

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
Patent 11,925,202

**PATENT OWNER'S SUPPLEMENTAL BRIEF
FOLLOWING DIRECTOR REMAND**

TABLE OF CONTENTS

	Page
I. INTRODUCTION	1
II. BACKGROUND	2
A. The Parallel ITC Proceeding	2
B. The Asserted Prior Art And Grounds.....	2
III. INSTITUTION SHOULD BE DENIED UNDER <i>FINTIV</i> DUE TO THE PARALLEL ITC INVESTIGATION.....	3
A. Every <i>Fintiv</i> Factor Weighed Against Institution At The Time Of The Board’s DI.....	4
1. Factor 1, “evidence exists that [a stay] may be granted if a proceeding is instituted,” favors denial.....	4
2. Factor 2, proximity of the “trial date to the Board’s projected statutory deadline for a final written decision,” favors denial.	5
3. Factor 3, “investment in the parallel proceeding,” favors denial.	5
4. Factor 4, “overlap between issues raised in the petition and in the parallel proceeding,” favors denial.	6
5. Factor 5, “whether the petitioner and the defendant in the parallel proceeding are the same party,” favors denial.....	8
6. Factor 6, “other circumstances that impact the Board’s exercise of discretion, including the merits,” favors denial.	8
B. Post-DI Developments Only Reinforce Denial.....	10
IV. CONCLUSION.....	10

TABLE OF AUTHORITIES

	Page
CASES	
<i>Arashi Vision Inc. US v. GoPro, Inc.</i> , IPR2025-00017, Paper 11 (PTAB Apr. 28, 2025)	6
<i>Certain Automated Storage & Retrieval Sys., Robots, & Components Thereof</i> , Inv. No. 337-TA-1228, Order 6, EDIS Doc. ID 736354 (Mar. 9, 2021)	4
<i>Dell Inc. et al v. Universal Connectivity Techs. Inc.</i> , IPR2024-01480, Paper 12 (PTAB Apr. 24, 2025)	9
<i>Innoscence Am., Inc. v. Infineon Techs. Ams. Corp.</i> , IPR2025-00010, Paper 11 (PTAB May 16, 2025)	4
<i>Samsung Elecs. Co., Ltd. et al v. Secure Wi-Fi LLC</i> , IPR2024-01366, Paper 10 (PTAB Mar. 24, 2025)	8
<i>Samsung Elecs. Co., Ltd. v. Sionyx, LLC</i> , IPR2025-00161, Paper 14 (PTAB May 21, 2025)	9
STATUTES	
35 U.S.C. § 314.....	10

I. INTRODUCTION

The Director remanded this case to allow Patent Owner (“PO”) RAI Strategic Holdings, Inc. (“RAI”) and Shenzhen Kangvape Technology Co., Ltd. (“Petitioner”) “the opportunity to present arguments and evidence addressing the *Fintiv* factors in view of the parallel ITC proceeding.” Paper 13 (“Director Dec.”) at 3. As detailed in PO’s Request for Director Review (Paper 10, “DR Request”) and below, the Board should deny institution under *Fintiv*.

The Office’s rescission of the June 21, 2022 Memorandum and Chief Judge Boalick’s March 24, 2025 Memorandum reaffirm that discretionary denial is warranted when an ITC proceeding is significantly advanced, and that is exactly the posture here. The ITC’s five-day evidentiary hearing was completed April 7-11, 2025, just weeks after the Board’s March 20, 2025 DI. All validity evidence has been entered in the ITC, and briefing is closed. The ITC’s Final Determination is scheduled for November 24, 2025—four months before the final written decision (“FWD”) due date of March 20, 2026. Not only that, the Board has already recognized the weakness of the Petition, finding that **four** of its **five** grounds did not even meet the minimal “reasonable likelihood” standard. DI at 16-17, 21-22. And the ITC’s Final Determination will address the validity of the ’202 patent over the **only** ground found to meet that standard. DR Request at 11-13. Under current Board practice, discretionary denial is the correct result here.

II. BACKGROUND

A. The Parallel ITC Proceeding

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 Petitioner 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. Administrative Law Judge (ALJ) Bhattacharyya denied Complainants' motion for temporary relief on November 19, 2024. Ex. 2003. The permanent phase hearing took place from April 7-11, 2025, following the close of discovery and the ALJ's detailed claim construction order. The target date for a Final Determination is November 24, 2025.

B. The Asserted Prior Art And Grounds

Each of the prior art references cited in the Petition have been at issue in the parallel ITC Investigation: U.S. Patent No. 5,249,586 to Morgan (“Morgan”); EP Patent Appl. No. 0845220 to Susa (“Susa”); U.S. Publication No. 2005/0205084 to Gupta (“Gupta”); and U.S. Patent No. 6,155,268 to Takeuchi (“Takeuchi”). Pet. at 5; Exs. 1004, 1006, 1007, 1018. Besides being litigated in the ITC, Morgan, Susa, and Takeuchi were also previously presented to the Office during prosecution of the '202 patent. Paper 6 (“POPR”) at 5; Ex. 1001 (“References Cited”).

Grounds 1A and 1B challenge claims 1, 3, 4, 8-13, and 15 as allegedly being anticipated by Morgan or rendered obvious over Morgan and Susa. Grounds 2A and 2B challenge claims 1, 3, 4, 8-13, and 15 as allegedly being anticipated by Gupta or rendered obvious over Gupta and Takeuchi. Ground 3 challenges claims 1, 3, 8-11, 13, and 15 as allegedly being anticipated by Takeuchi.

In its DI (at 16-17, 21-22), the Board found that the petition *did not* establish a reasonable likelihood of succeeding on the merits with respect to Grounds 1A, 1B, 2A, and 2B. The Board found that the lone remaining ground—Ground 3, alleged anticipation by Takeuchi—met the 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). DR Request at 5-6.

III. INSTITUTION SHOULD BE DENIED UNDER *FINTIV* DUE TO THE PARALLEL ITC INVESTIGATION

The Director authorized briefing under *Fintiv*, instructing the parties to focus on the facts as they existed at the time of the Board's decision (Paper 7, "DI") on March 20, 2025. Director Dec. at 3-4. As of that date, the parties were preparing for the ITC evidentiary hearing. Further, as of the March 20, 2025 DI, the Commission had set a target date of November 24, 2025 for its Final Determination, which is **four months** before the projected FWD due date. DR Request at 1. Under

current Board practice, discretionary denial is warranted on these facts. March 24, 2025 Memorandum at 2. *See also Innoscience Am., Inc. v. Infineon Techs. Ams. Corp.*, IPR2025-00010, Paper 11 at 11 (PTAB May 16, 2025) (denying institution when the “ITC evidentiary hearing is scheduled to begin within days” of the DI).

A. Every *Fintiv* Factor Weighed Against Institution At The Time Of The Board's DI

The Board considers six factors when determining whether to deny institution in view of a parallel proceeding. *Fintiv*, Paper 11 at 5–6. Here, every *Fintiv* factor weighed against institution at the time of the Board's March 20, 2025 DI.

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

No stay had been requested in the ITC at the time of the Board's DI (none was ever requested), which came just days before the ITC evidentiary hearing. Moreover, the ITC does not stay investigations 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 such relief would contravene the ITC's mandate to proceed “at the earliest practicable time”); *see also Innoscience America*, Paper 11 at 8 (acknowledging the ITC is unlikely to grant a stay when the evidentiary hearing is scheduled to begin within days of the Board's decision).

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

At the time of the Board’s DI, the ITC’s target date for its Final Determination preceded the FWD due date by more than four months. The Board has stated it is “more likely to deny institution” under such circumstances, as simultaneous adjudication “increas[es] duplication and expenses for the parties and the tribunals.” March 2025 Memorandum at 2. The Board’s DI also came right before the ITC evidentiary hearing commenced. *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]”). The Board has held this factor favors denial where “the ITC will address issues relating to validity of the [] patent in an investigation where the final determination is set to occur months before [the Board] would issue a final decision.” *Innoscence America, Inc.*, Paper 11 at 10.

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

At the time of the Board’s DI, the ITC proceeding was already well-advanced. Complainant RAI, Respondent Kangvape, the other Respondents, the Commission, and the OUII Staff Attorney had collectively invested substantial time and resources. Fact discovery closed on November 22, 2024, expert discovery concluded on January 24, 2025, and preparations for the evidentiary hearing were underway. The

parties had extensively litigated Complainants' Motion for Temporary Relief, which ALJ Bhattacharyya denied (Ex. 2003), and ALJ Bhattacharyya had issued a detailed claim construction order. Order 34, EDIS Doc. ID 845915, 337-TA-1410 (Mar. 14, 2025). These substantive orders, issued before the Board's DI, support denial. *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"); *see also Arashi Vision Inc. US v. GoPro, Inc.*, IPR2025-00017, Paper 11 at 11 (PTAB Apr. 28, 2025) (substantial work completed in an ITC investigation, including the completion of claim construction and discovery in preparation for a hearing set to begin in just days, strongly favors denial of institution).

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

At the time of the Board's DI, the parties, Commission, and OUII Staff Attorney had 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 ITC previously addressed validity during a short temporary relief phase, but the full adjudication of the same issues was already well underway and set to culminate in the April hearing. Through expert discovery, Respondents,

including Petitioner, challenged the validity of the claims at issue in this IPR (1, 3, 4, 8-13, and 15) and others based on Takeuchi, Gupta, Morgan, and Susa, either alone or in combination—grounds that entirely overlap with those of this IPR.

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). POPR at 12. 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. *Id.*; Complainants' Prehearing Brief (Public Version), EDIS Doc. ID 846802, 337-TA-1410, at 118 (Mar. 24, 2025).

The parties exchanged expert reports on December 16, 2024, and January 10, 2025, and expert depositions took place later that month. After expert discovery concluded, Respondents dropped their validity challenges to the '202 Patent over Gupta in a February 25, 2025 email. At the time of the Board's DI, they were still pursuing validity challenges to the '202 Patent over Takeuchi and Morgan in view of Susa. These issues were slated for the April evidentiary hearing. This comprehensive and duplicative overlap goes well beyond what warrants discretionary denial. *See Innoscience America, Inc.*, Paper 11 at 13 (finding that

factor 4 favors discretionary denial when eight out of twenty claims overlap with a parallel ITC investigation, but twelve out of twenty do not). The alignment of issues and parties between the proceedings render this factor strongly in favor of denial.

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

PO and Petitioner Kangvape are parties to the ITC investigation. The Board has consistently found such overlaps support denial. *E.g., Samsung Elecs. Co., Ltd. et al v. Secure Wi-Fi LLC*, IPR2024-01366, Paper 10 (PTAB Mar. 24, 2025).

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

In its DI, the Board found that Petitioner *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, and the ITC will determine validity over this ground shortly, as explained below. The weak IPR petition coupled with the ITC’s consideration of the only IPR ground determined to possibly have merit support denial. *See Dell Inc. et al v. Universal Connectivity Techs. Inc.*, IPR2024-01480, Paper 12 at 22-23 (PTAB Apr. 24, 2025) (exercising discretion to deny where the Petition did not present strong merits). Further, “even if the merits of Petitioner’s challenges were strong, they would not outweigh the weight of evidence supporting an exercise of discretion to deny institution.” *Samsung Elecs. Co., Ltd. v. Sionyx, LLC*, IPR2025-00161, Paper 14 (PTAB May 21, 2025).

Additional relevant circumstances also weigh against institution. On March 26, 2025, the USPTO issued a memorandum detailing “Interim Processes for PTAB Workload Management,” which clarifies that parties may address “all relevant considerations” under *Fintiv*, including “compelling economic, public health, or national security interests.” Interim Processes Memorandum at 2. Here, Petitioners market vaping products—accused of infringement in the ITC investigation—that lack FDA authorization and are not lawfully on the market consistent with FDA’s enforcement policies (which allow a small number of products without a marketing order to remain on the market),¹ using youth-targeted flavors and packaging. Both the FDA and the DOJ have identified removing products that appeal to youth from the market as a public-interest imperative. *See, e.g.*, Ex. 2001 at 8-9. Members of Congress have also called for urgent action to exclude these products from U.S. commerce. *Id.* Instituting this IPR would therefore also undermine public health.

¹ Specifically, FDA has long permitted, as an exercise of its enforcement policies, the continued marketing of certain vaping products with stayed, rescinded, or vacated denial orders and with timely submitted applications that are still under FDA review. *See* FDA, Advisory and Enforcement Actions Against Industry for Unauthorized Tobacco Products (updated Apr. 9, 2025); FDA, Enforcement Priorities for Electronic Nicotine Delivery Systems 27 (Apr. 2020).

B. Post-DI Developments Only Reinforce Denial

Since the Board's DI, developments in the ITC have only strengthened the case for discretionary denial based on efficiency, fairness, and judicial economy. The parties continued preparing witnesses and refining arguments for the hearing even after the Board's denial, further investing in the parallel proceeding. On April 2, 2025—weeks after the Board's DI—Respondents informed Complainants by email that they would no longer pursue any invalidity grounds relying on Morgan and Susa, nor challenge any claims asserted solely for domestic industry purposes. The five-day evidentiary hearing thus focused on the Takeuchi § 102 ground advanced in this IPR (and a § 103 ground not at issue here).

Post-hearing briefing on validity closed on May 16, 2025, and the ALJ's Initial Determination due July 21, 2025 will address the validity of the claims over the Takeuchi § 102 ground, which was the only ground found to meet the statutory threshold for institution. The ITC will likewise determine the validity of the '202 patent over this ground. The risk of the Board and ITC issuing competing judgments is precisely what the Office sought to eliminate in rescinding the 2022 memorandum and reinstating the Board's discretion to apply *Fintiv* to parallel ITC proceedings.

IV. CONCLUSION

The Board should deny institution under 35 U.S.C. § 314(a), consistent with the Director's remand, post-rescission *Fintiv* guidance, and subsequent caselaw.

Respectfully submitted,

Dated: June 2, 2025

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