UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

KLEIN TOOLS, INC.,
Petitioners,

v.

MILWAUKEE ELECTRIC TOOL CORP.
& KETER HOME AND GARDEN PRODUCTS, LTD.,
Patent Owners.

Case No. IPR2024-01400
Patent No. 11,365,026

PATENT OWNERS' REQUEST FOR DIRECTOR REVIEW

TABLE OF CONTENTS

Page 1

I. INTRODUCTION 1

II. BACKGROUND 4

III. ABUSES OF DISCRETION 6

- A. The Panel's Analysis of the Overlap of *Claims* Undermines *Fintiv* in ITC Contexts (Factor 4) 6
- B. There is now Complete Overlap in the Claims Challenged in the IPR and Claims Adjudicated by the ITC 8
- C. The Panel's Proposed Standard with Respect to Overlap of Prior Art Grounds Undermines *Fintiv* 9
- D. The Panel Abused its Discretion by Finding the Lack of a Stay Neutral, Despite the Fact that a Stay in the ITC Litigation is Extremely Unlikely (Factor 1) 13
- E. The Panel Overemphasized the Merits of the Petition in Contravention of *Fintiv* and USPTO Guidance (Factor 6) 14

IV. CONCLUSION 15

I. INTRODUCTION

Pursuant to 37 C.F.R. § 42.75, Patent Owner respectfully requests Director Review of the Patent Trial and Appeal Board's (PTAB's) institution decision (Paper 17, "Institution Decision") in IPR2024-01400.

Until recently, PTAB panels were constrained by the USPTO's now-rescinded June 2022 memorandum, which directed the Board to not apply *Fintiv* to parallel ITC proceedings. However, on February 28, 2025, the PTAB rescinded the June 2022 memorandum, and the Board returned to the statutory authority under Section 314(a), as set forth in *Fintiv*, to deny institution in light of parallel ITC proceedings.[1]

Additionally, the March 24, 2025 Director Memorandum clarified that *Fintiv* applies to parallel ITC proceedings and that the Board is more likely to deny institution where the ITC's final determination is expected before the PTAB's final written decision. The Panel in the current IPR, however, applied *Fintiv* in a way that effectively nullifies the Board's guidance, instituting a trial despite the parallel

[1] *Apple v. Fintiv*, IPR2020-00019, Paper No. 11 (PTAB precedential). *See also Garmin International, Inc. v. Koninklijke Philips N.V*, IPR2020-00754, Paper 11 (PTAB Oct. 27, 2020) (denying institution); *Comcast Cable Communications, LLC v. Rovi Guides, Inc.*, IPR2020-00800, Paper 10 (PTAB Oct. 22, 2020) (denying institution).

ITC trial already being completed and a final determination expected well before the PTAB's final written decision. Patent Owner respectfully submits that the Panel abused its discretion as follows:

Factor 1 (Stay): The Panel abused its discretion by finding this factor neutral, despite the fact that the ITC trial has concluded and no stay has ever been requested—making a stay next to impossible. Under the proper analysis, this factor strongly favors discretionary denial.

Factor 4 (Claim Overlap): The Panel focused only on the extent of the overlap of the claims presented at the ITC trial, disregarding that numerous challenged claims were originally asserted and challenged with Patent Owner narrowing the claims presented at trial only due to ITC practice and procedures. If *Fintiv* Factor 4 requires ***perfect*** overlap between all claims in the IPR and those adjudicated in a parallel trial, then this factor would almost never be met due to frequent case narrowing that occurs during the course of litigation before the ITC and in District Court. In any event, Patent Owner has statutorily disclaimed all non-overlapping claims, resulting in complete overlap between the claims challenged in this IPR and those being considered by the ITC. This factor strongly favors discretionary denial.

Factor 4 (Grounds Overlap): The Panel focused narrowly on whether the grounds and prior art in the Petition ***perfectly*** overlapped with the prior art and grounds presented at the ***ITC trial***. However, *Fintiv* requires the Board to consider

whether the same grounds were raised "***in the parallel proceeding***"—not merely at the ITC trial. This narrow focus on whether a 1:1 correlation between the grounds and art presented in the Petition and at the ITC trial exists, however, ignores that parties frequently narrow the scope of the case before trial, including dropping asserted claims (as discussed above) and narrowing the prior art grounds. In the parallel ITC proceeding, Petitioner raised the same references it raises in its Petition (e.g., Burchia, Metabowerke, Lafragette and Bensman) in the ITC investigation. Petitioner then dropped one prior art reference (Metabowerke) during the course of the ITC proceeding and as part of the parties' efforts to narrow the case for trial. Requiring the prior art and grounds to be identical between the Petition and what is presented at a parallel trial, as the Panel appears to assert, would reward selective presentation of grounds and prior art, thus enabling strategic gamesmanship that undermines *Fintiv*. Notably, Petitioner also failed to provide a *Sotera* stipulation. By focusing solely on the ITC trial and ignoring the ITC proceeding, and by failing to account for the absence of a *Sotera* stipulation, the Panel's analysis under Factor 4 was both incomplete and contrary to current USPTO policy. Under the proper analysis, this factor strongly favors discretionary denial.

Factor 6 (Merits): Factor 6 considers the strength of the Petition's merits. While the Panel found this factor weighed against discretionary denial, recent PTAB guidance makes clear that even allegedly strong merits on certain claims do

not override the other *Fintiv* factors. As the March 2025 Director Memorandum emphasizes, the *Fintiv* analysis requires a holistic, balanced assessment such that compelling merits alone are not dispositive. In this case, the Panel did not even assess the merits of some claims, and only instituted based on *SAS*. As such, this factor is not in favor of institution, and at a minimum, it does not overcome all of the factors, which strongly favor denial of institution.

Respectfully, these abuses of discretion raise important issues of policy, require correction, and necessitate Director Review.

II. BACKGROUND

The ’026 patent covers certain aspects of Patent Owners’ “Packout” Storage Containers which are manufactured in the United States and Israel. Petitioner manufactures a copycat “MODBox” in China. Patent Owners’ ITC Investigation seeks to exclude those infringing products from being imported into the United States.

The ’026 patent has been asserted against Petitioner in the following cases: *Milwaukee Electric Tool Corporation et al. v. Klein Tools, Inc.*, 337-TA-1409 (“ITC investigation”); and *Milwaukee Electric Tool Corporation et al. v. Klein Tools, Inc.*, 1:24-cv-04928 (N.D. Ill.) (“District Court case”) (statutorily stayed pending the ITC Investigation). In its Supplemental Brief Regarding *Fintiv*, Patent Owner requested denial based on the ITC investigation.

In the ITC investigation, ***claims 1-5 and 7-11*** were originally asserted by

Patent Owner against Petitioner. On September 27, 2024, Klein served invalidity contentions that included the ***same grounds of invalidity*** as those pursued against the asserted claims in its IPR petition. Klein maintained these grounds in its ***final invalidity contentions*** even after it filed the IPR petition. Shortly before the ITC trial in February 2025, Patent Owner narrowed the case to dependent claims 4, 8, and 10 of the ’026 patent. Patent Owner subsequently narrowed the case to dependent claims 4 and 8 on February 21, 2025. These dependent claims include the limitations of claims 1-4, and 8; including the only independent claim in the ’026 patent. At trial, Petitioner narrowed its invalidity grounds to the “The Auer System” (not at issue in this proceeding) in view of Bensman and, also, over Burchia in view of Bensman (both at issue in this proceeding). The ITC trial concluded on February 14, 2025, with an initial determination expected by June 20, 2025.

In its March 18, 2025, Institution Decision, the Panel analyzed all six *Fintiv* factors, finding:

- Favoring discretionary denial: Factor 2 (trial timing), Factor 3 (investment), and Factor 5 (same parties);
- Neutral or of little weight: Factor 1 (stay status);
- Weighing against discretionary denial: Factor 4 (issue overlap), and Factor 6 (merits)

While acknowledging that several factors favor discretionary denial, the

Panel concluded that ***Factor 4 outweighed the other factors*** and instituted the IPR, citing a lack of "substantial overlap" in prior art grounds and claims.

III. ABUSES OF DISCRETION

A. The Panel's Analysis of the Overlap of *Claims* Undermines *Fintiv* in ITC Contexts (Factor 4)

In the Institution Decision, the Panel stated:

> In the ITC Litigation, **Petitioner challenges dependent claims 4 and 8**, which are a subset of claims 1–11 challenged in this proceeding. See Fintiv Br. 2, 4; Fintiv Opp. 2, 4. Patent Owner correctly points out that, in challenging dependent claims 4 and 8 in the ITC Litigation, Petitioner will have to address the limitations recited in claims 1–4 and 8, based on their dependencies: claim 2 depends from independent claim 1; claim 3 depends from claim 2; claim 4 depends from claim 3. See Fintiv Br. 2, 4; 35 U.S.C. § 112(d) ("A claim in dependent form shall be construed to incorporate by reference all the limitations of the claim to which it refers."). But that leaves 6 of the 11 claims of the challenged patent not addressed by the invalidity arguments in the ITC. Overall, this fourth Fintiv factor **weighs heavily against** discretionary denial.

Institution Decision at 18-19. (Emphasis Added).

The Panel erred by limiting its analysis to the subset of claims presented at the **ITC trial**, despite the fact that ten of the eleven claims were originally asserted and challenged in the ITC proceeding. The narrowing to claims 4 and 8 occurred

due to the ITC's case narrowing practice—a routine procedural step in ITC practice—not due to claim irrelevance. Thus, the Panel abused its discretion by focusing solely on the overlap of claims at the **ITC *trial***, as opposed to the overlap in the "***in the parallel [ITC] proceeding***", as required by *Fintiv*.

By restricting claim overlap to those claims narrowed for trial, the Panel effectively rendered *Fintiv* Factor 4 toothless because case narrowing is normal (and often a required and/or an important practice for the efficient presentation of evidence). This undermines *Fintiv's* purpose of preventing duplicative validity challenges across forums. If overlap is measured strictly by the final claims adjudicated at **trial**—ignoring the tribunal's narrowing procedures, practices, stipulations, or case management orders—*Fintiv* is effectively nullified whenever the PTAB institution decision follows a trial in a parallel forum. This is a critical policy issue for the Director.

The Panel's approach is also inconsistent with the approach taken by at least one other Panel following the rescission of the June 2022 memo. *See Eunsung Global Corp. V. Hydrafacial LLC, IPR2024-01491*, paper 17 at 14 ("Further, even if fewer claims are pursued in the ITC proceeding than in the IPR, if the art and arguments substantially overlap, there would still be a substantial duplication of efforts."); *see also Fintiv*, Page 8, Paper 11, IPR2020-00019 (the Board considered whether the petition raised the same or *substantially the same* claims, grounds, arguments, or evidence as presented in the parallel proceeding); *Samsung*

Electronics Co., Ltd. et al., v. Clear Imaging Research, LLC, IPR2020-01551, Paper 12; *Google Software LLC et al. v. Agis Software Development, LLC*, IPR2020-00870, Paper 16; *Allergan, Inc. et al. v. Btl Healthcare Technologies A.S.*, PGR2021-00016, Paper 16. Director Review is necessary to ensure consistency and fairness in the application of *Fintiv*.

Finally, the PTAB emphasized that *Fintiv* applies fully in the ITC context, especially when the ITC's final written determination ***precedes*** the Board's Final Written Decision. As noted in the March 2025 Director Memo, "the Board is more likely to deny institution where the ITC's projected final determination date is earlier than the Board's deadline to issue a final written decision." Here, the ITC's initial determination is scheduled to issue in June 2025, and the ITC's final written decision will be issued by October 2025, many months before the Board's Final Written Decision.

B. <u>There is now Complete Overlap in the Claims Challenged in the IPR and Claims Adjudicated by the ITC.</u>

In any event, any partial overlap that may have existed at institution has now been eliminated. As previously noted, Patent Owner has now filed a statutory disclaimer of the non-overlapping claims identified by the Panel. Thus only claims (4 and 8) and their parent claims (1–4, 8) remain. There is now full overlap between the Petition and the ITC. Accordingly, the Panel's conclusion that only 5 of the 11 claims were at issue is no longer the situation, and this factor no longer

supports institution. While prior PTAB decisions have found sufficient overlap without ***perfect*** claim and ground alignment, Patent Owner could not have anticipated the Panel's novel view that only claims presented at trial count under § 314(a). Although Patent Owner respectfully disagrees with this narrow approach, the disclaimer resolves this issue.

Accordingly, *Fintiv* Factor 4 no longer supports institution—as the Panel found—and now strongly favors discretionary denial.

C. <u>The Panel's Proposed Standard with Respect to Overlap of Prior Art Grounds Undermines *Fintiv*</u>

In the Institution Decision, the Board stated:

> We first address the degree of overlap in issues based on the ***prior art*** at issue in each proceeding… Patent Owner states that "two references (Burchia and Bensman) from the ITC [Litigation] reappear" in this proceeding. *Fintiv* Br. 4. Petitioner argues that its invalidity case in the ITC Litigation relies on **two grounds**—(1) the Auer System in view of Bensman and (2) Burchia in view of Bensman—and ***neither* of those grounds is in this proceeding**. *Fintiv* Opp. 2, 4. Further, Petitioner highlights that Metabowerke is relied upon (at least in the alternative) for each of the grounds in the Petition here, and **Metabowerke is *not* currently at issue in the ITC** Litigation. *Id.* at 2, 4.

> The record here supports Petitioner's argument that **the grounds in this proceeding were not "presented in" the *trial* hearing in ITC Litigation and,** thus, the ITC will not adjudicate the patentability grounds raised here.

Institution Decision at 17. (Emphasis Added).

Here again, the Panel focused exclusively on the grounds and prior art presented at the ITC ***trial***—ignoring both the broader record of the ITC proceeding and the fact that certain references now relied on in the IPR were originally raised by Petitioner in the ITC and then deliberately and strategically dropped. *Fintiv*, however, does not limit the analysis to the parallel ITC ***trial***. The relevant inquiry is whether the art was raised—or reasonably could have been raised—during the parallel ***proceeding***. *Fintiv,* paper 15 at 14 (denying institution when "The same art [was] presented in Petitioner's final invalidity contentions" despite "the fact that Petitioner [had] not decided whether to pursue the art from [the IPR]…at trial.").

Petitioner's use of different prior art at the ITC trial was not based on divergent theories from the outset. Throughout the ITC investigation, Petitioner relied on the exact same references in the IPR, including primary references Burchia and Metabowerke and secondary references Lafragette and Bensman.

Petitioner dropped Metabowerke from the ITC after serving its final invalidity contentions—and shortly before trial—solely to use it in the IPR in an attempt to avoid discretionary denial. This is precisely the maneuvering *Fintiv*

sought to deter. The Board's precedential guidance in *Fintiv* emphasizes that the relevant inquiry is the "claims, grounds, arguments, and evidence as presented ***in the parallel proceeding***." *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 at 12 (PTAB March 20, 2020) (precedential). Here, there was ***exact overlap*** of the references and arguments raised in the Petition as compared to those pursued during discovery in the ITC. The only reason the overlap appears diminished is because Petitioner strategically withheld Metabowerke from the ITC trial to artificially differentiate the ITC proceedings in an attempt to evade *Fintiv*. This is not even a case of "reasonably could have raised" prior art, as Petitioner actually raised these exact references and then dropped them, forcing Patent Owner to defend against the same core challenges in two forums. The Board acknowledged that "the ITC will have no occasion to decide the grounds presented here because Metabowerke was not presented ***at the [ITC] hearing***." *Institution Decision*, Paper 17 at 18. But this rationale is flawed. *Fintiv* requires the Board to consider whether the same grounds were raised "***in the parallel proceeding***"—not merely at the ITC trial. Petitioner's strategic withdrawal of identical prior art should weigh in favor of denial, not in favor of institution.

Moreover, Petitioner provided no *Sotera* stipulation. As reaffirmed in the March 2025 Director Memorandum and in *Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020-01019, Paper 12 at 18–19, the absence of such a stipulation is highly relevant in the *Fintiv* analysis. Petitioner's conduct forced Patent Owner to expend

significant resources litigating Metabowerke at the ITC, only for Petitioner to drop it late in the case and re-assert it here in an attempt to sidestep *Fintiv*. This procedural manipulation undermines the policy and intent of *Fintiv*.

Respectfully, the Board ignored Petitioner's failure to provide a *Sotera* stipulation that it "will not pursue in … the instituted inter parties [sic] review petition… any … ground …that was raised or ***could have been reasonably raised*** in an IPR." *Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020-01019, Paper 12 at 18. Despite the Board reasserting in its latest guidance the importance of a *Sotera* stipulation, which "weighs strongly in favor of not exercising discretion to deny institution" under *Fintiv*, the Panel did not heed this guidance. The absence of a stipulation has allowed Petitioner to game the system by presenting duplicative and harassing unpatentability/validity challenges in different forums—precisely what *Fintiv* sought to prevent.

As such, Director Review is necessary to correct this error, ensure adherence to *Fintiv* and *Sotera*, and prevent Petitioners from gaming the system through strategic withdrawal and late re-assertion of invalidity grounds.

This case is also an appropriate vehicle for clarifying how *Fintiv* applies when a Petitioner raises the same references in both forums, then selectively drops them at the parallel trial and raises them in a late-filed IPR to evade discretionary denial.

As *Fintiv* explains, the "concerns of inefficiency and the possibility of

conflicting decisions [a]re particularly strong" when "the petition includes the same ***or substantially the same*** claims, grounds, arguments, and evidence as presented ***in the parallel proceeding***." *Fintiv* at 12. Here, Petitioner has already gone through the process of presenting its presumably best invalidity case at the ITC, including Burchia, Lafragette, and Bensman, and Patent Owner has already had to defend against that challenge. Petitioner has consumed the resources of both the Patent Owner and the ITC through discovery and expert analysis—only to drop references before trial and repackage them for the PTAB. Now, the PTAB and Patent Owner are being forced to relitigate those same issues—an outcome *Fintiv* seeks to avoid. The purpose of *NHK/Fintiv* is minimizing "inefficiency and the possibility of conflicting decisions." Petitioner's plan to change its references to get a second bite at the apple at the PTAB is improper. The Panel's institution decision deviates from the guidance in *Fintiv*, *Sotera*, and the March 2025 Director Memorandum, and must be reversed.

D. <u>The Panel Abused its Discretion by Finding the Lack of a Stay Neutral, Despite the Fact that a Stay in the ITC Litigation is Extremely Unlikely (Factor 1)</u>

In deciding *Fintiv* Factor 1, the Panel noted that they "agree with Petitioner and the overall reasoning in the *POSCO* decision." *Institution Decision*, Paper 17 at 14 (citing *POSCO Co. v. ArcelorMittal*, IPR2024-01376, Paper 11 at 11-17 (PTAB Mar. 18, 2025). However, *POSCO* is a recent, ***non-precedential decision*** that effectively replaces the Factor 1 stay analysis with a restatement of the claim

and issue overlap discussion under Factor 4. This decision does not cite to any controlling authority or policy justification for doing so.

This factor is straightforward: Patent Owner has requested discretionary denial based on a parallel ITC proceeding, which has not and is extremely unlikely to be stayed now that the trial has concluded. Indeed, no party has requested a stay, and the ITC trial concluded before the Board's institution decision. The March 2025 Director Memorandum makes clear that *Fintiv* applies in the ITC context and that the possibility of concurrent proceedings is a central concern. A stay in the ITC at this late stage is not only improbable—it is procedurally unavailable. Accordingly, Factor 1 strongly favors denial.

E. The Panel Overemphasized the Merits of the Petition in Contravention of *Fintiv* and USPTO Guidance (Factor 6)

In its analysis of Factor 6, the Panel concluded that the strength of the Petition (based on the Panel's preliminary analysis of ***certain*** claims) weighed against discretionary denial. While Patent Owner strongly disagrees with the Panel's assessment of the merits, even assuming the Petition raises a *prima facie* case, that finding does not outweigh the other *Fintiv* factors under controlling guidance. As the March 2025 Director Memorandum reaffirms, "compelling merits alone is not dispositive" in the *Fintiv* analysis. *See* Director Memo at 3. Instead, *Fintiv* requires a holistic and balanced assessment of all six factors. The PTAB must weigh merits alongside all of the factors such as timing, investment,

overlap, and potential for duplication. Accordingly, even assuming if the merits favor institution (for ***certain*** claims), this factor does not justify ignoring the complete claim overlap, overlapping invalidity arguments, a lack of a *Sotera* stipulation, and the already-concluded ITC trial. The Panel's decision to allow its preliminary analysis of the merits of some claims to impact the otherwise compelling grounds for denial improperly elevates one factor above the rest, contrary to both *Fintiv* and current USPTO policy.

IV. CONCLUSION

This matter presents important questions of fairness, efficiency, and PTAB policy, and Director Review is necessary to ensure consistency with current guidance and preserve the integrity of the post-grant review process.

Dated: April 22, 2025

Respectfully Submitted,
/ Dion M. Bregman /
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CERTIFICATION OF LENGTH (37 C.F.R. § 42.24(D)

The undersigned hereby certifies that this document is 15 pages and thus complies with the applicable page limit.

Dated: April 22, 2025

Respectfully Submitted,

/ Dion M. Bregman /
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CERTIFICATE OF SERVICE

Pursuant to 37 C.F.R. § 42.6(e)(4), lead counsel for Patent Owners hereby certifies that on April 22, 2025 a copy of the foregoing document was served to the email correspondence address of record for Petitioner's counsel of record:

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