

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

CAMBRIDGE INDUSTRIES USA, INC.,

Petitioner,

v.

APPLIED OPTOELECTRONICS, INC.,

Patent Owner.

Case IPR2025-00435

Patent No. 10,042,116

AUTHORIZED RESPONSE TO DIRECTOR REVIEW REQUEST

I. INTRODUCTION

Denial of the petition (Paper 1) (“Petition”) for *inter partes* review of U.S. Patent No. 10,042,116 (the ’116 Patent) was proper because “the agency’s decision to deny a petition is a matter committed to the Patent Office’s discretion.” *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 273 (2016) (citing 35 U.S.C. § 314(a)) (emphasis added); *Harmonic Inc. v. Avid Tech., Inc.*, 815 F.3d 1356, 1367 (Fed. Cir. 2016). As the Supreme Court has stated, the statute contains “no mandate to institute review.” *Id.* “The Director is permitted, but never compelled, to institute an IPR. And no petitioner has a right to such institution.” *Mylan Laboratories Ltd. v. Janssen Pharmaceutica, N.V.*, 989 F.3d 1375, 1382 (2021) (emphasis added).

Petitioner’s Request for Director Rehearing (Paper 12) (“Request”) does not identify any abuse of discretion, any erroneous finding of fact, or any erroneous conclusion of law that would warrant a rehearing by the Director of the Director’s Discretionary Denial (Paper 11). *See* USPTO Director Review Process at <https://www.uspto.gov/patents/ptab/decisions/director-review-process>. Instead, the Request asks the Director to reevaluate a previously presented argument for “policy reasons”. *See* Paper 12 at p. 1. Further, in support of its Request, Petitioner merely cites its own informal, statistically meaningless review of 2024 and 2025 district court cases, many of which still may be subject to appeal. Regardless,

Petitioner’s review of cases arguably supports the Director’s decision to grant discretionary denial rather than Petitioner’s Request.

In short, the Request fails because: 1) the Director’s Discretionary Denial was based on a “holistic assessment of all the arguments and evidence presented,” not “solely on ‘settled expectations;’” 2) the Request relies on new, unreliable “data” that is subject to interpretations in direct contradiction to that of Petitioner; and 3) the Request’s claim of an Administrative Procedure Act (APA) or due process violation in this proceeding lacks merit.¹

II. THE DIRECTOR’S DENIAL WAS BASED ON A “HOLISTIC ASSESSMENT” OF THE ARGUMENTS AND EVIDENCE

In the Request, Petitioner argues that the Director denied the Petition for the sole reason that “the Patent Owner had ‘settled expectations’ that the validity of the ’116 patent would not be challenged.” Paper 12 at 1. That is simply not the case. While the Director held that the Patent Owner had settled expectations and discretionary denial was appropriate, the next sentence states: “[a]lthough certain arguments are highlighted above, the determination to exercise discretion to deny institution is based on a holistic assessment of all the evidence and arguments presented.” Paper 11 at p. 3 (emphasis added).

¹ The Request also raises a number of policy-type arguments. Patent Owner does not address these arguments here, but for this matter defers to the judgment of the Director and the USPTO regarding patent policy and resource allocation decisions.

For example, the Director analyzed other arguments as part of the holistic review, including Patent Owner's arguments that the '116 patent is subject to a district court litigation where claim construction briefing is complete and whether the Petitioner is over-reliant on expert testimony. *See id.* at pp. 2-3. The Director, exercising authorized discretion, holistically balanced the issues and record presented in the papers to deny institution.

The Director's decision to grant discretionary denial was proper and based on a holistic assessment of all the evidence and arguments presented.

III. THE REQUEST RELIES ON NEW, UNSUBSTANTIATED "DATA"

In Petitioner's Opposition to Patent Owner's argument for "settled expectations" in its Discretionary Denial Request, Petitioner presented no evidence and little argument. *See* Paper 9 at pp. 12-13. Now, in its Request, Petitioner cites to an informal survey it did of a selection of 2024 through mid-2025 cases to argue that older patents are sometimes invalidated in district courts and asks the Director to infer additional "factual" information therefrom. *See* Paper 12 at pp. 4-5. However, that "survey" is flawed at best, and regardless does not even support Petitioner's position. Further, there is nothing that prevented Petitioner from providing this same information in its Opposition to Patent Owner's Request for Discretionary Denial.

First, the relevance of the “data” cited is unclear. Patents, including older patents, can be invalidated in district courts for a number of reasons, not all of which are arguments or grounds permitted in an *inter partes* review. For example, invalidity arguments based on prior art other than patents and printed publications are not generally permitted in an *inter partes* review, but can be raised in district court. Petitioner’s informal survey does not appear to take these differences into account. Further, Petitioner’s assertion that the Patent Office would have invalidated more of the patents is mere conjecture. A technical PTAB panel could easily have understood the art and the distinctions better than a jury, resulting in fewer invalidations. Without looking at each case individually, it is impossible to reach Petitioner’s conclusion.

Second, Petitioner limited its analysis to district court cases decided in 2024 and early 2025. Such recent cases are likely still subject to appeal, so the final determination of validity may not have been made at this time. Again, the “data” is far from definitive.

Third, had Petitioner wanted to use its informal survey data to rebut Patent Owner’s argument as to settled expectations, it could have done so in its Opposition to Patent Owner’s Request for Discretionary Denial. It did not. This is the first time that Petitioner has raised this new argument.

Finally, Petitioner argues that a number of patents were invalidated by the district courts. However, Petitioner ignores two important factual conclusions from the data that are in direct contradiction to Petitioner's argument and wholly support the Director's decision to grant discretionary denial. First, Petitioner fails to point out that the substantial majority (approximately 70%) of patents invalidated in the cases cited by Petitioner were actually less than six years old. *See* Paper 12 at pp. 4-5; Exhibit 1020 (showing 60 of the 86 invalidated patents were less than six years old). Further, Petitioner also fails to point out that the vast majority of older patents are not *invalidated* across all district court cases. Therefore, the newly offered "data" does not support Petitioner's position.

For at least these reasons, the Director should deny Petitioner's Request.

IV. PETITIONER IDENTIFIES NO APA, DUE PROCESS, OR OTHER VIOLATIONS FOR ITS REQUEST

Bases for discretionary denials of petitions for *inter partes* review existed prior to the Director's March 2025 Memorandum. These additional bases are independent reasons supporting denial, but none are addressed in the Request. Therefore, the basis for Petitioner's claimed APA violation is unclear. Further, Petitioner was on fair notice of the factors articulated in the March 2025 Memorandum that the Director intended to use in the discretionary denial process. Both parties had the opportunity to present evidence and develop a record of all of

their arguments. In fact, each party was given up to 14,000 words to make its arguments. *See TQ Delta, LLC v. DISH Network LLC*, 929 F.3d 1350, 1356 (Fed. Cir. 2019) quoting *Hamilton Beach Brands, Inc. v. f'real Foods, LLC*, 908 F.3d 1328, 1339 (Fed. Cir. 2018) (no APA violation where “the party asserting the APA violation ‘had notice ... and an opportunity to be heard’”).

Similarly, there is no basis for a Due Process violation because Petitioner has not been deprived of any rights by the denial of institution. 35 U.S.C. § 314(a); *Cuozzo*, 579 U.S. at 273 (institution is always up to the Director’s discretion). Petitioner simply disagrees with the outcome, but that is not a basis for a Constitutional challenge as Petitioner can still challenge the validity of the ’116 Patent in district court.

V. CONCLUSION

For the reasons set forth above, the Director should deny the Request for rehearing of the decision denying the petition for *inter partes* review.

Dated: July 29, 2025

/Jo Dale Carothers/
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CERTIFICATE OF SERVICE

The undersigned hereby certifies service on the Petitioner, pursuant to 37 C.F.R. §42.6(e) and by agreement of counsel, by electronic (e-mail) delivery of a true copy of the foregoing **AUTHORIZED RESPONSE TO DIRECTOR REVIEW REQUEST**, which was served on July 29, 2025 to the following Counsel for Petitioner via e-mail:

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