UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

MOTOROLA SOLUTIONS, INC.
Petitioner

v.

STELLAR, LLC
Patent Owner

U.S. Patent No. 7,593,034

Case IPR2024-01205*

PETITIONER'S REQUEST FOR REHEARING OF ORDER GRANTING DIRECTOR REVIEW, VACATING THE DECISION GRANTING INSTITUTION, AND DENYING INSTITUTION OF *INTER PARTES* REVIEW (PAPER 19)

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* The Director issued a single order resolving Patent Owner's ("PO's") Request for Director Review in each of IPR2024-01205, -01206, -01207, and -01208. Petitioner is accordingly filing identical Requests for Rehearing in each of these cases. Citations herein are to IPR2024-01205.

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I. INTRODUCTION

Petitioner designs, develops, and manufactures body-worn and in-car camera systems used to protect the public and federal, state, and local law enforcement officers. The Petitions here challenge four patents asserted against those vital public-safety products in litigation. The Board instituted IPRs of each patent (and four others that are still undergoing Director Review), in accordance with "binding agency guidance" governing the evaluation of IPR petitions and parallel district court litigation. The Director's discretionary decision to vacate institution of the four Petitions after rescinding that binding guidance—and after the Board had already determined there is a reasonable likelihood that the challenged claims asserted against Petitioner's public-safety products are invalid on multiple grounds—jeopardizes compelling national security interests and should be reversed.

A. When Petitioner filed these four IPR Petitions in July 2024, a petitioner was entitled to consideration of its petition on the merits without the possibility of a discretionary denial based on parallel litigation, so long as it presented a *Sotera* stipulation. From June 21, 2022 until February 28, 2025, "binding agency guidance" provided that "the PTAB **will not** discretionarily deny institution … in view of parallel district court litigation" in these circumstances. June 2022 Memo at 3, 7-8. Relying on that binding guidance, Petitioner worked diligently and at great expense to prepare and timely file IPR Petitions challenging all 160 patent claims across the

eight patents asserted against it. The Board instituted all eight IPRs on multiple, alternative grounds of unpatentability, uniformly rejecting PO's merits arguments. Yet, after rescinding the "binding agency guidance" prohibiting a discretionary denial based on parallel litigation where a *Sotera* stipulation has been presented, the Director issued an order reversing the Board's decisions, faulting the Board for giving "too much weight to Petitioner's *Sotera* stipulation" (Paper 19 at 2)—even though such a stipulation, before the rescission, was "dispositive" and expressly prohibited a discretionary denial. Whether the rescission of the June 2022 Memo amounts to improper rulemaking or a change in policy, it was applied retroactively to Petitioner in violation of the APA and Petitioner's due-process rights.

B. Even if the rescission could be retroactively applied to Petitioner (which it cannot), instituting the IPRs here still furthers the goals of the precedential *Fintiv* and *Sotera* decisions, and "the consistent application of discretionary considerations in the institution of AIA proceedings." March 26, 2025 Memo at 3. Petitioner previously stipulated not to pursue in district court the grounds raised or that could have reasonably been raised in the Petitions, just as *Sotera* contemplates. Moreover, the court case is presently **stayed** "pending the PTAB's ultimate resolution of Motorola's IPRs" (Ex. 1044 at 5)—demonstrating that, in the words of *Fintiv* (at 7), the court is "willing to avoid duplicative efforts" and to "await the PTAB's final resolution of the patentability issues raised in the [IPRs]." And there is **no trial date**,

nor is a trial date expected to be set anytime soon, with the court stating just last week that "neither the parties nor the Court **can even begin to consider a trial date**" until multiple pending motions are resolved, which is another reason the case is currently stayed. Ex. 1044 at 4. Denying institution of IPRs already found to have merit when the litigation against vital public-safety products is stayed and there is no trial date even on the horizon contradicts USPTO policy and practice.

C. To the extent the Director is otherwise unwilling to reverse her discretionary denial decision for the reasons above and remains concerned that the IPRs will not be a "true alternative" to the district court proceeding (Paper 19 at 3-4), Petitioner is willing to make an expanded stipulation. The Director's decision references Petitioner's assertion of invalidity arguments in the district court that included unpublished system prior art in combination with prior art in these Petitions (grounds that could not be raised in the Petitions). *Id.* at 4. Petitioner will stipulate not to pursue those combinations or any other prior art invalidity grounds in the district court, should the Director reverse her discretionary denial decision and reinstate the IPRs. Before the rescission, Petitioner had no reason to believe that a stipulation exceeding *Sotera*'s scope would be relevant to the discretionary analysis. But declining to consider an expanded stipulation now would deprive Petitioner of any opportunity to account for the intervening rescission. With this expanded stipulation, there is simply no basis to discretionarily deny review.

On the facts here, the Director should grant rehearing of her March 28 Order and reinstate these four IPRs. Of note, Petitioner seeks narrow relief; there are surely very few petitions that were instituted under the previous binding guidance and then institution was subsequently vacated by applying the new rules. The Director should exercise her discretion in favor of Petitioner in the specific procedural situation here.

II. BACKGROUND

In the two years leading up to Petitioner filing its Petitions—and for half a year thereafter—the USPTO's "binding agency guidance" was that "the PTAB will not discretionarily deny institution of an IPR" based on parallel litigation if there is a *Sotera* stipulation. June 2022 Memo at 3, 7-8. Petitioner relied on that rule in investing significant resources to prepare and file the IPRs (filing fees alone were hundreds of thousands of dollars). And the Board instituted all four IPRs on February 13, 2025, citing, *inter alia*, Petitioner's *Sotera* stipulation and the merits of the petitions. On February 27, PO requested Director Review. The next day, the USPTO rescinded its binding guidance without explanation, simply directing parties to "refer to" pre-June 2022 precedent going forward. February 28, 2025 Notice.

After Petitioner responded to PO's request on March 10, the USPTO took three actions in quick succession. *First*, Chief ALJ Boalick issued a memo stating for the first time that the rescission would retroactively change the rules applicable to certain petitions filed before the rescission, including in "any case … where a

request for rehearing or Director Review of an institution decision was filed and remains pending." March 24 Memo at 2. And the Chief ALJ stated that, contrary to the June 2022 Memo's "binding agency guidance," "a timely-filed *Sotera* stipulation" would now be "highly relevant, but will not be dispositive by itself. Instead, the Board will consider such a stipulation as part of its holistic analysis under *Fintiv*." March 24, 2025 Memo at 1-2. *Second*, the Director issued a memo with Interim Processes for how "the Director will exercise her discretion on institution of AIA proceedings" prospectively, *i.e.*, "where the deadline for the patent owner to file a preliminary response has not yet passed." March 26, 2025 Memo at 1, 3. *Third*, the Director vacated the Board's institution decisions in these four IPR proceedings based on her application of the *Fintiv* factors "as a whole" and without treating Petitioner's *Sotera* stipulation as dispositive, as was required when the Petitions were filed and the Board instituted these IPRs.

III. DISCUSSION

A. Retroactively Applying the Rescission of "Binding Agency Guidance" Violates the APA and Due Process.

Retroactively applying the February 28, 2025 rescission of the June 2022 Memo violates the APA and Petitioner's due process rights.

1. The APA Prohibits Retroactively Applying Changed Rules.

Congress directed the USPTO to engage in rulemaking related to IPRs, including "setting forth the standards for the showing of sufficient grounds to

institute a review," and "establishing and governing inter partes review … and the relationship of such review to other proceedings." 35 U.S.C. § 316(a)(2), (4). The USPTO has yet to complete rulemaking on the relationship of IPRs to parallel litigation despite repeatedly starting that process. But the Director issued the June 2022 Memo under her "authority to issue binding agency guidance." June 2022 Memo at 3. The APA does not permit the Director to rescind binding agency guidance without advance notice and retroactively apply it to instituted IPRs.

To start, "[w]hen an agency changes course, as [the USPTO] did here, it must be cognizant that longstanding policies may have engendered serious reliance interests that must be taken into account." *Dep't of Homeland Sec. v. Regents of the Univ. of California*, 591 U.S. 1, 30-31 (2020) (cleaned up). Neither the February 28, 2025 Notice nor the March 24, 2025 Memo reflects any consideration of the reliance interests engendered by the June 2022 Memo, notwithstanding the March 24, 2025 Memo's *post hoc* announcement that the rescission would be applied retroactively to a narrow set of petitioners like Petitioner here. The rescission cannot reasonably be applied on Director Review to parties that filed petitions, presented *Sotera* stipulations, and maintained their petitions through institution, all in reliance on the June 2022 Memo. *See Am. Bar Ass'n v. United States Dep't of Educ.*, 370 F. Supp. 3d 1, 33 (D.D.C. 2019) (granting summary judgment for plaintiffs claiming that application of changed standards to deny relief was arbitrary and capricious).

Characterizing rules addressing the relationship between IPRs and parallel proceedings as policy statements does not insulate those rules from review under the APA. Regardless of whether the USPTO's adoption of *Fintiv* without notice-and-comment rulemaking is valid, *see Apple v. Stewart*, No. 24-1864 (Fed. Cir.), the USPTO's rescission of the June 2022 Memo required notice and comment because "it effects a change in existing law or policy which affects individual rights and obligations." *Animal Legal Def. Fund v. Quigg*, 932 F.2d 920, 927 (Fed. Cir. 1991) (cleaned up). That characteristic is critical to recognizing a rule as "'binding' or hav[ing] the 'force of law.'" *Chrysler Corp. v. Brown*, 441 U.S. 281, 302 (1979) (citation omitted). And, in fact, the PTAB has already acknowledged the rescission is a "change of binding guidance." *E.g.*, *HP Inc. v. Universal Connectivity Techs., Inc.*, IPR2024-01428, Paper 12, at 2 (Apr. 8, 2025). Whatever the outcome of *Apple*, the rescission of the June 2022 Memo is invalid because it was unaccompanied by notice-and-comment rulemaking. *See* 35 U.S.C. § 316; 5 U.S.C. § 553.

Characterizing the rescission as a policy statement does not save it. "[G]eneral statements of policy … advise the public **prospectively** of the manner in which the agency proposes to exercise a discretionary power." *Lincoln v. Vigil*, 508 U.S. 182, 197 (1993) (cleaned up) (emphasis added); *see also* 5 U.S.C. § 522(a)(2)(ii) (a "statement of policy … may be relied on … by an agency against a party … only if … the party has actual and timely notice of the terms thereof"). Thus, however it

is characterized, the recission may not be applied **retroactively**, as the Director has done here. Only substantive rules may be applied retroactively, and even they "will not be construed to have retroactive effect unless their language requires this result." *Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204, 208 (1988).

Finally, it is no answer to say that the Director's June 2022 Memo was only binding on the Board and not the Director herself. The Director is part of the Board. *See* 35 U.S.C. § 6(a). As the March 26, 2025 Memo explaining how the Director "will exercise her discretion" going forward recognizes, establishing rules for the exercise of discretion properly restricts the Director's own discretion under 35 U.S.C. § 314(d). Indeed, that Memo is intended to "promote consistent application of discretionary considerations in the institution of AIA proceedings," March 26, 2025 Memo at 3, which prevents the arbitrary and capricious exercise of discretion. The same was true of the June 2022 Memo. Rescission of that "binding agency guidance" cannot be applied retroactively without violating the APA. *See* 5 U.S.C. § 706(2).

2. Retroactive Application Violates Due Process.

"'[C]onstitutional protections sounding in due process and equal protection, as embodied in our longstanding traditions and precedents addressing retroactivity in the law'" may also "constrain retroactive application." *Kirwa v. U.S. Dep't of Def.*, 285 F. Supp. 3d 21, 41 (D.D.C. 2017) (quoting *De Niz Robles v. Lynch*, 803 F.3d

1165, 1171–72 (10th Cir. 2015) (Gorsuch, J.)). Here, applying rescission of the June 2022 Memo retroactively would violate Petitioner's due process rights.

The June 2022 Memo, which "restrict[ed] the exercise of official discretion," gave Petitioner "a legitimate entitlement" to consideration of its petitions on the merits so long as it presented a *Sotera* stipulation. *Tarpeh-Doe v. United States*, 904 F.2d 719, 722 (D.C. Cir. 1990). That "binding agency guidance" did not merely allow consideration of a *Sotera* stipulation, it provided that "the PTAB **will not deny institution** of an IPR … under *Fintiv* … where a petitioner stipulates not to pursue in a parallel district court proceeding the same grounds as in the petition or any grounds that could have reasonably been raised in the petition." June 2022 Memo at 9 (emphasis added). As the March 24, 2025 Memo recognized, a *Sotera* stipulation was "dispositive by itself." This sort of "explicitly mandatory language" creates a constitutionally protected interest. *Tarpeh-Doe*, 904 F.2d at 723 (cleaned up).

The rescission "as applied to" Petitioner "summarily denies" Petitioner the right to consideration of its Petitions on the merits, contrary to the June 2022 Memo that governed when it filed the Petitions and the PTAB instituted the IPRs, which "implicate[s] due-process concerns." *Kirwa*, 285 F. Supp. 3d at 274. The provision for Director Review does not change this fact. Because the June 2022 Memo restricted the Director's discretion, too, "all events necessary to establish" Petitioner's rights had occurred, preventing the retroactive application of the

rescission. *Covey v. Hollydale Mobilehome Ests.*, 116 F.3d 830, 837-38 (9th Cir. 1997).

Compliance with due process mandates applying the June 2022 Memo to the Petitions, which precludes discretionary denial based on parallel litigation in view of a *Sotera* stipulation, and reinstating the institution of these four IPRs.

B. Institution Is Consistent With *Fintiv*, *Sotera*, and Post-Rescission Guidance.

Even under the USPTO's changed policy, there is no reasonable basis to discretionarily deny institution. The February 28, 2025 Notice states that parties "should refer to [*Fintiv* and *Sotera*]… for guidance." *Fintiv* directs the Board to "fairness," "merits" and "patent quality" considerations in assessing discretionary denial. *Fintiv* at 5, 6. It is fundamentally unfair to rescind "binding agency guidance" dictating when the Board "will not" discretionarily deny institution, and then retroactively apply a new policy wholly erasing the dispositive significance of a *Sotera* stipulation. Further, the Board instituted on multiple, alternative grounds of unpatentability, raising patent quality concerns that IPRs were designed to address.

Fintiv factors 1 and 2 weigh heavily against discretionary denial. The proximity of trial to the Board's projected statutory deadline for a final written decision cannot support denial because, as PO acknowledges, there is **no trial date** and "the district court removed the July 2025 trial date from the calendar." IPR2024-01313, Paper 14, FN 4. Moreover, a trial date is nowhere close to being set: Judge

Jordan stated last week that "neither the parties nor the Court **can even begin to consider a trial date**" until multiple pending motions are resolved. Ex. 1044 at 4 (emphasis added).

The district court case is also currently **stayed** and has been for more than two months. On April 21, Judge Jordan extended the stay and ordered the case to "remain **STAYED** pending the PTAB's ultimate resolution of the First IPR Group [these four IPRs] and the Second IPR Group [the four related IPRs]." Ex. 1044 at 2, and 5 ("It is therefore **ORDERED** that all deadlines and hearings scheduled in this matter are **STAYED** pending the PTAB's ultimate resolution of Motorola's IPRs."). That stay order "allays concerns about inefficiency," and demonstrates Judge Jordan's willingness "to avoid duplicative efforts" and to "await the PTAB's final resolution of the patentability issues raised in the [IPRs]." *Fintiv* at 7. And, of course, "the PTAB's ultimate resolution of Motorola's IPRs" on the merits, Ex. 1044 at 5, "could dispose of the entire litigation," which is "the ultimate simplification of issues." *VirtualAgility v. Salesforce.com*, 759 F.3d 1307, 1314 (Fed. Cir. 2014).

Regarding factor 3, the Board considered the investment in the district court, but rightly concluded that significant work remained, and PO itself acknowledges that "significant work remains to be done for trial in the underlying case" (Paper 8 at 14). *See Smartflash v. Apple Inc.*, 621 F. App'x 995, 1005 (Fed. Cir. 2015) ("Despite the substantial time and effort already spent in this case, the most

burdensome task"—the trial—"is yet to come."); *CyWee Grp. Ltd. v. Samsung Elecs.*, 2019 WL 11023976, at *6 (E.D. Tex. Feb. 14, 2019) ("[T]he most burdensome part of the case, for both the parties and the court, is the period immediately before, during, and after trial."). Notably, Judge Jordan's April 21 stay order emphasized the substantial remaining work to be done in the district court as an additional basis for a stay, referencing "twenty-nine pending motions … that must be resolved before a trial date can be set," including PO's "motion to amend its infringement contentions, Motorola's motions to strike, Motorola's motions for summary judgment, and … numerous motions to seal." Ex. 1044 at 2. Many of the pending motions relate directly to the challenged patents (*e.g.*, Dkt. 54, 77, 79, 112, 114, 116). This work could be avoided entirely if IPRs are completed and the asserted claims found unpatentable, which further weighs against denial. *Fintiv* at 9-10.

Moreover, the timing of the stay motion—and thus the extent of pre-trial development in the parallel litigation—was dictated by the district court. The "universal practice" in the Eastern District of Texas is to postpone ruling on or deny stay requests when the Board has not yet acted on IPR petitions. *AR Design Innovations v. Ashley Furniture Indus.*, 2021 WL 6496714, at *3 (E.D. Tex. Jan. 11, 2021) (Jordan, J.); *see also CyWee*, 2019 WL 11023976, at *5 ("virtually pointless" to seek stay "before the IPR was instituted, as this Court would have almost certainly denied it"). Motorola moved for a stay as soon as it reasonably could have.

As for *Fintiv* factor 4, and per the precedential *Sotera* decision, Petitioner's stipulation "weighs **strongly** in favor of not exercising discretion to deny institution" because it "mitigates any concerns of duplicative efforts between the district court and the Board, as well as concerns of potentially conflicting decisions." *Sotera* at 19 (emphasis added). That "Petitioner's invalidity arguments in the district court are more expansive and include combinations of the prior art asserted in these proceedings with unpublished system art," Paper 19 at 4, should be immaterial. Nothing in *Sotera* requires a stipulation not to pursue combinations based on unpublished system art that cannot be asserted in an IPR—indeed, according to *Sotera* itself, the "broad stipulation" Petitioner provided here already "ensures that an [IPR] is a 'true alternative' to the district court proceeding." *Sotera* at 19; *see also Meta Platforms v. Eight KHZ*, IPR2023-01003, Paper 9 at 10-12 (Jan. 9, 2024).

Factor 4 also favors institution because Petitioner has challenged "all" the patent claims in these IPRs (a smaller subset—14 of 160 total claims across 8 patents—are asserted in court). *See, e.g.*, *3Shape A/S v. Align Tech.*, IPR2019-00160, Paper 9 at 39 (June 11, 2019) ("[D]iffering claim sets is a factor that weighs against [discretionary denial]."). This was Petitioner's one chance to challenge all claims of the asserted patents in an IPR, which weighs against discretionary denial. *See Kroy IP Holdings v. Groupon, Inc.*, 127 F.4th 1376, 1381 (Fed. Cir. 2025) (patentee not estopped from asserting in litigation claims omitted from IPR petition); *Illumina, Inc.*

v. Natera, Inc., IPR2019-01201, Paper 19 at 6-7 (Dec. 18, 2019) (no discretionary denial where district court "would address only a subset of the claims challenged in [IPR] Petition"). Petitioner's IPRs were not "eleventh-hour petitions" timed to gain some unfair tactical advantage. Given the "large number of patents [8] and claims challenged [160]" (*Sotera* at 17), Petitioner should not be penalized for devoting the necessary time to take its one shot to prepare and file comprehensive IPR petitions.

Fintiv factor 6 also favors institution. The Board instituted each of these four IPRs on multiple, alternative grounds of unpatentability, uniformly rejected PO's arguments on the merits, and identified no weaknesses in the Petitions. A month later, the Board instituted IPRs for the other four patents asserted against Petitioner in similarly comprehensive institution decisions. All eight patents are part of the same family and all eight IPRs are based on the same two primary art references. *See* Petition at 5; IPR2024-01313, Paper 12, 5 ("The subject matter of the challenged claims is closely related to the subject matter of the claims of the patents in the previously instituted IPRs and the remaining pending petitions, as evidenced by the overlap of the asserted references and arguments advanced in these cases."). Institution is warranted on the merits of the petitions to address patent quality concerns and to maintain the integrity of the patent system, and will promote system efficiency given the considerable overlap in the claims and grounds of unpatentability across the 8 IPRs, as the Board itself recognized. *See Fintiv* at 5-6.

As for the March 26, 2025 Memo's identification of "[c]ompelling … national security interests" as a factor, the result of discretionary denial here would be increased litigation costs and uncertainty to Petitioner, unfairly burdening further design, development and production of critical public safety equipment for state, local, and U.S. federal law enforcement.

C. Motorola's Willingness to Expand Its Stipulation in Light of the Changed Rules Also Warrants Institution.

Before rescission of the June 2022 Memo's "binding agency guidance," Petitioner had no reason to believe that a stipulation exceeding *Sotera*'s scope would have any bearing on the analysis of parallel litigation. Had Petitioner been aware of the Director's change in guidance, it would have had an opportunity to stipulate not to assert in district court the prior art asserted in its Petitions even in combination with unpublished system prior art that could not be asserted in the Petitions. If the Director is not otherwise willing to reverse her discretionary denial and reinstate the institution of these four IPRs on the grounds stated above, Petitioner will do just that, as shown in the attached stipulation. *See* Ex. 1045. Petitioner's expanded stipulation agreeing not to pursue in court any grounds of prior art invalidity should resolve any remaining concern about "ensur[ing] that these IPR proceedings would be a 'true alternative' to the district court proceeding." Paper 19 at 3-4. With that expanded stipulation, which there is good cause to consider given the intervening change in USPTO policy, there is simply no basis to discretionarily deny institution.

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing PETITIONER'S REQUEST FOR REHEARING OF ORDER GRANTING DIRECTOR REVIEW, VACATING THE DECISION GRANTING INSTITUTION, AND DENYING INSTITUTION OF INTER PARTES REVIEW (PAPER 19) and Exhibits 1044 and 1045 were served via email at the following email addresses for counsel of record:

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Dated: April 28, 2025

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