

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

ECTO WORLD, LLC and SV3, LLC,
Petitioner

v.

RAI STRATEGIC HOLDINGS, INC.,
Patent Owner

Case IPR2024-01280
U.S. Patent No. 11,925,202

**PETITIONER'S BRIEF IN RESPONSE TO THE DIRECTOR'S ORDER
GRANTING DIRECTOR REVIEW, VACATING THE DECISION
DENYING INSTITUTION, AND REMANDING TO THE BOARD FOR
FURTHER PROCEEDINGS**

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Petitioner respectfully submits this brief in response to the Director’s Order Granting Director Review, Vacating the Decision Denying Institution, and Remanding to the Board for Further Proceedings (Paper 13, “Director’s Order”). The Director’s Order authorizes the parties to address whether denial of the Petition under 35 U.S.C. § 325(d) or under *Fintiv*¹ based on the parallel ITC investigation is appropriate. Director’s Order, 9. As explained below, denial of the Petition under either § 325(d) or *Fintiv* is inappropriate.

Regarding § 325(d), denial is unwarranted because the Office committed material error in issuing the ’202 patent. Moreover, discretionary denial under § 325(d) is inappropriate in light of Patent Owner’s “tacit refusal to identify references [in the 1,000-reference IDS] in responses to the Examiner’s request.” *Id.*, 7 (stating that “[t]hese facts may demonstrate that discretionary denial under § 325(d) is not warranted”). Patent Owner’s disregard for the Examiner’s request is even further called into question by the fact that Patent Owner knew which references “the examiner should [] pay particular attention to.” EX1002, 0174; Section I.B *infra*.

¹ *Apple v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) (precedential).

Denial of the Petition under *Fintiv* is also unwarranted. First, *Fintiv* should not be applied to the ITC investigation here because doing so raises Administrative Procedure Act (“APA”) concerns and prejudices Petitioner who has relied upon the Office’s prior guidance in the *Fintiv* Memo² in incurring the costs of preparing and filing the Petition, and in coordinating strategies between the ITC and PTAB proceedings. Patent Owner’s own counsel (including two of the same attorneys in this proceeding) made the very same argument in another proceeding less than two months ago. *See Motorola Solutions, Inc. v. Stellar, LLC*, IPR2024-01284, Paper 16 at 2-3 (PTAB Apr. 8, 2025). Nonetheless, even if the *Fintiv* factors were applied to the parallel ITC investigation, these factors would still weigh in favor of institution. This case is the quintessential example for when the compelling merits (Factor 6) should outweigh any other factors that may weigh in favor of denial. Indeed, not one, but two tribunals (including this same panel) have already found, at least preliminarily, the grounds in the instant Petition to be meritorious.

Therefore, the Petition should not be denied under either § 325(d) or *Fintiv*.

I. DENIAL UNDER 35 U.S.C. § 325(d) IS INAPPROPRIATE.

The Director’s Order requests briefing on two issues relating to § 325(d): (1)

² June 21, 2022 Memorandum: Interim Procedure for Discretionary Denials in AIA Post Grant Proceedings with Parallel District Court Litigation.

“the Office’s alleged error in issuing the challenged patent and why that error is material to patentability” and (2) “whether discretionary denial is appropriate in view of the 1,000-reference IDS and the applicant’s tacit refusal to identify references in response to the Examiner’s request.” Director’s Order, 7. Both issues illustrate that denial of the Petition under § 325(d) is inappropriate.

A. The Office committed material error in issuing the ’202 patent.

The Office materially erred by not appreciating that the asserted references, alone and in the proposed combinations, disclose every limitation of the challenged claims. Indeed, the ALJ in the parallel ITC investigation already found a “substantial question of invalidity” based on similar grounds as Grounds 1 (Takeuchi) and 3 (Kim-Pienemann) in the Petition. *Certain Disposable Vaporizer Devices*, Inv. No. 337-TA-1410, EDIS Doc. ID No. 838318 at 88 (ITC Nov. 19, 2024). Likewise, this same panel in IPR2024-01406 (Paper 7 at 26) found that there is “a reasonable likelihood that Takeuchi discloses all of the limitations of claim 1” of the same ’202 patent challenged here.

*Becton Dickinson*³ factors (c), (e), and (f) also individually and collectively illustrate the Office’s material error. Regarding *Becton, Dickinson* factor (c)

³ *Becton, Dickinson & Co. v. B. Braun Melsungen AG*, IPR2017-01586, Paper 8 (PTAB Dec. 15, 2017) (precedential as to § III.C.5, first paragraph)

(whether “the asserted art was evaluated during examination”), none of Takeuchi, Kim, Pienemann, or Susa (let alone in the combinations presented in the Petition) were applied in any office action during prosecution of the patent, nor were every seriously considered by the Examiner. Pet., 110; *see* Section I.B *infra*.

Substantial evidence directly relevant to *Becton, Dickinson* factor (f) (additional evidence/facts that “warrant reconsideration of the prior art or arguments”) also exists. Pet., 9-10 (a claim construction issued in a prior IPR that was not available to the Examiner during prosecution), 15-16, 19, 22-23, 25, 39 (Patent Owner made admissions in prior IPRs that Takeuchi discloses several claim features—which were also not available to the Examiner). Dr. Deevi’s expert declaration in support of the proposed combinations of references, which was also not available to the Examiner during prosecution—additionally warrants reconsideration of the prior art under *Becton, Dickinson* factor (f). *Therabody, Inc. v. Hyperice IP Subco, LLC*, PGR2024-00053, Paper 8 at 10-11 (PTAB Apr. 21, 2025) (existence of a probative expert declaration resulted in “factor (f) weigh[ing] against exercising discretion to deny institution under § 325(d)”).

Finally, regarding *Becton, Dickinson* factor (e) (identification of “how the Examiner erred”), Petitioner explained that “Applicant ignored [the Examiner’s] request” to “specifically point[] out in response to this Office Action” “any particular reference or portion of a reference in the list which the examiner should

[] pay particular attention,” and “[a]s a result, none of these references (let alone in the combinations presented herein) were applied in any office action during prosecution of the patent.” Pet., 110. Petitioner also explained that “the ’202 patent issued after very limited examination,” but “the claimed concepts were well-known before the ’202 patent, and as such [the patent] should not have been allowed.” Pet., 7-8; *see Sci. Design Co., Inc. v. Shell Oil Co.*, IPR2021-01537, Paper 7 at 25 (P.T.A.B. Mar. 18, 2022) (relying on Petitioner’s arguments regarding the prosecution history in concluding that “Petitioner sufficiently demonstrates that the Examiner erred”). The material errors are thus the Examiner’s failure to either discuss or apply the asserted references, or the proposed combinations thereof, and the failure to appreciate the materiality of these disclosures.

Therefore, *Becton, Dickinson* factors (c), (e), and (f) show that the Office committed material error in issuing the ’202 patent.

B. The 1,000-reference IDS and Patent Owner’s Actions Make Denial Under § 325(d) Inappropriate.

The Director’s Order correctly determined that Patent Owner’s “tacit refusal to identify references [in the 1,000-reference IDS] in response to the Examiner’s request” “may demonstrate that discretionary denial under § 325(d) is not warranted.” Director’s Order, 7. But when the underlying facts are examined more closely, it becomes readily apparent that there should be no ambiguity. Indeed, Patent Owner’s gamesmanship during prosecution *does* demonstrate that denial

under § 325(d) is not warranted.

As the Director noted, “the IDS that includes the asserted prior art contains over 1,000 references, which is over 40 times the size of a typical IDS.” Director’s Order, 7. Given the unwieldy size of the IDS, Takeuchi, Kim, Pienemann, and Susa were proverbial needles in an IDS haystack. No reasonable practitioner could contend that the Examiner ever actually found these references, let alone considered the merits of their disclosures.⁴

Additionally, Patent Owner cannot reasonably claim that its failure to identify references in response to the Examiner’s request was a mere oversight. At the time that the Examiner made this request, Patent Owner was acutely aware of the relevance of the asserted references, most notably Takeuchi, which Patent Owner had asserted in its own IPR petitions on at least 6 earlier occasions. IPR2016-01270, Paper 2 at 6; IPR2016-01527, Paper 1 at 7 (Takeuchi used as a primary reference); IPR2017-01117, Paper 2 at 8; IPR2017-01118, Paper 2 at 8

⁴ The Director’s articulated dangers of shifting the burden to the Board should apply with equal force to Examiners. *See id.*, 6 n.2. Thus, Patent Owner’s refusal to identify references in the 1,000-reference IDS in responses to the Examiner’s request similarly “improperly shifts [Patent Owner’s] burden to demonstrate [relevance of the cited references] onto the [Examiner].” *Id.*

(Takeuchi used as a primary reference); IPR2017-01120, Paper 2 at 7-8; IPR2018-00627, Paper 2 at 9 (Takeuchi used as a primary reference). In these prior petitions, Patent Owner even affirmatively stated that Takeuchi discloses several features that are claimed in the '202 patent. Pet., 15-16, 19, 22-23, 25, 39.

Therefore, Patent Owner not only refused to identify references in response to the Examiner's request, the evidence suggests that Patent Owner may have hid the relevance of the asserted references from the Examiner, most notably Takeuchi. As a result, "even if [] petitioner fails to make a persuasive argument that the Examiner erred by overlooking particular teachings in the prior art provided on an IDS," Patent Owner's gamesmanship during prosecution "demonstrate[s] that discretionary denial under § 325(d) is not warranted." Director's Order, 6-7.

II. DENIAL UNDER *FINTIV* IS INAPPROPRIATE.

Denial of the Petition under *Fintiv* is inappropriate for at least two reasons: (1) applying *Fintiv* the parallel ITC investigation would raise APA concerns and prejudices Petitioner; and (2) even if applied to the parallel ITC investigation, the *Fintiv* factors would still weigh in favor of institution.

A. *Fintiv* should not be applied to the parallel ITC investigation.

Here, the Director should maintain the standards for institution under *Fintiv* that were in place at the time this Petition was filed. Petitioner developed the Petition arguments and corresponding ITC strategy based on the standards outlined

in the *Fintiv* memo, which was binding at the time and indicated that “[t]he PTAB will not discretionarily deny petitions based on applying *Fintiv* to a parallel ITC proceeding.” *Fintiv* Memo, 7, 9. Changing this fundamental policy now penalizes Petitioner for diligently filing its Petition, and relying on certain prior art in direct reliance on the policy in place at the time, and leaves Petitioner with no recourse. Additional briefing on *how* the *Fintiv* factors apply to the ITC investigation does not allow Petitioner to go back and formulate a different strategy for its invalidity challenges based on current Office policies that did not exist at the time.

It is well established that the Patent Office cannot apply rules retroactively. *Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204, 213-214 (1988) (holding that agencies cannot “act retroactively” unless Congress expressly authorizes). “Elementary considerations of fairness dictate that individuals should have an opportunity to know what the law is and to conform their conduct accordingly.” *Landgraf v. USI Film Prods.*, 511 U.S. 244, 265 (1994).

Guidance like the *Fintiv* Memo, while perhaps not formally a rule, nonetheless has the effect of a rule—especially where it directly sets standards for instituting IPRs. *See* 35 U.S.C. § 316(a) (mandating that “[t]he Director shall prescribe regulations” including regulations “(2) setting forth the standards for the showing of sufficient grounds to institute a review under section 314(a).”). The Office’s rescission of the *Fintiv* memo, effectively changed the standards for the

showing of sufficient grounds to institute review under § 314(a).

Setting aside whether the promulgation of these new standards is itself an APA violation, *see Apple Inc. v. Vidal*, 63 F.4th 1 (Fed. Cir. 2023), applying that change *retroactively* surely violates the spirit of the APA, *Bowen*, and *Landgraf*. Petitioner should have an opportunity to know what the institution standard is and to conform its Petition accordingly. This is especially true in light of the Office’s representation that any further changes to the institution process would be made through notice-and-comment rulemaking. 88 Fed. Reg. 24,503 (Apr. 21, 2023).

It is also arbitrary and capricious for the Office to issue—and then retroactively enforce—guidance based on changes that *directly contradict* the Office’s prior guidance. Such is the case here with the guidance now being that *Fintiv* can be applied to parallel ITC investigations. Indeed, the Office did not even provide any reasoned explanation for the changes. *Food & Drug Admin. v. Wages & White Lion Invs., L.L.C.*, 145 S. Ct. 898, 918 (2025) (explaining that when an agency changes position, it must “offer ‘good reasons for the new policy’”).

While the Director recently addressed and disregarded this retroactivity concern (*see Motorola Solutions*, Paper 17 at 5), the Director misunderstood the real issue. The concern with applying the rescission of the *Fintiv* Memo retroactively is not whether Petitioner “had the opportunity to present...arguments in view of the rescission,” as the Director surmised. *Id.* Instead, the concern, as

articulated here, is that the retroactive application prejudices the Petitioner who has relied upon the Office's prior guidance in coordinating strategies between ITC and PTAB proceedings, and selecting prior art to be applied in both proceedings. This fundamental concern was not addressed by the Director in *Motorola Solutions*.

For these reasons, applying the new *Fintiv* standards retroactively here would severely prejudice Petitioner. This is particularly true where the retroactive application of a new rule was not first subjected to notice-and-comment rulemaking under the APA, despite the agency's stated intent to follow such procedures. *NetworkIP, LLC v. F.C.C.*, 548 F.3d 116, 122–23 (D.C. Cir. 2008). The Board should thus maintain the standards for institution here that were in place at the time this Petition was filed, and not apply *Fintiv* to the ITC investigation.

B. The *Fintiv* factors still weigh in favor of institution.

While *Fintiv* should not be applied to the parallel ITC investigation in the first place, such an analysis would still weigh in favor of institution. Indeed, five of the six *Fintiv* factors are either neutral or weigh in favor of institution (Factor 5 being the only outlier). And even if this were not the case, this proceeding is the quintessential example for when the compelling merits (Factor 6) should outweigh any other factors that may weigh in favor of denial. *Vizio, Inc. v. Maxell, Ltd*, IPR2022-01458, Paper 8 at 62 (P.T.A.B. Apr. 11, 2023) (finding compelling merits and declining to exercise discretion to deny institution even though “we determine

that Fintiv Factors 1–5 favor denial of institution”); *Samsung Electronics Co., Ltd. v. Sionyx, LLC*, IPR2024-01431, Paper 21 at 17-18 (PTAB Apr. 10, 2025) (same).

1. Whether the Court granted a stay

The ITC investigation has not been stayed, and consistent with multiple other Board decisions, “factor one, by itself, is neutral or bears little weight in [the] overall analysis.” *Samsung v. Sionyx*, at 13; *Samsung Electronics Co., Ltd. et al. v. Dynamics Inc.*, IPR2020-00505, Paper 11 at 11 (PTAB Aug. 12, 2020).

2. Proximity of the target date to the final written decision

Petitioner was diligent in filing the Petition just two months after the ITC complaint was filed. *Nintendo Co., Ltd. et al. v. Gamevice, Inc.*, IPR2020-01197, Paper 13 at 15 (PTAB Jan. 12, 2021) (“We credit ... Petitioner’s diligence in filing this Petition ‘within two months of institution of the ITC case.’”). Because of Petitioner’s diligence, the target date for completion of the parallel ITC investigation (Nov. 24, 2025) is just over three months before the original projected FWD deadline (Mar. 6, 2026). At worst, this only “slightly favors discretionary denial.” *Samsung v. Sionyx*, at 14 (where the ITC target completion date was more than three months before the deadline for a final written decision, finding the “proximity of trial date slightly favors discretionary denial.”)

Moreover, Patent Owner filed a motion in the ITC investigation for leave to supplement its pre-hearing brief. That motion was granted, and in doing so, the

ALJ scheduled a supplemental hearing for June 11, 2025 and extended out the post-hearing briefing schedule by two months. *Certain Disposable Vaporizer Devices*, EDIS Doc. ID Nos. 2370648 and 2377027 (Orders 46 and 47) (ITC Apr. 29 and May 7, 2025). It is likely that the target date will be similarly delayed. In fact, a two month delay of the target date would be consistent with the current available statistics on ITC delays. See https://www.usitc.gov/intellectual_property/337_statistics_average_length_investigations.htm.

Therefore, Petitioner's diligence in filing the Petition, coupled with the high likelihood of the ITC target date being delayed, results in Factor 2 being neutral.

3. Investment in the proceedings by the Court and parties

The parties have made substantial investments in both the ITC investigation and the instant IPR (submitting a Petition, multiple exhibits, including an expert declaration, POPR, Director Review request and reply, and the current additional briefs). Therefore, Factor 3 is also neutral. *Samsung v. Dynamics* at 12 (upon submission of similar papers in the IPR, finding that “[i]t is clear the parties’ investments in both proceedings are substantial. Thus, we find this factor is neutral in our analysis regarding institution.”); *Sharkninja Operating LLC v. iRobot Corporation*, IPR2021-00545, Paper 11 at 7-8 (PTAB Sept. 8, 2021) (because Petitioner acted diligently in filing the Petition, the investment in the ITC investigation “is not a result of Petitioner’s delay”).

4. Overlap between issues raised in the proceedings

The Petition challenges all 30 claims of the '202 patent, whereas only a fraction of the claims are currently being challenged at the ITC (claims 1, 4, 9, 11, 12, and 15). Amongst the claims challenged here, but not at the ITC, is an additional independent claim, as well as claims that add features that are not within the subject matter of the claims challenged at the ITC—e.g., claims 5-7 reciting a removable “cartridge.” Also, only two of the four grounds in the Petition overlap with the current ITC grounds. Indeed, Ground 2 (Takeuchi and Pienemann) and Ground 4 (Kim, Pienemann, and Susa) were not presented during the ITC hearing. In fact, Susa was not relied on in any capacity during the ITC hearing.

Therefore, Factor 4 favors institution. *Samsung v. Sionyx* at 15-16 (“The record also does not support that the ITC will ever adjudicate the invalidity grounds raised here[] and does not support that the ITC will ever address the dependent claims at issue here. This is, therefore, not a situation where the ITC Investigation will ‘resolve key issues in the petition’ ... Thus, this factor weighs against discretionary denial.”); *Samsung v. Dynamics*, at 13-14 (same).

6. Other circumstances, including compelling merits

There is no better example than here for when the compelling merits should outweigh any other factors that may favor denial. Indeed, not one, but two tribunals have already found the grounds in the instant Petition to be meritorious.

TVision Insights, Inc. v. The Nielsen Company (US), LLC, IPR2023-01014, Paper 10 at 52-53 (PTAB Jan. 8, 2024) (finding Petitioner’s compelling challenges “very heavily weigh[] against exercising our discretion to deny institution”).

The record here also reinforces the compelling merits of Petitioner’s challenges. Patent Owner leaves unrebutted almost all of the Petition’s arguments—choosing to only address the claimed “*electrical resistance heater*” in Grounds 1 and 2, and the motivation to combine the references in Grounds 3 and 4. Patent Owner’s rebuttal arguments, however, are nothing more than a rehashing of failed arguments at the ITC and arguments this panel has already found unpersuasive. *Certain Disposable Vaporizer Devices*, EDIS Doc. ID No. 838318 at 88; IPR2024-01406, Paper 7 at 24-25. And as was the case in *Vizio, Inc. v. Maxell, Ltd.*, Patent Owner’s arguments here are “contrary to the references’ plain disclosures,” and “Patent Owner does not present expert testimony at this stage supporting its positions.” IPR2022-01463, Paper 7 at 32-34 (PTAB Apr. 11, 2023). As such, the Board should similarly find here that based on “Petitioner’s well-supported contentions, ... the Petition presents compelling merits.” *Id.*

Other circumstances that impact the Board’s exercise of discretion here include the fact that “the ITC does not have the authority to invalidate a patent ... Thus, while the ITC’s decision in the co-pending investigation may inform [the Board’s] decision, it does not render [this] proceeding duplicative or amount to a

waste of the Board’s resources.” *Wirtgen America, Inc. v. Caterpillar Paving Products Inc.*, IPR2018-01201, Paper 13 at 11-12 (PTAB Jan. 8, 2019) (“For these reasons, we decline to exercise our discretion under 35 U.S.C. § 314(a)”).

Moreover, Patent Owner has brought multiple litigations involving the technology disclosed in the ’202 patent, many having questionable merits, in just the last few years. 337-TA-1199; 337-TA-1381 (withdrawn by Patent Owner before trial); 337-TA-1410 (ALJ preliminarily finding a “substantial question of invalidity”). Patent Owner’s litigious nature also underscores why discretionary denial is inappropriate here. This Petition, and others like it (including the Petition in IPR2024-01406), are therefore necessary to provide protections to the public against Patent Owner’s current and future questionable litigations attacks. *Illumina, Inc. v. Natera, Inc.*, IPR2019-01201, Paper 19 at 6-7 (PTAB Dec. 18, 2019) (no discretionary denial where “denial of the Petition could cause Petitioner harm”).⁵

Factor 6 therefore strongly favors institution.

III. CONCLUSION

For the foregoing reasons, Petitioner respectfully submits that the Petition should not be denied under either § 325(d) or *Fintiv*.

⁵ Patent Owner’s attorneys also relied on this same holding in *Motorola Solutions*.

Respectfully submitted,

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CERTIFICATE OF SERVICE (37 C.F.R. § 42.6(e))

I certify that the above-captioned **PETITIONER'S BRIEF IN
RESPONSE TO THE DIRECTOR'S ORDER GRANTING DIRECTOR
REVIEW, VACATING THE DECISION DENYING INSTITUTION, AND
REMANDING TO THE BOARD FOR FURTHER PROCEEDINGS** was
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