

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

TOYOTA MOTOR CORP. and KIA CORP.,
Petitioners,

v.

EMERGING AUTOMOTIVE LLC,
Patent Owner.

Case No. IPR2024-00785
U.S. Patent No. 10,407,026

**PETITIONERS' REQUEST FOR DIRECTOR REVIEW
UNDER 37 C.F.R. § 42.75**

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I. INTRODUCTION

Director review should be granted here because not only did the Board agree with Petitioners on rehearing that it had “misapprehended” the substance of the Petition, the subsequent decision to deny based on *Fintiv* is inconsistent with other copending IPRs involving the same litigation. The Board initially denied institution (Paper 13, “Decision”) on substantive issues, but ***not*** under *Fintiv*. The Board subsequently reversed itself on rehearing, agreeing with Petitioners on the substantive issues— specifically, that it had “misapprehended” facts in its reading of the prior art. The Board nevertheless denied institution on ***a wholly new basis*** pursuant to their discretionary powers under *Fintiv*. Yet, the same panel *instituted* other later-filed IPRs against patents from the same parallel litigation after evaluating the same *Fintiv* factors. The Board’s inconsistent application of the same *Fintiv* factors is in stark contrast to the Director’s memorandum which aims to “promote consistent application of discretionary considerations in the institution of AJA proceedings.” *See* Director’s Interim Processes for PTAB Workload Management at 3 (Mar. 26, 2025). Consistent application of the discretionary factors warrants institution.

The Board’s Decision to deny was based on delay caused by the Board’s own misapprehension. *See* Paper 13, 2, 16. To hold that delay against Petitioners is manifestly unjust. Moreover, in the district court case, the judge denied Petitioners’

motion to stay without prejudice on the *sole basis that the Board denied institution on the '026 Patent IPR and the Request for Rehearing was still pending*. Had the Board instituted the initial petition, as it now admits it should have, the case would have been stayed. Petitioners are now faced with the cost of an approaching trial that would have been stayed, but for the Board's now-admitted error. If the Director institutes, Petitioners will immediately refile the motion to stay the district court case given that all patents in the case would be under IPR review.

The Board's denial raises important questions of law, policy, and basic fairness, namely, (1) whether the Board may "deny" a request for rehearing even when the Board agrees that the request renders its prior decision invalid, and (2) whether the Board may consider delay caused by the Board's *own* misapprehension in re-analyzing *Fintiv* factors two and three. For the reasons stated herein, the Director should answer both questions in the negative.

The Board's decision denying Petitioners' Request for Rehearing based on *Fintiv* (i.e., a new ground for denying institution) also amounts to an abuse of discretion. For the reasons stated herein, the Director should enter a fair decision consistent with the facts of the case and institute the '026 Patent IPR.

II. LEGAL STANDARD FOR DIRECTOR REVIEW

A party may request Director Review under 37 C.F.R. § 42.75 if the Board's decision presents (a) an abuse of discretion, (b) important issues of law or policy, (c)

erroneous findings of material fact, or (d) erroneous conclusions of law. *Director Review Process* § 2.B, available at <https://www.uspto.gov/patents/ptab/decisions/director-review-process> (last accessed Mar. 19, 2025). In the course of reviewing such a decision, the Director may review any interlocutory decision rendered by the Board in reaching that decision, including “any other decision concluding a proceeding[.]” 37 C.F.R. § 42.75(a). The Board abuses its discretion when its decision (1) is clearly unreasonable, arbitrary, or fanciful; (2) is based on an erroneous conclusion of law; (3) rests on clearly erroneous fact findings; or (4) involves a record without evidence on which the Board could base its decision. *Ultratec, Inc. v. CaptionCall, LLC*, 872 F.3d 1267, 1272 (Fed. Cir. 2017).

III. BACKGROUND

U.S. Patent No. 10,407,026 (the “’026 patent”) belongs to a family of over 100 members, five of which were asserted against Petitioners Toyota Motor Corporation (“Toyota”) and/or Kia Corporation (“Kia”) in district court litigation. Toyota and/or Kia challenged these five patents in IPR proceedings:

Proceeding	Patent No.	Filing Date	Status
IPR2024-00786	US 9,171,268	4/15/2024	Instituted 10/22/2024
IPR2024-00785 (subject of the present request)	US 10,407,026	4/23/2024	Institution Denied 11/21/2024 (merits); 3/11/2025 (<i>Fintiv</i>)
IPR2024-00814	US 11,396,244	4/25/2024	Instituted 11/22/2024
IPR2024-00981	US 9,365,188	5/29/2024	Instituted 12/18/2024
IPR2024-01167	US 11,738,659	7/15/2024	Instituted 1/27/2025

Toyota and Kia jointly filed a petition challenging the '026 patent (IPR2024-00785) on April 23, 2024, and received a decision denying institution seven months later on November 21, 2024. Paper 11. In that decision, the Board addressed the merits of the petition, finding that Petitioners had not provided sufficient explanation and supporting evidence for one limitation—a finding that the Board would later acknowledge was a mistake. The Board also evaluated all *Fintiv* factors but “decide[d] **not** to invoke this discretion to deny institution.” *Id.*, 2 (emphasis added). Between November 2024 and January 2025, the Board instituted *inter partes* review on three more IPR petitions involving different asserted patents from the same underlying district court case. IPR2024-00814, Paper 11, IPR2024-00981, Paper 10, IPR2024-01167, Paper 14 at 41. Therein the Board evaluated the same *Fintiv* discretionary denial factors and declined to exercise its discretion not to institute in each of the three IPRs.

On December 23, 2024, Toyota and Kia jointly filed a request for rehearing in IPR2024-00785, pointing out that the Petition did, in fact, provide sufficient explanation and supporting evidence that the prior art disclosed the purportedly missing limitation. IPR2024-00785, Paper No. 12. The next day, on December 24, 2024, Toyota and Kia filed a motion to stay the district court proceedings, pointing out that the PTAB had instituted IPR proceedings on two of the four then-asserted patents in the case (plaintiff withdrew the patent in IPR2024-00814 from the case)

and that Toyota and Kia had filed a request for rehearing of the '026 patent institution denial. Toyota and Kia pointed out that an EPR regarding the '659 patent had been filed and had, by that time, received a notice of final office action rejecting all claims. On January 27, 2025, the PTAB also instituted the IPR petition filed by Toyota and Kia on the '659 patent. Petitioners informed the district court of the institution decision.

On February 21, 2025, the district court denied the motion to stay without prejudice. The Court stated:

Considering these circumstances, the Court concludes that the Motion is premature, and a stay of these proceedings in advance of the PTAB's decision on Toyota and Kia's rehearing request on the PTAB's denial to institute IPR against the '026 patent should be denied.

Emerging Automotive LLC v. Kia Corp. et al., Case No. 2:23-cv-0437-JRG (Lead Case) (E.D. Tx. Feb. 21, 2025) (Dkt. No. 162 at 3).

On March 11, 2025, the Board responded to Toyota's and Kia's request for rehearing, "agree[ing] with Petitioner's arguments regarding the 'unlocking' functionality taught in [the prior art]." IPR2024-00785, Paper 13 at 2. The Board stated: "we agree with Petitioner that we overlooked arguments and evidence in determining that Petitioner did not sufficiently show that the [prior art] discloses or teaches [the limitation found not present in the original denial of institution]." *Id.* at

9. In other words, the Board recognized that its original basis for denying institution was incorrect.

But, despite Petitioners having successfully overcome the Board's only grounds for denying institution, the Board framed its response as a denial of Petitioners' request for rehearing because the Board "also determine[d] that the evidence of record favors exercising our discretion under 35 U.S.C. § 314(a) to deny institution of an inter partes review." Paper 13, 2-3. Notably, the Board never sought additional briefing or evidence from the parties that may have affected its analysis. On factor one, the Board incorrectly stated that "Petitioner has not requested a stay in the related district court litigation." *Id.* at 11. On factor two, which the Board found to "heavily favor" denial, the Board cited the oncoming trial date of July 21, 2025, which would have been stayed had the Board instituted as it now admits it should have. *Id.* at 11-13. On factor three, which the Board also found to "heavily favor" denial, the Board cited the district court Markman date of February 14, 2025, and the parties' investment in fact and expert discovery (*id.* at 13-14) but neglected to appreciate the burden that will come now that the parties need to prepare for a trial that would have been stayed had the Board instituted. Nor did the Board appreciate that discovery is ongoing and that the Court has not yet issued a claim construction order. The Board found that factor 4 weighs "slightly against" denial,

factor 5 favored denial, and factor 6 does “not weigh against” denial. *Id.* at 14-16. In sum, the Board exercised its discretion to deny institution. *Id.* at 16.

The Board reached this decision despite having already considered the *Fintiv* posture of Petitioners’ IPRs with respect to the later filed petitions, finding *three times* after its November 21, 2024 decision not to institute the ’026 patent IPR that the “balance of the first five *Fintiv* factors do not favor discretionary denial,” including in a decision a mere six weeks earlier. *See, e.g.*, IPR2024-01167, Paper 14 at 19 (November 22, 2024), IPR2024-00981, Paper 10 at 23 (December 18, 2024), IPR2024-00814, Paper 11 at 41 (January 27, 2025). By now denying institution in the earlier filed ’026 patent petition under *Fintiv*, the Board contradicts its prior institution decisions and, inasmuch as the Board relies on investment in the district court proceedings while the rehearing was pending as its basis for denial, acted inequitably and arbitrarily. In essence, the Board has admitted its own error in not instituting the original Petition but now uses its own delay as an excuse to exercise discretion to not institute under *Fintiv*. But-for the Board’s own error in the original institution decision, the case would almost certainly have been stayed because *all* patents in the case would have been under IPR review. Fact discovery would have come to a halt. The Markman hearing would not have happened. The trial, set for July 2025, would have been taken off calendar. The Director should correct the Board’s denial of rehearing by entering a decision consistent with the

aforementioned facts and prior Board decisions in other IPRs from the same case. If the Director corrects this manifestly unjust outcome, Petitioners will promptly refile the motion to stay to pause the district court case, the trial for which is still four months away, so that the IPRs proceed.

IV. ARGUMENT

A. The Board Agreed with Petitioners’ Arguments but Nonetheless Denied Petitioners’ Request on Rehearing

The Board’s Decision Denying Petitioners’ Request on Rehearing (Paper 13) unequivocally adopted Petitioners’ argument in its entirety. *See, e.g.*, Paper 13 at 2 (“we agree with Petitioner’s arguments regarding the “unlocking” functionality taught in Zaid”), 9 (“Specifically, we agree that at least in this one embodiment of Zaid, it appears that the vehicle receives a request from a mobile device that unlocks the vehicle as required by claim 1[e]”), 9 (“In sum, we agree with Petitioner that we overlooked arguments and evidence”), 17 (“we agree with Petitioner’s arguments regarding the ‘unlocking’ functionality in Zaid”). Even though the Board disagreed with *nothing* in Petitioners’ request, the Board nonetheless issued a denial.

1. The Director Should Preclude the Board From “Denying” Successful Rehearing Requests as a Matter of Law and Policy

Here, the Board’s “Denial” of Petitioners’ Request is a mischaracterization of the situation. Petitioners requested the Board to reconsider its reasons for denying institution. That Request was successful, and the Board agreed that the request

overcame the original grounds for denial of institution. The Board did not “deny” Petitioners’ Request. Instead, the Board conducted its own rehearing of the matter and concluded that institution should be denied *on other grounds*. By entering its decision denying institution on alternative grounds, the Board deprived Petitioners of the ability to seek review of the Board’s new institution decision, whether by rehearing or director review. This is inequitable. And there is thus good cause to waive any rules that would prohibit director review. Doing so would also be in the interests of justice.

The Board has suitable alternatives for denying institutions where requests for rehearing are successful. For example, the Board may grant a request for rehearing while simultaneously denying institution on new grounds. *See, e.g.*, IPR2021-00330, Paper 20 (granting petitioner’s request for rehearing but denying institution); IPR2018-00914, Paper 38 (same). But, in such instances, the denial on new grounds comprises a new institution decision for which Director Review is available by default. In contrast, the only rationale for denying a persuasive request for rehearing is to deprive the requestor of further review.

The Board’s denial likewise prevents Petitioners from submitting new evidence relevant to the new ground of denial. As discussed, in its analysis of *Fintiv* factor 1, the Board stated that no motion to stay has been filed in the district court litigation. This is incorrect. Petitioners filed a motion to stay, which was denied

without prejudice due to the Board's (erroneous) denial of institution in this IPR and the pending rehearing request. *Emerging Automotive LLC v. Kia Corp. et al.* (Dkt. No. 162 at 3) ("Considering these circumstances, the Court concludes that the Motion is premature, and a stay of these proceedings in advance of the PTAB's decision on Toyota and Kia's rehearing request on the PTAB's denial to institute IPR against the '026 Patent should be denied"). Petitioners had no reason to inform the Board of the motion for stay because *Fintiv* was never at issue in Petitioners' Request or in the institution decisions on IPRs for patents in the same case that were filed after the '026 patent IPR petition. Had the Board informed the parties that the original basis for denying institution was overcome but that *Fintiv* remained a concern, Petitioners could have requested to submit such evidence to the Board.

Where, as here, a request for rehearing overcomes the basis for denying institution, the Director should require the Board to enter a grant of rehearing.

2. The Board's Decision Denying Petitioners' Request for Rehearing, but Presenting New Grounds as a Basis for Deny Institution, is an Abuse of Discretion

As a separate basis for granting Director Review, the Board has abused its discretion by agreeing with Petitioners' arguments on the merits, withdrawing the decision denying institution on the merits, re-considering at least the parties' *Fintiv* arguments, and then entering a new basis for denying institution. This is the very "rehearing" that Petitioners requested. But rather than recognizing that this rehearing

occurred, the Board issued a “denial” of Petitioners’ Request for Rehearing. Ordinarily, the difference between “granting” and “denying” a rehearing, where the ultimate outcome is denial of institution either way, would be nothing more than semantics. Here, however, where the Board has acted unreasonably in its *new* basis for denying institution, the difference is whether Petitioners are potentially deprived of their ability to seek review of that new institution decision. This is an abuse of discretion.

It is unreasonable for the Board to issue a denial of rehearing yet conduct the rehearing regardless. Accordingly, the Board’s Decision Denying Petitioners’ Request for Rehearing is an unreasonable abuse of discretion.

B. The Board’s *Fintiv* Conclusion is Entirely Based on Delay Created by the Board Itself

In the Decision on rehearing, the Board explained that “only Factor 4 weighs slightly against discretionary denial, Factor 1 is neutral, and Factors 2, 3, and 5 weigh in favor of discretionary denial of institution, with Factors 2 and 3 weighing heavily in favor.” IPR2024-00785, Paper 13 at 16. This analysis of the *Fintiv* factors, however, strongly contradicts the very same panel’s analysis of the *Fintiv* factors in IPR2024-01167 which Petitioners filed nearly three months after the ’026 patent IPR petition and which was decided only a month-and-a-half before the Board’s decision on rehearing here. Specifically, in IPR2024-01167, the Board explained that “Factor

1 is neutral, Factors 2 and 5 favor discretionary denial, and Factors 3 and 4 weighs against discretionary denial.” A chart illustrating the discrepancies is below.

	IPR2024-00785 (filed 4/23/2024, institution denied 3/11/2025 (<i>fintiv</i>))	IPR2024-01167 (filed 7/15/2024, instituted 1/27/2025)
Factor 1 (Likelihood of Stay)	Neutral	Neutral
Factor 2 (District Court Trial Date)	Heavily in favor	In favor
Factor 3 (Investment in District Court Litigation)	Heavily in favor	Against
Factor 4 (Overlap of Issues)	Slightly against	Against
Factor 5 (Defendant in District Court)	In favor	In favor

The Board’s eighteen-page rehearing Decision fails to explain why the ’026 patent petition has a worse *Fintiv* posture than a petition filed almost three months earlier despite the proximity of the two decisions. In fact, a comparison of the Board’s analysis of Factors 2, 3, and 4 in IPR2024-01167 versus that of the Decision confirms that *these analyses are nearly identical. Compare* IPR2024-01167, Paper 14 *with* IPR2024-00785, Paper 13. The only substantive differences are the conclusions. That is, for factor 2, the Board added the word “heavily,” for factor 3, the Board replaced “against” with “heavily in favor,” and for factor 4, the Board removed “slightly.” Petitioners are left to assume that the 43 days between the decisions was the Board’s sole basis for the Board’s strikingly different *Fintiv* conclusions. Yet that passage of time was due solely to the Board’s own delay in

issuing its rehearing decision and its misinterpretation of the Petition’s arguments that necessitated the rehearing request.

1. The Director Should Preclude the Board from Using the Board’s Own, Unilateral Delay as a Basis for Denying Institution Under *Fintiv*

To the extent the Board considered in its *Fintiv* analysis the passage of time during which Petitioners’ Request was pending, the Director should determine, as a matter of law, policy, and basic fairness, that such delay should not be held against the Petitioners.

While the Board’s discussions of *Fintiv* factors two and three are nearly identical to those presented in the Decision Granting Institution in later-filed IPR2024-01167, the Board considered the difference in timing from when IPR2024-01167 was instituted to when Petitioners’ Request was considered by the Board. Specifically, the Board considered Petitioners’ Request on or shortly before March 11, 2025, roughly six weeks after instituting IPR2024-01167. But this delay was not caused by Petitioners and thus should not be held against Petitioners.

In the Decision, the Board explained that “we agree with Petitioner that *we overlooked arguments* and evidence in determining that Petitioner did not sufficiently show that Zaid discloses or teaches ‘a request from the mobile device for unlocking of the vehicle.’” Paper 13 at 9 (emphasis added). The overlooking of arguments, and the resulting delay, was not the fault of Petitioners. To use this delay

as a basis for denying institution under *Fintiv* is plainly unfair. Rather, the Board should have either issued its rehearing decision earlier to mitigate any prejudice caused by the Board’s mistake or evaluated *Fintiv* factors, if at all, as of the date of the original institution decision.

The Board’s decision is likewise inefficient. In its factor 1 discussion, the Board states that “Petitioner has not requested a stay in the related district court litigation.” This is false. Petitioners filed a motion to stay, which was expressly denied without prejudice *due to the Board’s denial of institution. Emerging Automotive LLC v. Kia Corp. et al.* (Dkt. No. 162 at 3). As the Board now explained, this denial of institution was due to **the Board** “overlook[ing] arguments” presented by Petitioners. Now, the Board relies on the lack of a district court stay, due to actions of the Board, as a new rationale for denying institution under *Fintiv*. This is nonsensical, and certainly not efficient.

The *Fintiv* factors are intended to “balance considerations of system efficiency, fairness, and patent quality when a patent owner raises an argument for discretionary denial due to the advanced state of a parallel proceeding.” IPR2020-00019, Paper 15, at 1. As explained, the Board’s application of the *Fintiv* factors in its Decision is inefficient and unfair, because it forces Petitioners to proceed to a trial that would almost certainly have been stayed but for the Board’s admitted

misinterpretation of the original Petition. Accordingly, the Director should instruct the Board to not consider the Board's own delay when analyzing the *Fintiv* factors.

2. The Board's *Fintiv* Analysis is Clearly Unreasonable

As explained above, the *Fintiv* analysis presented in the Decision is nearly identical (i.e., nearly word-for-word) to that of later-filed IPR2024-01167, yet the Board reached a significantly different conclusion, despite only a mere one-and-a-half-month difference between the two decisions. This is clearly unreasonable, and therefore an abuse of discretion. To the extent the Board considered its own delay as a basis for denying institution under *Fintiv*, this raises a separate foundation for finding an abuse of discretion because it is unreasonable for the Board to hold its own misapprehension and delay against Petitioners.

V. CONCLUSION

For the foregoing reasons, Petitioners respectfully request that the Director grant review of the Board's institution decision, waiving any applicable rules that may prohibit such review in view of the circumstances here presented, and remand to the Board with instructions to institute.

Date: March 31, 2025

Respectfully Submitted,

/Joshua L. Goldberg/

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CERTIFICATE OF SERVICE

I certify that on March 31, 2025, a copy of the foregoing PETITIONERS' REQUEST FOR DIRECTOR REVIEW was served in its entirety by electronic mail to Patent Owner's counsel at the following addresses indicated in Patent Owner's Mandatory Notices:

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