentability by compelling merits”).

As discussed above, the compelling merits in this case are premised on *sua sponte* arguments and findings by the Board with regard to limitations 1.9 and 12.8. The Board abused its discretion by looking to its own arguments and identifying additional supporting evidence to advance arguments and theories that simply were

not presented in the Petition. This is improper under the Director's guidance, precedential PTAB cases, and commonly understood IPR practice. Accordingly, this violation amounts to an abuse of discretion that warrants Director Review, and it also presents important issues of law and policy that the Director should address.

V. CONCLUSION

For at least the foregoing reasons, Director Review of the Institution Decision is warranted because the Board's overreach in introducing *sua sponte* arguments and evidence to justify institution amount to an impermissible abuse of discretion. Additionally, this request presents important issues of law and policy that also merit Director Review.

IPR2024-00695 (Patent 8,649,426)
Patent Owner's Request for Director Review

Respectfully submitted,

Date: Sept. 19, 2024

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CERTIFICATE OF SERVICE

Under 37 C.F.R. § 42.6(e), the undersigned certifies that on September 19, 2024, I caused a copy of the foregoing PATENT OWNER'S REQUEST FOR DIRECTOR REVIEW to be served via e-mail on the following counsel of record for Petitioners:

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