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 IPR2025-00481
Patent 11,096,055 B2

PETITIONER'S REQUEST FOR DIRECTOR REVIEW

TABLE OF CONTENTS

I. INTRODUCTION 1
II. ARGUMENT 2
A. Retroactively Applying the Vidal Memo's Rescission Violates Due Process and the APA 2
1. The Recission's Retroactivity Violates Due Process 4
2. The Recission's Retroactivity Violates the APA 5
B. The Rescission Violates the Change-in-Position Doctrine 6
C. The Acting Director's Discretionary Denial Framework Is Unconstitutional 7
1. The Framework Impermissibly Alters the Statutory IPR Deadline 7
2. The Framework Disturbs the Legislatively-Prescribed Scope of Estoppel in Parallel Litigation 8
3. The Framework Is Unconstitutionally Vague 9
D. The Recission Required Notice-And-Comment Rulemaking 10
III. CONCLUSION 11

I. INTRODUCTION

The order denying institution and the underlying discretionary denial framework applied by the Acting Director[1] are both unlawful. Samsung adhered to the statutory deadline, paid the requisite fee, and made a stipulation that—under binding agency guidelines at the time Samsung prepared and filed this IPR—precluded the agency from denying institution on *Fintiv* grounds.

Although the office is free to change its policies within statutory and constitutional guardrails, by retroactively applying new policies to prior conduct to deny institution, the office exceeded the limits of its power in several ways. First, the office violated both the APA and Samsung's due process rights by retroactively applying its recission of its past discretionary denial guidance to conduct occurring before the recission. Second, rescinding that guidance without providing any justification and without considering petitioners' reliance interests violated the change-in-position doctrine. Third, the revised *Fintiv* framework violates the separation of powers by contradicting the AIA's express provisions concerning IPR timeliness and estoppel in parallel proceedings. Fourth, the framework itself

[1] The Acting Director delegated the director review decision in this IPR. Paper 9. For simplicity, Samsung uses the term "Acting Director" herein to encompass the Acting Director's delegee.

is so vague that it provides parties with constitutionally inadequate notice and inevitably results in arbitrary decisions. Finally, the agency's recission of its own binding guidance without engaging in notice-and-comment violated the APA.

By denying institution based on this fundamentally flawed framework, the Acting Director misapprehended and overlooked the statutory and constitutional limits of the agency's authority. The Acting Director should therefore revoke the discretionary denial.

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. 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 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; *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 two stipulations to eliminate any potential overlap with the district court litigation. First, with the petition, Samsung stipulated not to pursue the IPR grounds in district court. Ex. 1026. Samsung's decision to make this limited stipulation at the time of the petition's filing was based on its understanding, in reliance on the Vidal Memo, that it could make a full *Sotera* stipulation if Patent Owner sought discretionary denial under *Fintiv*, and that doing so would preclude discretionary denial under the Vidal Memo. Second, before Patent Owner requested discretionary denial, Samsung provided an additional stipulation that not only satisfies *Sotera*, but further commits not to combine IPR art with non-IPR-eligible art in district court, contingent on this proceeding's institution. Ex. 1031.

Applying the binding Vidal Memo in effect at the time that Samsung prepared and filed the petition and committed to its discretionary denial strategy, Samsung's submission of a stipulation exceeding a *Sotera* stipulation should have precluded discretionary denial. The order's discretionary denial thus rests on applying the Acting Director's February 28, 2025, recission of the Vidal Memo (the "Rescission") retroactively to conduct undertaken before the Recission. 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 deployed its strategy of making a narrow stipulation with the option to later make 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 opportunity to respond to Patent Owner's request for discretionary denial was not adequate process because it provided no meaningful opportunity to challenge the Recission's retroactive application itself. 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 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 only meaningful reason the Acting Director provided for denying institution was the district court trial date, *see* Paper 9 at 2, a ruling that amounts to holding that Samsung waited too long, relative to the district court case, to file its petition. That approach cannot be reconciled with the separation of powers when Samsung's petition is unquestionably timely under the statute. "[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.

D. 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 revoke the order denying institution and direct the Board to assess the petition on its merits.

Respectfully submitted,

Dated September 3, 2025

/Jeremy J. Monaldo/

W. Karl Renner, Reg. No. 41,265
Jeremy J. Monaldo, Reg. No. 58,680
Usman A. Khan, Reg. No. 70,439
Fish & Richardson P.C.
60 South Sixth Street, Suite 3200
Minneapolis, MN 55402
Tel: 202-783-5070
Fax: 877-769-7945

Attorneys for Petitioner

Proceeding No. IPR2025-00481
Attorney Docket No: 39843-0184IP1

CERTIFICATE OF SERVICE

Pursuant to 37 CFR §§ 42.6(e)(4) and 42.205(b), the undersigned certifies that on September 3, 2025, a complete and entire copy of this Petitioner's Request for Director Review was provided by email to the Patent Owner by serving the correspondence email address of record as follows:

Reza Mirzaie
Marc A. Fenster
Dale Chang
James A. Milkey
Neil Rubin
Philip X. Wang
RUSS, AUGUST & KABAT
12424 Wilshire Blvd. 12th Floor
Los Angeles, CA 90025

Email: rak_headwater@raklaw.com

/Diana Bradley/
Diana Bradley
Fish & Richardson P.C.
60 South Sixth Street, Suite 3200
Minneapolis, MN 55402
bradley@fr.com