

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SHENZHEN KANGVAPE TECHNOLOGY CO., LTD.,
Petitioner,

v.

RAI STRATEGIC HOLDINGS, INC.,
Patent Owner.

Case IPR2024-01406
U.S. Patent No. 11,925,202

PATENT OWNER'S REQUEST FOR DIRECTOR REVIEW

Pursuant to 37 C.F.R. § 42.75, Patent Owner RAI Strategic Holdings, Inc. (“RAI”) respectfully requests Director Review of the Board’s decision (Paper 10, “DI”) granting institution of *inter partes* review (“IPR”) of claims 1, 3-4, 8-13, and 15 of U.S. Patent No. 11,925,202 (EX1001, “the ’202 Patent”).

I. INTRODUCTION

Director Review is warranted and the Board’s DI instituting IPR should be vacated because the International Trade Commission (ITC) is adjudicating the validity of the ’202 Patent and has set a **November 24, 2025** target date for completing its investigation, **four months before the Board’s March 20, 2026 deadline for its Final Written Decision (“FWD”)**. In its DI on March 20, 2025, the Board apparently relied on the June 2022 Memorandum,¹ which stated that “[t]he PTAB will not discretionarily deny petitions based on applying *Fintiv* to a parallel ITC proceeding.” In a February 28, 2025 Notice, however, the USPTO rescinded the June 2022 Memorandum. Applying the *Fintiv* factors as directed by the February 28, 2025 Notice, the Board should have denied IPR institution in view of the parallel ITC investigation.

¹ “Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation” (“June 2022 Memorandum”).

The DI also presents important issues of law and policy related to the Board's exercise of discretion under 35 U.S.C. § 314(a) to deny IPR. Specifically, Director Review provides an opportunity to clarify the significance of the USPTO's March 24, 2025 Guidance² (at 2) that "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," as is the case here. Director Review also provides an opportunity to emphasize that IPR should be denied under these circumstances to avoid "multiple tribunals ... adjudicating invalidity at the same time, which may increase duplication and expenses for the parties and the tribunals." *Id.*

RAI respectfully requests that the Director vacate the DI and deny institution of IPR.

II. BACKGROUND

On June 11, 2024, RAI, R.J. Reynolds Vapor Company, R.J. Reynolds Tobacco Company, and RAI Services Company (collectively "Complainants") filed an ITC complaint, seeking institution of a Section 337 investigation against

² March 24, 2025 Guidance on USPTO's Rescission of "Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation" ("March 24, 2025 Guidance").

Petitioner Shenzhen Kangvape Technology Co., Ltd. (“Kangvape”) and other Respondents for, *inter alia*, infringement of the ’202 Patent. *See Certain Disposable Vaporizer Devices*, Inv. No. 337-TA-1410; Ex. 2001. The ITC instituted the investigation on July 17, 2024. Ex. 2002.

On September 6, 2024, Kangvape filed an IPR petition against the ’202 Patent.³ Paper 2 (“Pet.”). In arguing against discretionary denial based on the parallel ITC investigation, the petition relied solely on the now-rescinded June 2022 Memorandum. Pet. at 77 (stating that the co-pending ITC investigation “is not enough” to invoke *Fintiv* in view of the June 2022 Memorandum). The

³ Before this, Respondents Ecto World, LLC and SV3, LLC (“Ecto/SV3”) filed IPR and post-grant review (“PGR”) petitions against the ’202 Patent, both of which were denied institution for non-*Fintiv* reasons. IPR2024-01280, Paper 10 (PTAB Mar. 6, 2025) (denying institution under 35 U.S.C. § 325(d)); PGR2024-00049, Paper 10 (Mar. 6, 2025) (denying institution because the ’202 Patent is not eligible for PGR). On March 31, 2025, Ecto/SV3 filed a request for Director Review of the institution denial in IPR2024-01280. Paper 11. That request should be denied at least because the reasons supporting a *Fintiv* denial in the present IPR apply with equal force to Ecto/SV3’s previously denied IPR petition.

petition stated no other reasons why discretionary denial based on *Fintiv* is allegedly unwarranted.

On December 30, 2024, RAI filed its Patent Owner Preliminary Response (Paper 6, "POPR") explaining the advanced state of the ITC investigation, including the evidentiary hearing scheduled to start on April 7, 2025, just three months from the POPR's filing date. POPR at 4-5. RAI's POPR also noted the Commission's target date of November 2025 for issuing its Final Determination and some of the significant investments in the ITC proceeding, including the litigation of Complainants' Motion for Temporary Relief filed on the same day as the ITC Complaint. *Id.* RAI's POPR did not argue for discretionary denial based on the parallel ITC investigation in view of the June 2022 Memorandum's stated policy that "[t]he PTAB will not discretionarily deny petitions based on applying *Fintiv* to a parallel ITC proceeding."

Two months after RAI filed its POPR, on Friday, February 28, 2025, the USPTO rescinded the June 2022 Memorandum. On the following Monday, March 3, 2025, RAI emailed the Board, noting "that the USPTO has withdrawn its June 2022 guidance stating that an ITC proceeding was not cause for a 314(a) denial, where such an ITC case with overlapping grounds is pending here. *See* Mandatory Notices; ITC Investigation No. 337-TA-1410." The Board did not request further briefing on the effect of the June 2022 Memorandum's rescission

despite the petition and POPR both applying the Memorandum's rescinded policy on parallel ITC investigations.

On March 20, 2025, the Board instituted IPR. The Board's DI does not address discretionary denial under *Fintiv*. The DI also does not address the rescission of the June 2022 Memorandum nor RAI's email to the Board concerning this. The DI found that the petition *did not* establish a reasonable likelihood of succeeding on the merits with respect to **four** of its **five** proposed grounds:

Ground	DI Determination
Ground 1A – Alleged anticipation by Morgan	“[W]e are not persuaded that Petitioner establishes a reasonable likelihood of showing that Morgan anticipates [the challenged claims].” DI at 16.
Ground 1B – Alleged obviousness based on Morgan in view of Susa	“[W]e are not persuaded that Petitioner establishes a reasonable likelihood of showing that [the challenged claims] would have been obvious over the combined teachings of Morgan and Susa.” <i>Id.</i> at 17.

Ground 2A – Alleged anticipation by Gupta	“[W]e are not persuaded that Petitioner establishes a reasonable likelihood of showing that Gupta anticipates [the challenged claims].” <i>Id.</i> at 21-22.
Ground 2B – Alleged obviousness based on Gupta in view of Takeuchi	“[W]e are not persuaded that Petitioner establishes a reasonable likelihood of showing that [the challenged claims] would have been obvious over the combined teachings of Gupta and Takeuchi.” <i>Id.</i> at 22.

The Board found that the lone remaining ground—Ground 3, alleged anticipation by Takeuchi—met the reasonable likelihood standard for institution, but just barely. *Id.* at 24-26 (noting RAI's argument that Takeuchi only discloses a “heater,” not the claimed “*electrical resistance* heater,” but finding that Kangvape's declarant provided “some” reasoning to support his contrary position).

Days after the Board's DI, the USPTO issued the aforementioned March 24, 2025 Guidance, which sets forth agency policy following the rescission of the June 2022 Memorandum, including that “the Board will apply the *Fintiv* factors when there is a parallel proceeding at the [ITC],” consistent with Board's precedential

decision in *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) (precedential). Guidance at 2.

The ITC's evidentiary hearing is scheduled for April 7-11, 2025, less than a week after the filing of this request, and less than a month after the Board's DI.

The ITC has set a November 2025 target date for completing the investigation, and the ITC's Final Determination on the validity of the '202 Patent is thus expected well before the PTAB's FWD deadline of March 20, 2026.

III. 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, (b) important issues of law or policy, (c) erroneous findings of material fact, or (d) erroneous conclusions of law.” *See* Revised Interim Director Review Process at 2.B, Availability of Director Review: AIA Trial Proceedings (last modified March 18, 2025). An abuse of discretion is found if a decision: (1) is clearly 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).

IV. ARGUMENT

The Board's failure to apply the *Fintiv* factors as directed by the February 28, 2025 Notice was an abuse of discretion. When properly applied, *all* of the *Fintiv* factors favor a discretionary denial, and IPR should therefore be denied. Among other reasons detailed below, the ITC investigation will not be stayed pending the IPR (Factor 1), and the Commission is set to issue its Final Determination on the validity of the '202 Patent by November 2025, four months before the Board's March 20, 2026 FWD deadline (Factor 2). The parties, Commission, and the Office of Unfair Import Investigations' (OUII) Staff Attorney have made significant investments in the ITC case, culminating in the upcoming April 7-11, 2025 evidentiary hearing (Factor 3). The ITC will address the validity of the '202 Patent over the *only* IPR ground found to meet the "reasonable likelihood" standard for institution (Factor 4), and the parties to this IPR are also parties in the ITC case (Factor 5). Other factors—including the weakness of the IPR petition and the Acting Director's March 26, 2025 "Interim Processes for PTAB Workload Management" Memorandum—also favor denial (Factor 6).

Denial of IPR is also consistent with the Board's precedential *Fintiv* decision and countless pre-June 2022 Memorandum decisions denying IPR in view of parallel ITC investigations. *Fintiv*, IPR2020-00019, Paper 11 at 7-8 ("an earlier ITC trial date may favor exercising authority to deny institution ... if the ITC is

going to decide the same or substantially similar issues to those presented in the petition”); *see, e.g., Luxshare Precision Industry Co., LTD v. Amphenol Corp.*, IPR-2022-00132, Paper 10 (May 3, 2022); *Google LLC v EcoFactor, Inc.*, IPR2021-01578, Paper 9 (March 18, 2022); *Samsung Electronics Co., Ltd et al v. Evolved Wireless LLC*, IPR2021-00949, Paper 8 (Nov. 29, 2021).

A. Factor 1, “evidence exists that [a stay] may be granted if a proceeding is instituted,” favors denial.

In the ITC, Petitioner has not moved for a stay in light of the IPR or indicated that it will. And the ITC will not stay an investigation pending IPR. *See, e.g., Certain Automated Storage & Retrieval Sys., Robots, & Components Thereof*, Inv. No. 337-TA-1228, Order 6, EDIS Doc. ID 736354, at 10-11 (Mar. 9, 2021) (denying motion to stay pending IPR because granting the motion would contravene the ITC’s mandate “to proceed ‘at the earliest practicable time’”). This factor therefore strongly favors denial.

B. Factor 2, proximity of the “trial date to the Board’s projected statutory deadline for a final written decision,” favors denial.

This factor also strongly favors denial. The ITC’s Final Determination is set to issue in November 2025 and will therefore precede the PTAB’s FWD deadline of March 20, 2026 by around four months. The Board is “more likely to deny institution” under these circumstances because IPR institution would result in “multiple tribunals ... adjudicating validity [of the ’202 Patent] at the same time,”

thus “increas[ing] duplication and expenses for the parties and the tribunals.”

March 24, 2025 Guidance at 2. And the evidentiary hearing—the ITC’s equivalent of a trial—will start in a matter of days, on April 7, 2025, nearly a year before the projected FWD date. *Fintiv* at 9 (when the “trial date is earlier than the projected statutory deadline, the Board generally has weighed this fact in favor of [denial]”). Additionally, Administrative Judge (ALJ) Bhattacharyya’s Initial Determination is due by July 21, 2025, seven months prior to the FWD deadline. RAI is unaware of any reason why these dates may be extended.

C. Factor 3, “investment in the parallel proceeding,” favors denial.

This factor also strongly favors denial. Complainant RAI and Respondent Kangvape, along with the other Respondents, the Commission, and the OUII Staff Attorney, have invested extensive time and resources in the ITC investigation. The parties have litigated Complainants’ Motion for Temporary Relief in the ITC, which ALJ Bhattacharyya denied (Ex. 2003). Further, claim construction is complete, and ALJ Bhattacharyya issued an order construing certain terms of the ’202 Patent. Order 34, Public-Construing Certain Terms of Asserted Claims of the Patent at Issue, EDIS Doc. ID 845915, 337-TA-1410 (March 14, 2025). These orders, both issued before the Board’s DI, support denial of IPR. *Fintiv* at 9-10 (“if, at the time of the institution decision, the [tribunal] has issued substantive orders related to the patent at issue in the petition, this fact favors denial,” and

“claim construction orders may indicate that the [tribunal] and parties have invested sufficient time in the parallel proceeding to favor denial”).

Further, fact discovery in the ITC concluded on November 22, 2024, expert discovery ended on January 24, 2025, and the parties are currently preparing for the evidentiary hearing slated to occur April 7-11, 2025. And the entirety of the ITC proceedings—including ALJ Bhattacharyya's investment in her Initial Determination and the Commission's investment in reaching its Final Determination—will all be complete months before the FWD here.

D. Factor 4, “overlap between issues raised in the petition and in the parallel proceeding,” favors denial.

The parties, Commission, and OUII Staff Attorney have been adjudicating the validity of the '202 Patent since June 11, 2024, when Complainants filed their ITC Complaint and Motion for Temporary Relief. POPR at 4-5. The extensive overlap between the IPR and the ITC investigation has already led to “increase[d] duplication and expenses” (March 24, 2025 Guidance at 2) and will continue to do so over the coming months if IPR is instituted:

- The ITC investigation included an unusual temporary relief phase in which Complainant RAI sought to halt all importation of Respondent Kangvape's accused products for the duration of the investigation. This phase included fact discovery, expert discovery, and an evidentiary hearing on September

26-27, 2024 and October 8, 2024. During the temporary relief phase, the ITC considered Kangvape's arguments regarding the validity of claims 1, 4, 5, 9, 12, and 14 in view of Takeuchi, arguments which overlap with Ground 3 of the IPR (Takeuchi § 102).

- In the ITC, Respondents' invalidity contentions challenged claims 1-30 of the '202 Patent over the grounds presented in the petition: Morgan § 102 (Ground 1A in the IPR); Morgan and Susa § 103 (Ground 1B); Gupta § 102 (Ground 2A); Gupta and Takeuchi § 103 (Ground 2B); and Takeuchi § 102 (Ground 3).
- Likewise, Respondents' ITC expert challenged the '202 Patent's validity using the grounds presented in the IPR, adopting the declaration of Dr. Samir Nayfeh filed in the IPR (Ex. 1003) wholesale with regard to Grounds 1A, 1B, 2A, and 2B, without presenting any additional invalidity arguments. Complainants' Prehearing Brief (Public Version), EDIS Doc. ID 846149, (March 18, 2025) at 118.
- Respondents are expected to challenge the '202 Patent as allegedly being anticipated by Morgan and Takeuchi at the evidentiary hearing. These grounds are also at issue in the IPR, as explained above. And RAI has stated that it will address not only the Nayfeh Declaration, but also the IPR petition at the evidentiary hearing. Complainants' Prehearing Brief (Public Version),

EDIS Doc. ID 846149, (March 18, 2025) at 118. Following the evidentiary hearing, ALJ Bhattacharyya will determine the validity of the claims over the Morgan and Takeuchi anticipation grounds, as will the full Commission in its Final Determination. Thus, it is likely that the ITC will determine the validity of the '202 Patent over the *only* ground found by the Board to meet the “reasonable likelihood” standard for institution (alleged anticipation by Takeuchi), and also over the Morgan anticipation ground preliminarily rejected by the Board.

Such extensive overlap and duplicative efforts strongly favor denial.

E. Factor 5, “whether the petitioner and the defendant in the parallel proceeding are the same party,” favors denial.

Patent Owner RAI and Petitioner Kangvape are parties to the ITC investigation. This factor therefore favors denial of institution.

F. Factor 6, “other circumstances that impact the Board’s exercise of discretion, including the merits,” favors denial.

As explained in Part II, the Board found that Kangvape *had not* established a reasonable likelihood of succeeding on four of the petition’s five grounds. The fifth ground was determined to barely meet the statutory threshold for institution, and ALJ Bhattacharyya and the full Commission will determine the validity of the '202 Patent over this ground in the coming months, as explained above. The weak

IPR petition coupled with the ITC's consideration of the only IPR ground determined to possibly have merit support denial.

Other relevant factors likewise support denial. On March 26, 2025, the USPTO issued a memorandum detailing “Interim Processes for PTAB Workload Management,” under which the Director—*not the PTAB panel*—determines whether discretionary denial is appropriate. The interim processes do not apply directly to this IPR—the deadline for RAI to file its preliminary response has passed, *see* Interim Processes Memorandum at 3—but granting Director Review to vacate the DI here is nonetheless consistent with Interim Processes Memorandum, which gives the Director power to decide discretionary denial issues in order “to improve PTAB efficiency, maintain PTAB capacity to conduct AIA proceedings, reduce pendency in *ex parte* appeals, and promote consistent application of discretionary considerations in the institution of AIA proceedings.” Interim Processes Memorandum at 3.

The Interim Processes Memorandum also explains (at 2) that in addressing *Fintiv*, “the parties are permitted to address all relevant considerations,” including “[c]ompelling economic, public health, or national security interests.” Here, Kangvape markets its tobacco vaping products, which are accused of infringement in the ITC investigation, without approval from the Food and Drug Administration (FDA) using child-friendly flavors and appealing packaging to target under-age

youth. The FDA and the Department of Justice, both charged with protecting the public, have declared that removing unauthorized products like Kangvape's from the market serves the public interest, and these agencies are devoting substantial resources to stop the rampant and illicit sales of unauthorized disposable vapes like Kangvape's products. And members of Congress are pressing for action to exclude illicit disposable vaping devices like Kangvape's from the U.S. market. Instituting this IPR not only allows Kangvape to draw out litigation to extend its infringement of RAI's patent rights, but also harms America's public health.

V. CONCLUSION

For these reasons, Patent Owner RAI respectfully requests that the Director vacate the DI and deny institution of IPR.

Dated: April 3, 2025

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CERTIFICATE OF SERVICE

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