

**UNITED STATES PATENT AND TRADEMARK OFFICE**

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**BEFORE THE PATENT TRIAL AND APPEAL BOARD**

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CISCO SYSTEMS, INC.,  
Petitioner,

v.

WSOU INVESTMENTS d/b/a BRAZOS LICENSING AND DEVELOPMENT,  
Patent Owner.

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IPR2025-00188  
U.S. Patent No. 8,982,691

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**REQUEST FOR REHEARING OF  
DECISION ON DIRECTOR REVIEW**

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## **I. Introduction**

Petitioner Cisco Systems, Inc. respectfully requests rehearing of the August 22, 2025 Order granting Director Review, vacating institution, and denying inter partes review. The Order erroneously mis-evaluated Fintiv factor 4 by discounting Petitioner’s *Sotera* stipulation because it did not waive district court invalidity defenses based on “system art” and other evidence ineligible for IPR. The Order’s reasoning is not only contrary to recent Federal Circuit caselaw addressing the interplay between IPR and district court defenses, but it also exceeds the Director’s statutory authority and constitutes arbitrary and capricious agency action under the Administrative Procedure Act (APA), 5 U.S.C. § 706(2)(A), (C).

## **II. The Director’s Order Is Contrary to Law and Exceeds Statutory Authority**

In *Ingenico Inc. v. IOENGINE, LLC*,<sup>1</sup> the Federal Circuit addressed the relationship between invalidity defenses that may be raised in inter partes review and in district court litigation, and in particular, the estoppel effects that attach when a defendant chooses to pursue inter partes review and loses. The court held that IPR estoppel under 35 U.S.C. § 315(e)(2) is limited to IPR-eligible art:

[W]e hold that IPR estoppel applies only to a petitioner’s assertions in district court that the claimed invention is invalid

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<sup>1</sup> 136 F.4th 1354 (Fed. Cir. 2025).

under 35 U.S.C. §§ 102 or 103 because it was patented or described in a printed publication (or would have been obvious only on the basis of prior art patents or printed publications). IPR estoppel does not preclude a petitioner from asserting that a claimed invention was known or used by others, on sale, or in public use in district court. These are different grounds that could not be raised during an IPR.

*Ingenico*, 136 F.4th at 1366.

The court grounded its holding in the statutory text of §§ 311(b) and 315(e)(2), explaining that “grounds” are the §§ 102/103 theories available in IPR—limited by § 311(b) to patents and printed publications. *Id. Ingenico* thus confirms that Congress deliberately preserved for the courts those invalidity grounds based on public use, sale, knowledge or use by others, and other non-patent and non-printed-publication evidence. The Director’s expectation (and tacit demand) for Petitioner to have waived its ability to present such IPR-ineligible invalidity defenses as a pre-condition to a merits-based evaluation of its IPR petition is an *ultra vires* act that imposes new petition requirements that greatly exceed those written into the law by Congress.

### **III. The Director’s Discounting of Petitioner’s Sotera Stipulation Is Arbitrary, Capricious, and Contrary to Law**

Petitioner’s stipulation tracks the language of *Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020-01019, Paper 12 (PTAB Dec. 1, 2020) (precedential as to § II.A.), by agreeing not to pursue in district court “any other ground that could have been reasonably raised against Challenged Claims 1 through 10 of U.S. Patent No. 8982691 in an IPR (i.e., grounds that could have been raised under §§102 or 103 on the basis of prior art patent or printed publications).” Paper 7 at 2. The Order faults the stipulation because it “does not relinquish any rights” to present an invalidity defense in district court based on “unpublished system prior art.” Paper 14 at 2. But *Ingenico* holds precisely that such “system art” grounds are not eligible for evaluation in an IPR trial—they are the sole province of the district court. Requiring a petitioner to waive those grounds as the price of getting to a merits panel expands the estoppel effect of choosing an IPR invalidity defense far beyond the statute. As such, the Director’s rationale for denial has no legitimate legal basis, as it turns on factors and considerations that are expressly reserved to another branch of government—an Article III constitutional court. After *Ingenico*, a *Sotera* stipulation cannot be deemed deficient for not waiving non-IPR-eligible grounds. The Director’s insistence on such a waiver is arbitrary and capricious under the Administrative Procedures Act because there is no “rational connection

between the facts found and the choice made.” *Motor Vehicle Mfrs. Ass’n of the United States, Inc. v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 43, (1983).

Here, the facts are these:

- 1.) Petitioner submitted a complete *Sotera* stipulation, effectively accelerating the estoppel effect of an IPR from its Final Written Decision (per 35 U.S.C. § 315(e)(2)) to the Institution Decision.
- 2.) The PTAB issued its Institution Decision, instituting an IPR trial, on June 13, 2025.
- 3.) Thus, as of June 13, 2025 (and until the Institution Decision was vacated), there was no possibility of the district court hearing, considering, or ruling on any invalidity defense that Petitioner could have reasonably presented in its IPR Petition.

The Director’s choice, however, was to de-institute the IPR because the Director mistakenly believed that “Petitioner’s stipulation here does not ensure that this proceeding would be a true alternative to the district court proceeding.” Paper 14 at 3. There is simply no rational connection between Petitioner choosing the PTAB to be the exclusive venue for its IPR-eligible invalidity defenses, and the Director’s writing that the PTAB would not be a “true alternative” to the district court evaluating those same invalidity arguments. Because the Director’s decision lacks a rational connection to the facts of this case, the decision was arbitrary and

capricious and should be reversed.

#### **IV. Relief Requested**

Because the Order de-instituting this case imposes an unreasonable, *ultra vires*, and arbitrary-and-capricious expectation that Petitioner waive all prior-art-based invalidity defenses—including those ineligible for IPR—Director Review is warranted. Petitioner respectfully requests that the Director:

- grant rehearing;
- vacate the denial of institution (Paper 14); and
- reinstate the Board’s institution decision (Paper 10).

Respectfully submitted,

Dated: September 22, 2025  
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/Theodore M. Foster/  
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**CERTIFICATE OF SERVICE**

The undersigned certifies that, in accordance with 37 C.F.R. § 42.6(e),  
service was made on Patent Owner as detailed below.

*Date of service* September 22, 2025

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*Documents served* **REQUEST FOR REHEARING OF DECISION ON  
DIRECTOR REVIEW**

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