UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SAP AMERICA, INC.,
Petitioner,

v.

CYANDIA, INC.,
Patent Owner.

IPR2024-01495
Patent 8,578,285

PETITIONER'S REQUEST FOR DIRECTOR REVIEW

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I. INTRODUCTION

The Office's recent guidance on discretionary denials of IPR petitions has spawned conflicting Board panel decisions on the same day. In quite similar fact scenarios, each with a *Sotera* stipulation, one panel found the *Sotera* stipulation caused *Fintiv* Factor 4 to *strongly favor not* discretionarily denying institution, *Dell, Inc. v. Universal Connectivity Tech. Inc.*, IPR2024-01428, Paper 12 at 8 (PTAB Apr. 8, 2025), while the panel here found that Factor 4 *favors* discretionarily denying institution, Paper 13 ("Decision") at 8–9. The Director should resolve the panel split on this important issue of law and policy.

A second reason to grant review is that the panel here abused its discretion. Despite finding strong merits (Decision at 10–11) and minimal investment in the district court action (*id*., 6–7), the Board discretionarily denied institution of *inter partes* review of claims 1–10, 13, 17–18, and 36–42 of U.S. Patent No. 8,578,285 (EX1001, "'285 patent"). In finding *Fintiv* Factor 4 favored discretionary denial despite Petitioner's *Sotera* stipulation and despite most claims challenged by the Petition no longer being at issue in the district court, the Board abused its discretion in three ways.

First, it speculated without basis in the record that Petitioner would seek to assert in the district court the same publications asserted here. This speculation-based dismissal of a *Sotera* stipulation lacks evidentiary support.

Second, the Board deviated from the precedential decision of *Sotera* holding that this type of stipulation *strongly favors not* exercising discretionary denial.

Third, the Board erred in giving no weight to Petitioner's undisputed assertion that most of the claims challenged in the IPR would not be at issue in the district court on account of the district court's Order limiting the asserted claims (*see* EX3001, p. 7; Paper 9 at 2). *Cf. Apple Inc. v. Seven Networks, LLC*, IPR2020-00156, Paper 10 at 17 (PTAB Jun. 15, 2020) (that the IPR would address 11 claims not addressed in the district court action favored the petitioner under *Fintiv* Factor 4).

The Director should correct these errors and grant institution in view of (1) the *Sotera* stipulation, (2) the fact that most challenged claims will not be litigated in the district court action, and (3) the strong merits recognized in the Board's decision: Petitioner's challenge is neither "marginal or close" but instead "is straightforward and definitely meets the standard for institution, even when balanced against Patent Owner's counterarguments," which "read like an opposition to an anticipation challenge." Decision at 10.

II. LEGAL STANDARD

This Decision presents the following grounds that justify Director Review: "(a) an abuse of discretion [and] (b) important issues of law or policy." USPTO, Director Review Process, § 2.B (last updated Mar. 18, 2025). The Decision constitutes an "abuse of discretion" for each of the following reasons: "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) (internal citation omitted).

III. PROCEDURAL BACKGROUND

On February 12, 2024, Cyandia ("Patent Owner") sued SAP ("Petitioner") in the Eastern District of Texas for alleged infringement of four patents: U.S. 8,499,250 ("the '250 patent"), 8,595,641 ("the '641 patent"), 8,578,285 ("the '285 patent") and 8,751,948 ("the '948 patent").

Roughly four months after receiving Patent Owner's infringement contentions, Petitioner filed its Petition asserting printed publications describing the IBM WebSphere system.

With its Preliminary Response raising *Fintiv* arguments, Patent Owner submitted a declaration stating that "Petitioner served its invalidity contentions under Eastern District of Texas Patent Local Rule 3-3 on July 10, 2024. Within the invalidity contentions, Petitioner asserts the Websphere (sic) product and the six IBM WebSphere references that are also asserted in" the IPR petition. EX2007, ¶ 3. Patent Owner identified no specific evidence that Petitioner had relied upon in the district court action to describe the WebSphere product.

In response, Petitioner served and filed a *Sotera* stipulation, stating: "should IPR be instituted … SAP will not pursue in the E.D. Tex. district court litigation any ground of unpatentability that is raised or reasonably could have been raised in any instituted IPR." EX1045. At that time, under the governing June 21, 2022 "Interim Procedure" memorandum, *Sotera* stipulations barred *Fintiv* denial.

On February 28, 2025, the Office rescinded the "Interim Procedure" memorandum and directed parties to follow *Fintiv* and *Sotera*: "Parties to post-grant proceedings should refer to Patent Trial and Appeal Board (PTAB) precedent for guidance, including *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) (precedential) and *Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020-01019, Paper 12 (PTAB Dec. 1, 2020) (precedential as to § II.A)."

The Board then granted additional briefing addressing the impact of this rescission on the *Fintiv* issues. The supplemental *Fintiv* briefs were filed on March 12, 2025. Papers 9, 10. On Factor 4, Petitioner explained that most of the challenged claims will be dropped from the district court action per a district court Order. Paper 9 at 2. Patent Owner again identified no specific evidence Petitioner had relied upon in the district court action to describe the WebSphere product.

On March 24, 2025, the Office issued a Guidance memorandum stating that a *Sotera* stipulation is "highly relevant, but will not be dispositive by itself."

On March 26, 2025, the Director issued a memorandum entitled "Interim Processes for PTAB Workload Management" which by its terms does not apply to this proceeding.

On April 7, 2025, the Board panel found that despite Petitioner's *Sotera* stipulation, Factor 4 weighed in favor of discretionary denial, and it denied institution primarily for that reason: "We find particularly significant that, if we were to institute review and trigger Petitioner's *Sotera* stipulation, Petitioner would remain free to pursue a system-based invalidity challenged in the district court based on essentially the same prior art relied upon here." Decision at 11. The panel did not cite the Office's March 24, 2025, guidance that a *Sotera* stipulation is "highly relevant."

On April 10, 2025, the Director denied as untimely Petitioner's request to submit as an exhibit Petitioner's "*Sotera* plus" stipulation that it served on Patent Owner shortly after the Decision. Accordingly, Petitioner has notified Patent Owner that it has withdrawn that "*Sotera*" plus stipulation (but not its earlier *Sotera* stipulation).

IV. ARGUMENT

A. The Board's Speculations Causing It To Dismiss The *Sotera* Stipulation Were An Abuse Of Discretion

No evidence in the record supports the Board's apparent assumption that Petitioner would at trial in the district court action assert the same WebSphere

publications it asserts in its Petition here. Patent Owner instead cited evidence from July 2024—seven months before Petitioner served its *Sotera* stipulation—that Petitioner's invalidity contentions cited the "Websphere (sic) product" along with the six IBM WebSphere publications also cited in the IPR. EX2007, ¶ 3. But there is no evidence that Petitioner currently intends to assert a WebSphere product at trial or, if it did, use the same WebSphere publications at issue here. In other words, there is no evidence of likely duplication of effort.

Yet despite this evidentiary vacuum, the Board speculated that Petitioner "may continue to press" the same publications in district court, and on that basis found Factor 4 favored discretionary denial:

> Although Petitioner has filed a *Sotera* stipulation, we agree with Patent Owner that the stipulation has limited practical effect in reducing the overlapping efforts here and in the Litigation. Petitioner contends in the district court that the system described in the WebSphere materials renders at least some of the challenged claims invalid. Because Petitioner cannot challenge claims in this proceeding based on a public use or sale of the WebSphere system, Petitioner's *Sotera* stipulation would not prevent Petitioner from asserting an invalidity defense in the district court based on the public use or sale of the WebSphere system. We understand that, in the Litigation, Petitioner has relied upon the WebSphere publications as

> prior art, *presumably* as evidence describing the WebSphere system that was publicly used and on sale.
>
> Regardless of any decision rendered in this proceeding on the patentability of the challenged claims based on the WebSphere printed publications, *Petitioner may continue to press an invalidity defense based on the same evidence presented here*.

Decision at 8–9 (emphasis added).

That conclusion—that "Petitioner may continue to press an invalidity defense based on the same evidence"—was central to the Board's reasoning. But it lacked any factual basis. It was pure speculation about what defenses Petitioner might assert post stipulation and post claim and prior art narrowing, and what evidence it would assert to advance those defenses, based on invalidity contentions served roughly nine months earlier.

In short, the Board's dismissal of the *Sotera* stipulation—and its denial of institution—rested on speculation, not evidence. That is an abuse of discretion and warrants Director Review.

B. The Board's Finding That Factor 4 Favors Discretionary Denial Was An Abuse of Discretion

The Board found that *Fintiv* Factor 4 favors discretionary denial of institution—despite the presence of a *Sotera* stipulation. That conclusion directly

contradicts the controlling *Sotera* decision, which holds that such a stipulation *strongly favors institution*:

> Petitioner's broad stipulation ensures that an *inter partes* review is a 'true alternative' to the district court proceeding. *Id.* Thus, we find that this factor weighs strongly in favor of not exercising discretion to deny institution under 35 U.S.C. § 314(a).

Sotera Wireless, Inc. v. Masimo Corp., IPR2020-01019, Paper 12 at 19 (PTAB Dec. 1, 2020); *accord Apple, Inc. v. Haptic, Inc.*, IPR2024-01476, Paper 12 at 12 (PTAB Apr. 4, 2025) ("Petitioner's broad stipulation mitigates certain concerns of duplicative efforts between the District Court and the Board, as well as concerns of potentially conflicting decisions. *Sotera*, Paper 12 at 19. Thus, factor 4 weighs strongly in favor of not exercising discretion to deny institution."); *Samsung Electronics Co. v. Harbor Island Dynamic, LLC*, IPR2024-01404, Paper 9 at 10 (PTAB April 4, 2025) (on account of *Sotera* stipulation, Factor 4 strongly favors not discretionarily denying institution.)

Sotera remains precedential. The Office's February 28, 2025, Notice rescinding the "Interim Procedure" memorandum cites *only Fintiv* and *Sotera* as binding precedents governing discretionary denial. Likewise, the March 24, 2025, Guidance memorandum affirms that a *Sotera* stipulation is "highly relevant." With the *Sotera* stipulation in place, it is certain that the same ground of unpatentability

will not be presented to the Board and the district court. Notably, the stipulation in *Sotera* did not disclaim reliance on related product prior art—yet the Board in that precedential decision still held it "strongly" favors institution. The panel's conclusion here cannot be reconciled with that binding precedent or the Office's recent express endorsements of it.

The Director's review decision in *Motorola Sol.'s, Inc. v. Stellar, LLC*, IPR2024-01205 to -01208, Paper 19 at 4 (Mar. 28, 2025), is not to the contrary. First, the Board did not cite this decision. Second, Petitioner did not have a realistic opportunity to address that March 28th decision in time to affect the Board's April 7 Decision. Third, *Motorola* did not rescind *Sotera* or the February 28 and March 14 Office guidance embracing *Sotera*. Fourth, *Motorola* noted that even when corresponding system art was at issue in the district court action, the *Sotera* stipulation still "mitigate[s] some concern of duplication." *Motorola* at 4. In short, *Motorola* merely found that a *Sotera* stipulation did not outweigh multiple other *Fintiv* factors when they all favored denial. That is not the situation here. Unlike *Motorola*, where Factors 1 and 3 each favored discretionary denial, here Factor 1 is neutral and Factor 3 favors institution. Thus, *Motorola* cannot justify the panel's deviation from *Sotera* or the denial of institution based on Factor 4.

C. The Director Should Resolve The Panel Split On This Issue

Simultaneous conflicting panel decisions on important issues affecting most IPR petitions call for Director resolution. Resolving this panel split is needed for clarity, consistency, and predictability in PTAB proceedings.

On the same day as the panel's Decision here, another panel—where the petitioner had filed a *Sotera* stipulation and reserved the right to assert in the district court the same prior art publications asserted in its IPR petition in combination with non-publication prior art—found *Sotera* to "mitigate[] certain concerns of duplicative efforts … as well as concerns of potentially conflicting decisions" and found that *Fintiv* Factor 4 "strongly favors" not exercising discretionary denial. *Dell*, Paper 12 at 8, 16 (nevertheless denying institution primarily because "the merits of Petitioner's challenge are not particularly strong"). Unlike the panel here, the *Dell* panel expressly declined to speculate about the district court trial:

> Although we acknowledge Patent Owner's concern about lack of overlap stemming from Petitioner's reservation of rights in its *Sotera* stipulation, our evaluation at this juncture is based on the facts before us, not on how Petitioner might challenge the validity of the patent at trial. Further, Patent Owner does not identify any art asserted by Petitioner in the litigation that might fall within this reservation. On the present record, Petitioner's broad stipulation mitigates certain concerns of duplicative

> efforts between the District Court and the Board, as well as concerns of potentially conflicting decisions. *Sotera*, Paper 12 at 19. Accordingly, factor 4 strongly favors not exercising discretionary denial.

*Id.*at 8.

Here, similarly, Patent Owner identifies no WebSphere-related evidence that Petitioner will try to assert at the district court trial notwithstanding its *Sotera* stipulation.

The Director should resolve this panel split in favor of the *Dell* decision (and the above-cited April 4, 2025 Board decisions in *Apple* and *Samsung*). For several reasons, the Office should not deny IPR institution based on speculation of what *might* occur at a future district court trial where the petitioner has served a *Sotera* stipulation. While avoiding two bites (unpatentability/invalidity) at the same apple (same patent claim) in two different fora is a sound consideration, it is one the district court is much better placed to enforce than is the Office. The district court need not speculate about future submissions of the patent challenger. It has all the evidence at hand. It is not constrained to speculate based on over-inclusive invalidity contentions served early in the action long before claims were narrowed, prior art was narrowed, and the *Sotera* stipulation was served. Moreover, only a small fraction of district court cases reach trial—fewer than 1 in 20.

In short, *Sotera* is not only binding precedent reaffirmed by the Office in its February and March guidance—it is sound policy. Director intervention is warranted to reaffirm that policy and correct the departure here.

D. That Most Challenged Claims Will Not Be Challenged In District Court Favors Not Discretionarily Denying Institution

The Board's disregard for the fact that most challenged claims are no longer asserted in the district court action directly conflicts with PTAB guidance. Ignoring this claim narrowing undermines the very purpose of IPR proceedings—established by Congress to improve patent quality and restore confidence in the presumption of validity that attaches to issued claims.

Each claim of a patent is, in effect, its own legal right. A patent owner can license or assert a single claim, and the validity of one claim generally stands independently of its siblings. For these reasons a single invalid claim can continue to chill innovation and impose costs on the public—even if other claims in the same patent are struck down. That is why the public policy underlying IPR proceedings applies with full force to every challenged claim, particularly those that will not be litigated in district court even if that action reaches trial.

Petitioner's supplemental *Fintiv* brief explained this, noting that only a small subset of the challenged claims remain in the district court case. Paper 9 at 2. That distinction weighs against discretionary denial under Factor 4. The PTAB recognized the same principle in *Apple Inc. v. Seven Networks, LLC*, IPR2020-00156,

Paper 10 at 17 (PTAB June 15, 2020), where the Board found that addressing 11 claims not being litigated in district court favored institution.

Yet the panel here gave no weight to the fact that most of the Petition's challenged claims are now outside the scope of the district court action. Decision at 9–10. That was an error of law—and an abuse of discretion.

E. The Director Should Institute IPR Because Factor 3 Favors And Factors 4 And 6 Strongly Favor Not Exercising Discretionary Denial

Factors 3, 4, and 6 collectively weigh decisively against discretionary denial, while Factor 1 is neutral. The Board correctly found Factor 3 favors not exercising discretionary denial. As explained above, under *Sotera*, Factor 4 strongly favors not exercising discretionary denial. Factor 6 also strongly favors not exercising discretionary denial because the Board found the Petition's merits to be strong: "Petitioner's challenge is straightforward and definitely satisfies the institution standard, even when balanced against Patent Owner's counterarguments," which "read like an opposition to an anticipation challenge." Decision at 10. The Director therefore should institute *inter partes* review. In the alternative, the Director should remand to the Board with directions to correct the errors noted herein and reconsider institution.

V. CONCLUSION

Given these clear errors and critical policy considerations, Director Review is warranted. Petitioner respectfully requests that the Director institute *inter partes* review.

Respectfully submitted,

Dated: April 17, 2025

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CERTIFICATE OF SERVICE
IN COMPLIANCE WITH 37 C.F.R. § 42.6(e)(4)

The undersigned certifies that on April 17, 2025, Petitioner emailed copies of **PETITIONER'S REQUEST FOR DIRECTOR REVIEW** to the following email addresses, which Patent Owner has agreed constitutes service. *See* Paper 4 (Patent Owner's Mandatory Notices).

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