

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE OFFICE OF THE UNDER SECRETARY OF COMMERCE FOR
INTELLECTUAL PROPERTY AND DIRECTOR OF THE UNITED STATES
PATENT AND TRADEMARK OFFICE

SAMSUNG ELECTRONICS CO., LTD.,
Petitioner,

v.

HEADWATER RESEARCH LLC,
Patent Owner.

Case IPR2024-01407
Patent 9,179,359 B2

PETITIONER'S REQUEST FOR REHEARING

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I. INTRODUCTION

The order vacating the Board’s institution decision and denying institution and the underlying discretionary denial framework applied by the Acting Director¹ are both unlawful. As the Board found, Samsung’s petition presents a compelling case that the challenged claim is unpatentable. The petition was timely filed by the statutory deadline and accompanied by the requisite fee. Samsung made a *Sotera* stipulation, in reliance on binding agency guidance promising not to deny institution on *Fintiv*-grounds when a petitioner does so. And, after the Board instituted IPR, Samsung relied on the institution decision in complying with that stipulation by not pursuing its meritorious IPR grounds (as well as other patent and printed-publication prior art) in district court.

By failing to keep its promise not to deny institution on *Fintiv* grounds where the petitioner makes a *Sotera* stipulation, retroactively applying new policies to prior conduct, and belatedly denying institution on grounds the office had explicitly waived, the agency exceeded the limits of its power in several ways. First, the office violated both the APA and Samsung’s due process rights by

¹ The Acting Director delegated the director review decision in this IPR. Paper 13. For simplicity, Samsung uses the term “Acting Director” herein to encompass the Acting Director’s delegee.

retroactively applying its rescission of its past discretionary denial guidance to conduct occurring before the rescission. Second, rescinding that guidance without providing any justification and without considering petitioners' reliance interests violated the change-in-position doctrine. Third, vacating the institution decision and denying institution after the agency induced Samsung to comply with its *Sotera* stipulation by waiving the opportunity to pursue its IPR grounds in district court exceeded the agency's authority to reconsider its decisions and further violated due process. Fourth, the revised *Fintiv* framework violates the separation of powers by contradicting the AIA's express provisions concerning IPR timeliness and estoppel in parallel proceedings. Fifth, the framework itself is so vague that it provides parties with constitutionally inadequate notice and inevitably results in arbitrary decisions. Finally, the agency's rescission of its own binding guidance without engaging in notice-and-comment violated the APA.

By denying institution based on this fundamentally flawed framework and reversing course without considering Samsung's reliance interests, the Acting Director misapprehended and overlooked the statutory and constitutional limits of the agency's authority. The Acting Director should therefore reinstate the Board's institution decision.

II. ARGUMENT

A. Retroactively Applying the Vidal Memo's Rescission Violates Due Process and the APA

The office issued binding guidance in 2022 waiving any discretion to deny institution of meritorious IPRs due to parallel litigation if the petitioner makes a *Sotera* stipulation. *See* Director Vidal's June 21, 2022, Memorandum (the "Vidal Memo"). This guidance established "settled expectations" by imposing limits on agency discretion so that parties could "conform their conduct accordingly." *See Landgraf v. USI Film Prods.*, 511 U.S. 244, 265 (1994).

Samsung did exactly that. It used the statutory one-year period for filing an IPR to prepare and file a petition presenting the strongest possible grounds of unpatentability. Paper 2; Paper 13 at 9-29; *see also* 35 U.S.C. § 315(b). In parallel, Samsung focused its resources in the district court litigation on prior art systems, which are not eligible for use in IPRs. 35 U.S.C. § 311(b). Samsung also entered a *Sotera* stipulation. Ex. 1054.

Applying the binding Vidal Memo in effect at the time, the strong merits of Samsung's petition and its *Sotera* stipulation should have ensured institution. The order's discretionary denial thus rests on applying the Acting Director's February 28, 2025, rescission of the Vidal Memo (the "Rescission") retroactively to conduct undertaken before the Rescission. This retroactive application of the Rescission

violates both the Due Process Clause of the Fifth Amendment and the APA.

1. The Recission's Retroactivity Violates Due Process

Under the Due Process Clause, the government cannot deprive parties of protected property rights without “constitutionally adequate procedures.”

Cleveland Bd. of Educ. v. Loudermill, 470 U.S. 532, 541 (1985). Samsung had such a protected property interest in a merits-based institution decision for at least two reasons. First, the Vidal Memo created a protected interest “by placing substantive limitations on official discretion,” *i.e.*, explicitly prohibiting discretionary denial based on parallel litigation where the petitioner made a *Sotera* stipulation. *Olim v. Wakinekona*, 461 U.S. 238, 249 (1983); *Tarpeh-Doe v. United States*, 904 F.2d 719, 722-23 (D.C. Cir. 1990). Second, Samsung had a protected interest in the fees and costs it expended preparing and filing its petition under the reasonable expectation that the agency would adhere to its own binding guidance. *See* 37 C.F.R. § 42.15(a)(1)-(2).

The office’s deprivation of Samsung’s interests did not comport with due process. By not applying the policy in effect when Samsung prepared and filed its petition and entered a *Sotera* stipulation, the office failed to provide “fair warning” of how it would evaluate Samsung’s petition and *Sotera* stipulation in deciding institution based on the fees paid by Samsung. *See Mexichem Fluor, Inc. v. EPA*, 866 F.3d 451, 462 (D.C. Cir. 2017). Samsung’s exceedingly limited, narrow

opportunity to respond to Patent Owner's request for director review was not adequate process because it provided no meaningful opportunity to challenge the retroactive Recission itself. Ex. 3101. Further, due process here at least required an opportunity to conform Samsung's petition to the office's changed policy or an accommodation for Samsung's reliance interests, neither of which the office provided. *See Kirwa v. U.S. Dep't of Def.*, 285 F. Supp. 3d 21, 41 (D.D.C. 2017).

Finally, the discretionary nature of institution does not alter the fundamental due process protections violated by retroactively applying the Recission, at least where the office's prior, binding guidance placed explicit limits on that discretion. *Tarpeh-Doe v. United States*, 904 F.2d 719, 722-23 (D.C. Cir. 1990); *cf. Kankamalage v. I.N.S.*, 335 F.3d 858, 863 (9th Cir. 2003) ("[T]he fact that an asylum grant is discretionary does not change the retroactivity analysis.").

2. The Recission's Retroactivity Violates the APA

The Recission's retroactive application was also "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law" under the APA. 5 U.S.C. § 706(2)(A). Because the Recission "effect[ed] a change in existing law or policy which affects individual rights and obligations," it was a "substantive rule." *In re Chestek PLLC*, 92 F.4th 1105, 1109 (Fed. Cir. 2024) (cleaned up). However, the office lacks "the power to promulgate retroactive rules" because that power was not "conveyed by Congress in express terms." *Bowen v. Georgetown Univ.*

Hosp., 488 U.S. 204, 208 (1988). Even if the office had that power, nothing in the Recission’s language required its retroactive application, which independently precludes giving it retroactive effect. *See id.*

Further, to the extent that the office contends that the Recission was a policy statement rather than a rule, it cannot function retroactively because policy statements “advise the public *prospectively* of the manner in which [an] agency proposed to exercise its discretion[.]” *Lincoln v. Vigil*, 508 U.S. 182, 197 (1993) (emphasis added). Accordingly, the order’s retroactive application of the Recission violates the APA.

B. The Rescission Violates the Change-in-Position Doctrine

Even apart from its retroactive application, the Recission violates the change-in-position doctrine because it neither provided “a reasoned explanation for the change” in policy nor considered the “serious reliance interests” of petitioners like Samsung. *FDA v. Wages & White Lion Invs., LLC*, 145 S. Ct. 898, 917 (2016) (cleaned up). Because there is no dispute that the Recission was a “change of binding guidance,” *e.g.*, *Dell Inc. v. Universal Connectivity Techs. Inc.*, IPR2024-10478, 2025 WL 1090038, at *1 (PTAB Apr. 7, 2025), there can be no debate that it was a change in position, triggering those requirements. *Encino Motorcars, LLC v. Navarro*, 579 U.S. 211, 222-23 (2016). Nor does either the Recission or its retroactive application provide any “reasoned explanation” or account for

petitioners' reliance interests. Accordingly, the Recission's application to deny institution in this IPR was unlawful.

C. The Order Denying Institution Flouted Statutory and Constitutional Limits on the Agency's Power to Reconsider the Board's Decision Instituting IPR

Based on the Vidal Memo, Samsung reasonably waited until it had identified the best prior art and arguments before bringing this IPR on the understanding that a *Sotera* stipulation would protect it from discretionary denial. It also provided a *Sotera* stipulation and crafted its district-court positions in reliance on that reasonable understanding, Ex. 1054, only for the office to reverse course and issue the Recission. Nevertheless, the Board found that the merits of Samsung's petition justified institution even under this altered landscape and granted institution. Paper 9 at 9-29.

The decision instituting IPR obligated Samsung to comply with the *Sotera* stipulation in district court by "not pursu[ing] any ground raised in the IPR[] . . . or any ground Samsung could have reasonably raised before the PTAB." Ex. 1054 at 1. Based on that obligation, Samsung could not permissibly include any patent or printed publication references, including those raised in the IPR, in its Final Election of Asserted Prior Art or in its disclosures of expert testimony under Fed. R. Civ. P. 26(a)(2)(B) in district court. *See* Ex. 2001 at 4; Paper 12 at 4-5. Then, after Samsung had waived its right to pursue its IPR grounds in district court, the

office reversed course yet again by denying institution in the order, Paper 17.

Taken as a whole, the office’s actions—inducing Samsung to offer and then comply with a *Sotera* stipulation only to revoke both the Vidal Memo and the Board’s institution decision—constitute a “bait and switch” that runs contrary to basic principles of fairness undergirding both due process and administrative law. *Reich v. Collins*, 513 U.S. 106, 111-13 (1994) (holding that due process forbids the government from “reconfiguring its scheme, unfairly, in *midcourse*” to deprive a party of a remedy); *Schilling v. United States*, 773 F. Supp. 3d 1069, 1101 (W.D. Wash. 2025) (citing *Landgraf*, 511 U.S. at 265).

Although the office has the “authority to reconsider [its] decisions,” that authority is “subject to certain limitations.” *Medtronic Inc. v. Robert Bosch Healthcare Sys.*, 839 F.3d 1382, 1385 (Fed. Cir. 2016). Among those limitations is that the reconsideration must comport with due process, *see Ellard v. Ala. Bd. of Pardons & Paroles*, 824 F.2d 937, 941, 944 (11th Cir. 1987), and must “occur within a reasonable time after the first decision,” *Macktal v. Chao*, 286 F.3d 822, 826 (5th Cir. 2002). By ultimately de-instituting IPR only after inducing Samsung to grant *and comply with* a *Sotera* stipulation, thereby giving up the right to present its arguments in district court, the order denying institution runs afoul of these principles. It failed to consider Samsung’s reliance interests, provided no opportunity for Samsung to conform to the office’s changed policies, and was so

late that it deprived Samsung of any opportunity to pursue its IPR invalidity arguments in district court. That was unlawful. *E.g., Reich*, 513 U.S. at 111-13.

Finally, even assuming reconsideration of the institution decision at this late stage could be permissible, the office at least needed to account for Samsung's powerful reliance interests in issuing its decision on director review, and its failure to do so violated Samsung's rights under both the due process clause and the APA. *See White Lion*, 145 S. Ct. at 917-18.

D. The Acting Director's Discretionary Denial Framework Is Unconstitutional

The order denying institution also misapprehended at least three limitations on agency authority which render its discretionary denial analysis unconstitutional.

1. The Framework Impermissibly Alters the Statutory IPR Deadline

The application of *Fintiv* factors 1-3 violates the separation of powers by impermissibly rewriting the statutory deadline to file an IPR. All legislative powers of the federal government are vested in Congress. U.S. Const., Art. I, § 1. The Executive Branch's role is not to make law, but to "take Care that the Laws be faithfully executed." *Id.*, Art. II, § 3. Although "[t]he power of executing the laws necessarily includes both authority and responsibility to resolve some questions left open by Congress . . . it does not include a power to revise clear statutory terms." *Utility Air Regulatory Grp. v. EPA*, 573 U.S. 302, 327 (2014).

Congress explicitly specified that an IPR petition is timely if filed within “1 year after the date on which the petitioner . . . is served with a complaint alleging infringement of the patent.” 35 U.S.C. § 315(b); *see also id.* § 311(c) (specifying the earliest an IPR petition may be filed). Further, it did not authorize the Director, by regulation or otherwise, to alter that deadline. *See id.* § 316(a). The *Fintiv* framework flouts this Congressional directive by requiring petitioners to often file their petitions much earlier than the statute requires.

This IPR exemplifies the problem. The Board found that Samsung’s IPR presented a compelling merits case. Paper 9 at 9-29. It also found, as compelled by Board precedent, that Samsung’s *Sotera* stipulation “weighs strongly against exercising [its] discretion to deny institution.” Paper 9 at 8 (citing *Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020-01019, Paper 12 (PTAB Dec. 1, 2020)). And aside from Samsung’s mere identity as a party to the district court litigation, it found that no factor apart from the district court trial date favored denying institution. *Id.* at 5-10. The order denying institution does not dispute any of those conclusions; it denies institution solely because it concludes that Samsung waited too long, relative to the district court case, to file its petition. Paper 17. That approach cannot be reconciled with the separation of powers. “[A]n agency may not rewrite clear statutory terms to suit its own sense of how the statute should operate.” *Utility Air*, 573 U.S. at 328; *cf. SCA Hygiene Prods. Aktiebolag v. First Quality*

Baby Prods., L.L.C., 580 U.S. 328, 346 (2017) (rejecting extra-statutory limits on the period for patent damages).

2. The Framework Disturbs the Legislatively-Prescribed Scope of Estoppel in Parallel Litigation

The *Fintiv* framework, at least as implemented by the office following the Recission, likewise violates the separation of powers by rewriting the statutory estoppel provision, 35 U.S.C. § 315(e)(2). The statute provides that an IPR petitioner may not assert certain invalidity grounds in parallel district court or ITC litigation only if the grounds were “raised or reasonably could have been raised during that” IPR, and only if the IPR “results in a final written decision.” *Id.* In contrast, the office’s discretionary denial practice requires petitioners to stipulate not to pursue even invalidity grounds that could *not* be raised in an IPR and to do so as a prerequisite to institution. *See, e.g., Motorola Solutions, Inc. v. Stellar, LLC*, IPR2024-01205, Paper 19, at 3-4 (PTAB Mar. 28, 2025). Here too, the *Fintiv* analysis—whether viewed as a policy statement or rule—goes beyond resolving “questions left open by Congress” and instead “rewrite[s] clear statutory terms.” *Utility Air*, 573 U.S. at 327-28. The Constitution does not permit that exercise of legislative power by the Executive Branch.

3. The Framework Is Unconstitutionally Vague

Finally, the post-Recission *Fintiv* framework violates the Due Process

Clause because it is void for vagueness. The “void for vagueness doctrine addresses at least two connected but discrete due process concerns: first, that regulated parties should know what is required of them so they may act accordingly; second, precision and guidance are necessary so that those enforcing the law do not act in an arbitrary or discriminatory way.” *FCC v. Fox Television Stations, Inc.*, 567 U.S. 239, 253 (2012). The substantial fees and costs petitioners incur in preparing and filing IPRs at least gave rise to a reasonable expectation that such discretion will not be exercised wholly arbitrarily. *See* 37 C.F.R. § 42.15(a)(1)-(2).

The *Fintiv* framework both fails to provide meaningful guidance to petitioners and invites arbitrary decision-making. Petitioners have no way to know how early they must file, how much or what types of investments in district court proceedings might be held against them, or what “other circumstances” the Director might *sua sponte* raise to deny institution. Simply put, petitioners have no way to “know what is required of them so they may act accordingly.” *Fox*, 567 U.S. at 253; *see also Nat’l Ass’n for Advancement of Colored People v. U.S. Dep’t of Educ.*, 779 F. Supp. 3d 53, 66 (D.D.C. 2025). Because the framework itself is unconstitutional, the order denying institution based on it was also unlawful.

E. The Recission Required Notice-And-Comment Rulemaking

The Recission is a substantive rule, subject to the notice and comment

requirements of 5 U.S.C. § 533(b), because it effected “a change in existing law or policy” and “affect[ed] individual rights and obligations.” *Paralyzed Veterans of Am. v. West*, 138 F.3d 1434, 1436 (Fed. Cir. 1998). It changed existing law or policy by rescinding petitioners’ right, embodied in binding agency policy, to avoid *Fintiv*-based discretionary denial by making a *Sotera* stipulation. Moreover, it altered the “substantive standards by which the USPTO evaluates” IPR petitions, affecting the individual rights and obligations of parties to IPRs. *Chestek*, 92 F.4th at 1110. Because the Recission is invalid under the APA, it was error for the order denying institution to apply it. Instead, Samsung’s *Sotera* stipulation should have precluded discretionary denial under the *Fintiv* framework.

III. CONCLUSION

The Acting Director should reinstate the Board’s order instituting IPR.

Respectfully submitted,

Dated August 21, 2025

/Jeremy J. Monaldo/

W. Karl Renner, Reg. No. 41,265

Jeremy J. Monaldo, Reg. No. 58,680

Jennifer J. Huang, Reg. No. 64,297

Ryan Chowdhury, Reg. No. 74,466

Fish & Richardson P.C.

60 South Sixth Street, Suite 3200

Minneapolis, MN 55402

Tel: 202-783-5070

Fax: 877-769-7945

Attorneys for Petitioner

CERTIFICATE OF SERVICE

Pursuant to 37 CFR § 42.6(e), the undersigned certifies that on August 21, 2025, a complete and entire copy of this Petitioner's Request for Rehearing was provided by email, to the Patent Owner, by serving the correspondence address of record as follows:

Reza Mirzaie
Marc A. Fenster
Dale Chang
Amy E. Hayden
James A. Milkey
Neil Rubin
Philip X. Wang
RUSS, AUGUST & KABAT

Email: rak_headwater@raklaw.com

Attorneys for Patent Owner

/Li Feng/
Li Feng
Fish & Richardson P.C.
60 South Sixth Street, Suite 3200
Minneapolis, MN 55402
lfeng@fr.com