UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

MOTOROLA SOLUTIONS, INC.

Petitioner,

v.

STELLAR, LLC

Patent Owner.

Case IPR2024-01206

U.S. Patent No. 9,485,471

PATENT OWNER'S REQUEST FOR DIRECTOR REVIEW

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Pursuant to 37 CFR § 42.75, Patent Owner Stellar, LLC ("Patent Owner") submits this Request for Director Review of the Board's decisions ("DI") instituting *inter partes* review of claims 1-20 of U.S. Patent No. 7,593,034 (the "'034 Patent"), claims 1-13 of U.S. Patent No. 9,485,471 (the "'471 Patent"), claims 1-22 of U.S. Patent No. 8,692,882 (the "'882 Patent"), and claims 1-23 of U.S. Patent No. 9,912,914 (the "'914 Patent").[1] As detailed herein, the Board failed to apply the former Director's guidance memorandum (and subsequent precedential authority) concerning analysis of the *Fintiv* factors. The Board also abused its discretion by erring in its fact-finding as to *Fintiv* factors 3 and 4. In the alternative, Patent Owner submits that the Director should abandon (at least in part) the former Director's guidance memorandum for the reasons detailed herein.

I. LEGAL STANDARD FOR DIRECTOR REVIEW

"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." *See* USPTO, Revised Interim Director Review Process at 2.B, Availability of Director Review: AIA Trial Proceedings (last modified Feb. 5, 2025). An abuse of discretion is found if a decision: (1) is clearly

[1] Simultaneously with this Request, Patent Owner is submitting identical requests with respect to the institution decisions in the following related IPRs: IPR2024-01205, IPR2024-01207, IPR2024-01208. The Board's DI is Paper 11 for each respective IPR.

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).

II. THE PRIOR DIRECTOR'S GUIDANCE AND SUBSEQUENT PRECEDENTIAL AUTHORITY

The prior Director issued guidance concerning the application of the *Fintiv* factors, which indicates that (1) when a petition "presents a compelling unpatentability challenge," the Board should not exercise discretion to deny institution, and (2) the Board should likewise not exercise discretion to deny institution "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." *Interim Procedure For Discretionary Denials In AIA Post-Grant Proceedings With Parallel District Court Litigation*, issued June 21, 2022 ("Guidance Memo").

After the Guidance Memo, the prior Director issued a precedential decision clarifying aspects of the Guidance Memo. *See CommScope Techs. LLC v. Dali Wireless, Inc.*, IPR2022-01242, Paper 23 (Feb. 27, 2023). In that decision, the prior Director indicated that, in determining whether the *Fintiv* factors favor exercising the Board's discretion to deny institution, the Board must first consider whether factors 1-5 favor exercising that discretion. *Id.* at 4-5. If they do, the Board must then

determine whether the petition "presents a compelling unpatentability challenge." *Id.* The prior Director also clarified that the "compelling merits" standard is higher than the "reasonable likelihood" standard for institution, and the Board cannot simply point to a conclusion that the petition meets the "reasonable likelihood" standard for institution to demonstrate that the petition "presents a compelling unpatentability challenge." *Id.* at 3-4. The prior Director also indicated that the Board must "provide sufficient analysis explaining why or how it reached this conclusion." *Id.* at 5.

III. FACTUAL BACKGROUND CONCERNING THE *FINTIV* FACTORS IN THIS PROCEEDING

This proceeding is the result of an eleventh-hour petition seeking to challenge the claims of the '034, '471, '882, and '914 Patents. As Patent Owner explained in its Preliminary Responses ("POPR"),[2] the parties are mere months away from trial at the district court, and any final written decision will not issue until well after trial.[3] Given this, and given that Petitioner and its real party-in-interest are both defendants in the district court, the Board properly concluded that *Fintiv* factors 1, 2, and 5 favor exercising the Board's discretion to deny institution under 35 U.S.C. § 314(a).

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[2] Paper 8 for each respective IPR.

[3] Since the DI, Petitioner sought a stay of the district court case, but the district court only stayed the case pending institution decisions in four other proceedings (IPR2024-01284, -01285, -01313, and -01314) which are scheduled to issue by March 20. In addition, between the submission of the POPR and issuance of the DI, the district court postponed trial from March 2025 to July 2025.

The Board's analysis of the remaining *Fintiv* factors contains many errors. As to factor 3, the Board concluded that the length of Patent Owner's infringement contentions indicates that "Patent Owner's infringement case alone . . . could present a substantial, if not overwhelming, burden on the district court's resources."[4] However, the Board acknowledges that only fourteen claims are asserted in the district court case. *Id.* Also, the parties have already indicated to the district court that they only require seven days for trial. *See Stellar, LLC v. Motorola Sols., Inc.*, No. 4:23-cv-00750-SDJ, Dkt. 19 (Dec. 13, 2023 joint case management report). The Board's assumption is therefore not supported by the facts.

As to factor 4, the Board referenced Petitioner's post-petition stipulation to "not pursue as to the challenged claims any ground raised or that reasonably could have been raised during the IPR" in the parallel litigation.[5] However, the Board ignored the fact that Petitioner's 1200-page invalidity expert report includes a plethora of invalidity theories, the majority of which relates to several "systems prior art" references, much of which is offered for obviousness based on combinations with the same prior art at issue in this IPR. *See* Ex. 2012. Therefore, Petitioner's post-petition stipulation is essentially meaningless, essentially duplicative of the grounds raised in the IPR, and will not reduce the burden on the court.

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[4] DI at 11 for IPR2024-01205; DI at 6 for IPR2024-01206, -01207, and -01208.
[5] DI at 12 (quoting Ex. 1043) for IPR2024-01205; DI at 6 for IPR2024-01206, -01207, and -01208.

As to factor 6, the Board concluded that "Petitioner's contentions have merit," pointing to the "reasonable likelihood" analysis in the remainder of the DI.[6] Notably, the Board did not conclude that the Petition presented a "compelling merits" challenge as required by the former Director's decision in *CommScope*, IPR2022-01242, Paper 23. *See id.*

IV. THE BOARD FAILED TO PROPERLY ANALYZE THE *FINTIV* FACTORS UNDER THE GUIDANCE MEMO AND *COMMSCOPE*.

The Board committed fundamental errors in its analysis of the *Fivtiv* factors under the Guidance Memo and *CommScope* which warrant Director review. While the Board found that factors 1, 2, and 5 favored exercising discretion to deny institution[7], the Board never rendered a conclusion as to whether factors 1-5 as a whole favor exercising discretion to deny institution, as expressly required under *CommScope*. Instead, the Board first addressed factors 1, 2, and 5[8], then addressed factors 3, 4, and 6[9], then rendered a conclusion in which it only discusses factors 3

[6] *See* DI at 12 for IPR2024-01205; DI at 7 for IPR2024-01206, -01207, and -01208.
[7] *See* DI at 10-11 for IPR 2024-01205; DI at 5 for IPR 2024-01206, -01207, -01208.
[8] *See* DI at 10-11 for IPR 2024-01205; DI at 5 for IPR 2024-01206, -01207, -01208.
[9] *See* DI at 10-11 for IPR 2024-01205; DI at 5 for IPR 2024-01206, -01207, -01208.

and 4[10]. This fundamentally flawed analysis is contrary to the Guidance Memo and *CommScope* and warrants Director review.

Also, even if the Board had made a conclusion as to factors 1-5 alone, the Board unquestionably did not conclude that the Petition met the "compelling merits" standard. Instead, the Board simply concluded that "[a]s discussed below, . . . Petitioner's contentions have merit."[11] However, what followed was merely the Board's "reasonable likelihood" analysis. As the prior Director made clear in *CommScope*, the Board must explain its reasoning in making a "compelling merits" finding and cannot simply point to a "reasonable likelihood" analysis. IPR2022-01242, Paper 23, 4-5 ("Importantly, I also instructed that 'the Board shall provide its reasoning in determining whether the merits are compelling.'") (quoting *OpenSky Indus., LLC v. VLSI Tech. LLC*, IPR2021-01064, Paper 102, 50 (PTAB Oct. 4, 2022) (precedential)).

V. THE BOARD ERRED IN ITS ANALYSIS OF *FINTIV* FACTORS 3 AND 4.

Not only did the Board fail to analyze the *Fintiv* factors under the framework described in the Guidance Memo and *CommScope*, but the Board's factual findings as to factors 3 and 4 are fundamentally flawed and warrant Director review.

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[10] *See* DI at 12 for IPR 2024-01205; DI at 7 for IPR 2024-01206, -01207, -01208.
[11] DI at 12 for IPR 2024-01205; DI at 7 for IPR 2024-01206, -01207, -01208.

As to factor 3, the Board relied on the length of Patent Owner's infringement contention claim charts to conclude that "Patent Owner's infringement case alone . . . could present a substantial, if not overwhelming, burden on the district court's resources."[12] However, only fourteen claims across eight patents are asserted in the district court case.[13] Further, the parties have already indicated to the district court that they only require seven days for trial. *See Stellar, LLC v. Motorola Sols., Inc.*, No. 4:23-cv-00750-SDJ, Dkt. 19 (Dec. 13, 2023 joint case management report).[14]

Given these facts, the Board's flawed reasoning that the amount of evidence cited in Patent Owner's infringement contentions (significant portions of which are screenshots of Petitioner's product documentation) somehow demonstrates a potentially "overwhelming[] burden" on the district court—and its apparent corresponding conclusion that factor 3 does not favor exercising discretion to deny institution—was an erroneous factual finding that warrants Director review and reversal.

Moreover, the Board's assertion that "[t]rying invalidity issues adds to [the district court's] burden"[15] is even less tenable. Petitioner (not Patent Owner) will

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[12] DI at 11 for IPR 2024-01205; DI at 6 for IPR 2024-01206, -01207, -01208.
[13] *Id.*
[14] Patent Owner is mindful of the Director Review process's prohibition on submission of new evidence. To the extent the Director wishes for Patent Owner to submit the materials mentioned herein to verify Patent Owner's assertions, Patent Owner will do so at the Director's request.
[15] DI at 11 for IPR 2024-01205; DI at 6 for IPR 2024-01206, -01207, -01208.

decide whether (and, if so, which) invalidity issues will be tried at the district court. To conclude that issues within Petitioner's control should be held against Patent Owner (in the form of a factual finding weighing against exercising discretion to deny institution) is a nonsensical and clearly erroneous factual determination that likewise warrants Director review and reversal.

As to factor 4, the Board referenced Petitioner's post-petition stipulation to "not pursue as to the challenged claims any ground raised or that reasonably could have been raised during the IPR" in the district court.[16] However, the Board ignored that Petitioner has offered a 1200-page invalidity expert report in the district court case, the majority of which will not be mooted by Petitioner's *Sotera* stipulation despite clear overlap in subject matter because of obviousness assertions combing art asserted in this IPR with unpublished "systems prior art" theories. *See* Ex. 2012. Thus, Petitioner subverts the very purpose of the stipulation proposed by the Board in *Sotera Wireless*, *i.e.*, to "ensure[] that an *inter partes* review is a 'true alternative' to the district court proceeding." *Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020-01019, Paper 12 at 19 (Dec. 1, 2020).

The idea that Petitioner's stipulation here would significantly reduce the issues before the district court (or that this proceeding is a "true alternative" to the

[16] DI at 12 (quoting Ex. 1043) for IPR2024-01205; DI at 6 for IPR2024-01206, -01207, and -01208.

district court proceeding) is not credible. Petitioner is simply seeking to have two independent bites at the invalidity apple, one here and one at the district court. Under the facts here, the Board's apparent conclusion that factor 4 does not favor exercising discretion to deny institution also was a clearly erroneous factual finding that warrants Director review and reversal.

Thus, under a proper analysis of the *Fintiv* factors, each of factors 1-5 favor exercising discretion to deny institution. The Board has essentially conceded that the Petition does not meet the "compelling merits" standard, as the Board made no such finding, nor did it provide any supporting reasoning as required by *CommScope* if it had so concluded. Thus, Director review is warranted, and on review the Director should reverse the DI and determine that discretionary denial under 35 U.S.C. § 314(a) is proper.

VI. THE DIRECTOR SHOULD ABANDON (AT LEAST IN PART) THE PRIOR DIRECTOR'S GUIDANCE MEMO.

As discussed above, the facts of this case warrant Director review and reversal of the Board's decision to not exercise discretion to deny institution. The facts here also illustrate the fundamental flaws with the prior Director's Guidance Memo, and the Director should take this opportunity to abandon the aspects of the Guidance Memo concerning *Sotera Wireless* stipulations.

Stipulations like those in *Sotera Wireless* are intended to address "concerns of duplicative efforts and potentially conflicting decisions" between the Board and

the district court and "ensure[] that an *inter partes* review is a 'true alternative' to the district court proceeding." *Sotera Wireless*, Paper 12 at 19. Simply stipulating not to raise grounds of invalidity that were raised or reasonably could have been raised in an IPR petition does not *per se* accomplish those goals. Where (as here) accused infringers and IPR petitioners hedge their invalidity bets by raising § 102 and/or § 103 invalidity theories based on unpublished "system prior art" (particularly when such prior use "system" theories involve publications that could theoretically serve as the basis for an IPR petition themselves), duplicative efforts are not avoided, and the IPR petitioner is not approaching the IPR system as a "true alternative" to the district court.

Here, Petitioner has provided hundreds of pages of expert opinion on § 103 theories on several prior art systems—theories which it has not stipulated to not pursue in the district court. Thus, the district court will be burdened with wading through that evidence and deciding whether the same claims challenged here are invalid—and potentially reaching a decision that conflicts with the Board's ultimate decision in this proceeding, were it to continue.

Given that Petitioner's stipulation (and others like it) do not offer the benefits sought by *Sotera Wireless*, the Director should modify the Office's guidance to clarify that the Board should take into account what a petitioner's remaining invalidity theories will be before the district court. In proceedings such as this one,

where Petitioner will continue to pursue other § 102 and/or § 103 invalidity theories, the Board should not determine (as the Guidance Memo indicates) not to exercise discretion to deny institution, but should instead determine the weight to give *Fintiv* factor 4 based on the scope of the petitioner's remaining invalidity case before the district court after the stipulation.

Dated: February 27, 2025

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CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing Patent Owner's Request for Director Review was served on February 27, 2025, to Lead and Back-up Counsel for Petitioner at the service address provided in Petitioner's Mandatory Notices:

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