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Paper 10
Date: March 1, 2021

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

CANON INC.,
Petitioner,

v.

OPTIMUM IMAGING TECHNOLOGIES LLC,
Patent Owner.

IPR2020-01321
Patent 7,612,805 B2

Before LYNNE E. PETTIGREW, DANIEL J. GALLIGAN, and RUSSELL E. CASS, *Administrative Patent Judges.*

GALLIGAN, *Administrative Patent Judge*.

DECISION
Denying Institution of *Inter Partes* Review
35 U.S.C. § 314

Sony Exhibit 1033
Sony v. Optimum

I. INTRODUCTION

A. Background and Summary

Petitioner Canon Inc. filed a Petition (Paper 1, "Pet.") requesting *inter partes* review of claims 1–3, 9, 18–20, and 24 of U.S. Patent No. 7,612,805 B2 (Ex. 1001, "the '805 patent"). Patent Owner Optimum Imaging Technologies LLC filed a Preliminary Response. Paper 7 ("Prelim. Resp."). With our authorization, Petitioner filed a Reply (Paper 8) and Patent Owner filed a Sur-reply (Paper 9) directed solely to whether we should exercise our discretion to deny the Petition under 35 U.S.C. § 314(a).

For the reasons that follow, we do not institute an *inter partes* review in this proceeding.

B. Related Matters

The parties indicate that the '805 patent is at issue in *Optimum Imaging Technologies LLC v. Canon Inc.*, No. 2:19-cv-246 (E.D. Tex.)[1] ("the Texas case"). Pet. 1; Paper 4, 2.

Petitioner also filed a petition challenging claims of related U.S. Patent No. 8,451,339 B2 ("the '339 patent"). IPR2020-01322, Paper 1.

C. Real Parties in Interest

The parties identify themselves as the real parties in interest. Pet. 1; Paper 4, 2.

[1] We refer to the United States District Court for the Eastern District of Texas as "the Texas court."

D. The '805 Patent

The '805 patent discloses a system "for the automated correction of optical and digital aberrations in a digital imaging system" that "addresses issues in still and video photography that are presented in the digital imaging environment." Ex. 1001, code (57).

E. Prior Art and Asserted Grounds

Petitioner asserts that claims 1–3, 9, 18–20, and 24 of the '805 patent are unpatentable on the following grounds:

Claims Challenged	35 U.S.C. §	Reference(s)/Basis
9, 24	103(a)[2]	Niikawa[3]
9, 24	103(a)	Niikawa, Kawanishi[4]
1–3, 18–20	103(a)	Niikawa, Russ[5]
9, 24	103(a)	Watanabe[6]
1–3, 18–20	103(a)	Watanabe, Russ

[2] The Leahy-Smith America Invents Act ("AIA") included revisions to 35 U.S.C. § 103 that became effective after the filing of the application for the '805 patent. Therefore, we apply the pre-AIA version of this section.

[3] Niikawa, US 2002/0135688 A1, published Sept. 26, 2002 (Ex. 1006).

[4] Kawanishi et al., US 2005/0089241 A1, published Apr. 28, 2005 (Ex. 1010).

[5] John C. Russ, *The Image Processing Handbook* (4th ed.) (Ex. 1008).

[6] Watanabe, US 2005/0280877 A1, published Dec. 22, 2005 (Ex. 1007).

II. ANALYSIS

A. Discretionary Denial Under 35 U.S.C. § 314

Institution of *inter partes* review is discretionary. *See Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016) ("[T]he agency's decision to deny a petition is a matter committed to the Patent Office's discretion."); *Harmonic Inc. v. Avid Tech., Inc.*, 815 F.3d 1356, 1367 (Fed. Cir. 2016) ("[T]he PTO is permitted, but never compelled, to institute an [*inter partes* review (IPR)] proceeding."); 35 U.S.C. § 314(a) ("The Director *may not* authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." (emphasis added)).

The Board has held that the advanced state of a parallel district court action is a factor that may weigh in favor of denying a petition under § 314(a). *See NHK Spring Co. v. Intri-Plex Techs., Inc.*, IPR2018-00752, Paper 8 at 20 (PTAB Sept. 12, 2018) (precedential); Patent Trial and Appeal Board Consolidated Trial Practice Guide (Nov. 2019), 58 & n.2, *available at* https://www.uspto.gov/TrialPracticeGuideConsolidated ("Trial Practice Guide"). We consider the following factors to assess "whether efficiency, fairness, and the merits support the exercise of authority to deny institution in view of an earlier trial date in the parallel proceeding":

1. whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted;
2. proximity of the court's trial date to the Board's projected statutory deadline for a final written decision;
3. investment in the parallel proceeding by the court and the parties;

4. overlap between issues raised in the petition and in the parallel proceeding;
5. whether the petitioner and the defendant in the parallel proceeding are the same party; and
6. other circumstances that impact the Board's exercise of discretion, including the merits.

Apple Inc. v. Fintiv, Inc., IPR2020-00019, Paper 11 at 5–6 (PTAB Mar. 20, 2020) (precedential). In evaluating these factors, we "take[] a holistic view of whether efficiency and integrity of the system are best served by denying or instituting review." *Id.* at 6.

Analyzing the *Fintiv* factors, Patent Owner argues that we should deny institution based on the advanced state of the Texas case. Prelim. Resp. 1–23; Sur-reply 1–7. Petitioner disagrees. Pet. 3–5; Reply 1–7.

Based on our analysis of the *Fintiv* factors below, we determine that discretionary denial is warranted based on the circumstances presented.

1. Whether the Court Granted a Stay or Evidence Exists that One May Be Granted if a Proceeding Is Instituted

Patent Owner argues this factor favors denial because Petitioner, who is the defendant in the Texas case, represented to the Texas court that Petitioner would not seek a stay if this proceeding were instituted. Prelim. Resp. 4–5 (citing Ex. 2015 (transcript of telephonic status conference with the Texas court), 6:12–21). Based on Petitioner's representation that it will not seek a stay of the Texas case, we agree with Patent Owner that this factor favors denial.

2. Proximity of the Court's Trial Date to the Board's Projected Statutory Deadline for a Final Written Decision

Patent Owner argues that this factor favors denial because the trial in the Texas case is scheduled to begin May 10, 2021, and "is therefore only two months after the Board's deadline for an institution decision in March 2021 and ten months ***before*** the Board's deadline for a final written decision in approximately March of 2022." Prelim. Resp. 5; *see* Ex. 2006, 3 (resetting jury selection in the Texas case from February 1, 2021, to May 10, 2021). Petitioner argues that the trial has already been delayed twice due to COVID-19 and "[t]here is no guarantee that there will not be further delays." Reply 1. Other than pointing to past delays in the district court trial setting, Petitioner offers no evidence showing a likely delay in the current trial setting, and we decline to speculate about whether there may be further delays in the district court.

Because the Texas case's trial date is just over two months from the date of this Decision and, therefore, approximately ten months before the deadline for a final written decision if we were to institute, this factor weighs in favor of exercising discretion to deny institution.

3. Investment in the Parallel Proceeding by the Court and the Parties

Patent Owner argues that the Texas court "and the parties have already made substantial investment in preparation for trial," noting that the Texas court has issued a *Markman* order construing various terms in the '805 patent, that fact and expert discovery have closed, and that the parties have fully briefed dispositive motions. Prelim. Resp. 6 (citing Exs. 1004, 2005, 2007).

Petitioner argues that "there has been no investment in the parallel proceeding with respect to the *prior art issues involved here*." Pet. 4–5 (emphasis added). The inquiry under the third *Fintiv* factor, however, is not limited to considering efforts in the district court concerning the patentability issues raised in a petition. Rather, under factor three, we "consider[] the amount and type of work already completed in the parallel litigation by the court and the parties at the time of the institution decision." *Fintiv*, Paper 11 at 9. For example, *Fintiv* states that "if, at the time of the institution decision, the district court has issued substantive orders related to the patent at issue in the petition, this fact favors denial." *Fintiv*, Paper 11 at 9–10. The Texas court has issued a 60-page claim construction order addressing terms in the '805 patent and in the related '339 patent. Ex. 1004. As Patent Owner correctly points out, the parties have also invested significantly in the Texas case in preparation for the upcoming trial. *See* Prelim. Resp. 6 (discussing the close of fact and expert discovery and the filing of dispositive motions).

In its discussion of factor three, *Fintiv* also addresses the impact of a petitioner's diligence or delay in filing a petition:

> If the evidence shows that the petitioner filed the petition expeditiously, such as promptly after becoming aware of the claims being asserted, this fact has weighed against exercising the authority to deny institution under *NHK*. If, however, the evidence shows that the petitioner did not file the petition expeditiously, such as at or around the same time that the patent owner responds to the petitioner's invalidity contentions, or even if the petitioner cannot explain the delay in filing its petition, these facts have favored denial.

Fintiv, Paper 11 at 11–12.

Petitioner argues that "the primary references [in the Petition] were only uncovered by Petitioner in the last 2 months (which is why the Petition was not filed earlier)." Pet. 4. Patent Owner counters that Petitioner filed the Petition on the last possible day permitted under 35 U.S.C. § 315(b) and that this "delay" is unfair to Patent Owner with the Texas case in its final stages. Prelim. Resp. 7–8. Patent Owner also argues that Petitioner could have found the asserted prior art references earlier with a "reasonably diligent search." Prelim. Resp. 11–17. In their Reply and Sur-reply, Petitioner and Patent Owner dispute whether the prior art asserted in the Petition could have been found earlier with a diligent search. Reply 2–5; Sur-reply 2–5.

We need not speculate as to whether the prior art asserted in the Petition could have been found earlier because Petitioner's explanation as to petition timing misses the mark. As the above-quoted passage from *Fintiv* indicates, this inquiry is directed to ascertaining whether a petitioner acts promptly with respect to activities in the parallel litigation, such as filing a petition "promptly after becoming aware of the claims being asserted." *Fintiv*, Paper 11 at 11. Here, Petitioner did not file a petition "promptly after becoming aware of the claims being asserted" but instead waited until July 2020, over nine months after Patent Owner served infringement contentions in the Texas case on October 1, 2019. Ex. 2003. Petitioner's explanation for the timing of the filing is that the prior art asserted in the Petition "was found in additional analysis undertaken in April-June 2020." Reply 4. Petitioner may have acted promptly after discovering the asserted prior art, but using this as a justification would simply incentivize delaying searching for prior art. Petitioner's focus on the discovery of the particular prior art

asserted in the Petition fails to explain why any petition could not have been filed earlier.

In its Reply, Petitioner does not dispute Patent Owner's contentions as to the parties' and the Texas court's investment in the Texas case. Rather, Petitioner focuses on justifying the timing of the Petition, which we address above. *See* Reply 1–6. As Patent Owner notes, fact and expert discovery in the Texas case have ended, claim construction has occurred, dispositive motions and motions *in limine* have been filed, and the Joint Pretrial Order has been filed. *See* Prelim. Resp. 6 (citing Exs. 1004, 2005, 2006, 2007). Thus, the parties' and the Texas court's investment in the Texas case is substantial, as one would expect with trial scheduled to begin in just over two months.

Based on the foregoing, we determine that this factor weighs in favor of exercising discretion to deny institution.

4. Overlap Between Issues Raised in the Petition and in the Parallel Proceeding

"[I]f the petition includes the same or substantially the same claims, grounds, arguments, and evidence as presented in the parallel proceeding, this fact has favored denial." *Fintiv*, Paper 11 at 12. "Conversely, if the petition includes materially different grounds, arguments, and/or evidence than those presented in the district court, this fact has tended to weigh against exercising discretion to deny institution under *NHK*." *Id.* at 12–13.

Petitioner argues that trial in the Texas case "will not resolve the issues before the Board here inasmuch as neither the same nor similar invalidity challenges are at issue." Pet. 4. Patent Owner counters that, although "Petitioner does not assert the exact same prior art references here,

the asserted prior art references in the Petition are substantially the same as those in the district court litigation." Prelim. Resp. 18. In particular, Patent Owner contends that the prior art references asserted in the Petition are similar to Kishida (Ex. 2017), on which Petitioner relies in the Texas case. Prelim. Resp. 19–21.

With its Reply, Petitioner submitted a stipulation that it filed in the Texas case stating that, "if the Patent Trial and Appeal Board institutes *inter partes* review on IPR2020-01321, then Canon will not assert invalidity in this litigation against any claim of the '805 Patent based on JP2004-343358 ('Kishida') alone or in combination with any other reference." Ex. 1050, 1. Based on the stipulation, Petitioner asserts that "none of the IPR grounds themselves, the references used therein, or Kishida would be before the district court" and, therefore, that "[t]his fact alone causes factor 4 to weigh in [Petitioner]'s favor." Reply 6–7 (citing *Sand Revolution II, LLC v. Cont'l Intermodal Grp. – Trucking LLC*, IPR2019-01393, Paper 24 at 11–12 (PTAB June 16, 2020) (informative); *Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020-01019, Paper 12 at 19 (PTAB Dec. 1, 2020) (precedential in part)).

Petitioner's stipulation, which only addresses invalidity defenses based on Kishida, is not as broad as the *Sotera* stipulation, in which the petitioner stated that it would not pursue any ground "that was raised or could have been reasonably raised in an IPR (i.e., any ground that could be raised under §§ 102 or 103 on the basis of prior art patents or printed publications)." *Sotera*, Paper 12 at 18–19 (emphasis omitted). Rather, Petitioner's stipulation is more similar in scope to the one in *Sand Revolution*, Paper 24 at 11–12. In that decision, a panel of the Board found that "this factor weighs marginally in favor of not exercising discretion to deny institution" and noted that a broader stipulation "might have tipped this

factor more conclusively in [the petitioner's] favor." *Sand Revolution*, Paper 24 at 12 & n.5.

Petitioner's stipulation mitigates to some degree concerns about overlapping issues between this proceeding and the Texas case. Therefore, we find that this factor weighs marginally against exercising discretion to deny institution.

5. Whether the Petitioner and the Defendant in the Parallel Proceeding Are the Same Party

Petitioner is the defendant in the Texas case. Therefore, this factor favors exercising discretion to deny institution.

6. Other Circumstances that Impact the Board's Exercise of Discretion

Petitioner argues that "the merits weigh in favor of institution given the strength of the grounds presented and developed below" (Pet. 5), while Patent Owner argues that "the Petition's Grounds are very weak" (Prelim. Resp. 22).

As discussed above, with the exception of factor 4, the other *Fintiv* factors favor denying institution. We have reviewed Petitioner's unpatentability arguments and Patent Owner's arguments in response, and based on the limited record before us, we do not view this as a case where this one factor would outweigh the other *Fintiv* factors favoring denial of institution.

7. Holistic Assessment of Fintiv *Factors*

We consider the above factors and take "a holistic view of whether efficiency and integrity of the system are best served by denying or

instituting review." *Fintiv*, Paper 11 at 6. As discussed above, the Texas case is scheduled to go to trial in just over two months and approximately ten months before the deadline for a final written decision if we were to institute (factor 2), and the Texas court and the parties in the Texas case, which are the same parties in this proceeding (factor 5), have invested substantially in the Texas case in preparation for trial (factor 3). Furthermore, Petitioner has represented to the Texas court that it will not request a stay of the Texas case (factor 1). These factors, taken together, outweigh the remaining considerations discussed in factors 4 and 6. Thus, we determine that the facts presented weigh in favor of exercising discretion to deny institution in this instance.

III. CONCLUSION

Taking into consideration the arguments in the Petition, the Preliminary Response, the Reply, the Sur-reply, and the evidence of record, we exercise our discretion to deny institution under 35 U.S.C. § 314(a).

IV. ORDER

In consideration of the foregoing, it is hereby

ORDERED that the Petition is denied and no *inter partes* review is instituted in this proceeding.

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