

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Hisense USA Corporation
Petitioner

v.

Phenix Longhorn LLC
Patent Owner

IPR2025-01004
Patent No. 7,557,788

**PETITIONER'S OPPOSITION TO PATENT OWNER'S
DISCRETIONARY DENIAL BRIEF**

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I. INTRODUCTION

Petitioner Hisense USA Corporation, (“Hisense”) respectfully submits its Opposition to Patent Owner Phenix Longhorn LLC’s (“Phenix” or “Patent Owner”) Discretionary Denial Brief. Patent Owner failed to carry its burden to show that discretionary denial of Hisense’s Petition for *Inter Partes* Review of U.S. Patent No. 7,557,788 (the “’788 Patent”) is warranted.

The Petition presents strong unpatentability merits that weigh heavily against discretionary denial when considered alongside the *Fintiv* factors and the considerations set forth in Director Stewart’s March 26, 2025 Memorandum. These issues notwithstanding, *Fintiv* should not apply here because, regardless of the stage of the co-pending lawsuit, that lawsuit will not resolve all potential liability. Thus, there is less overlap between this proceeding and the co-pending litigation. And this is further reinforced by the fact that Petitioner has entered a *Sotera*-type stipulation (*see* Ex. 1013), thus making *Fintiv* even less applicable.

Critically, Patent Owner has no legitimate claim of settled expectations as to the validity of the challenged patent. First, the ’788 Patent is expired. Thus, there is no expectation the patent will remain in force. Second, even if the ’788 Patent was not expired, it does not protect any business or product of Patent Owner. To the contrary, Patent Owner is a non-practicing entity that engages in the business of

bringing lawsuits to enforce patents. Patent Owner does not sell products, nor has it ever done so previously.

By contrast, Petitioner Hisense USA Corporation—as its name indicates—is a U.S.-based corporation. Hisense and its parent and sister companies make and sell actual products—namely flat-screen televisions throughout the United States and the planet and thus serve substantial industrial and economic interests. These economic interests counsel against exercising discretion to deny the Petition. For example, preventing the misuse of defective patents to stifle domestic technological innovation is of great interest to the American economy. Such an aim comports with the current presidential administration’s position that domestic production of technology is the “bedrock” of national and economic security. Exec. Order No. 14257, 90 Fed. Reg. 15041, 15043 (Apr. 2, 2025), *abrogated by V.O.S. Selections, Inc. v. Trump*, No. 2025-1812, 2025 WL 2490634, at *18 (Fed. Cir. Aug. 29, 2025) *cert. granted*, No. 25-250, 2025 WL 2601020 (U.S. Sept. 9, 2025).

As detailed below, Petitioner respectfully requests that the Director decline to exercise discretion to deny the Petition and advance the Petition to the merits panel for an institution decision.

II. DISCRETIONARY DENIAL IS INAPPROPRIATE UNDER 35 U.S.C. § 314(a).

Phenix argues that an assessment of the *Fintiv* factors and additional considerations set forth in Director Stewart’s March 26, 2025 Memorandum

counsels in favor of discretionary denial. Paper 7 at 2-4. As explained below, the *Fintiv* factors should not be considered here, and if considered, should not be dispositive because the parallel district court proceeding will not fully address Petitioner’s potential liability. Nonetheless, even when considered, a holistic evaluation of the *Fintiv* factors and the additional considerations in the Stewart Memorandum confirm discretionary denial of the Petition is not warranted.

A. The *Fintiv* Factors—If Applicable—Weigh Against Discretionary Denial or Are, at Worst, Neutral.

The *Fintiv* factors should not apply to determine whether to discretionarily deny the instant Petition. This is because the parallel district court proceeding, *Phenix Longhorn LLC v. AU Optronics Corp. et al.*, 1:23-cv-00477-RWS-RSP (E.D. Tex.) (the “AUO Litigation”) will not resolve all claims of liability. Efficient and complete resolution of the matter of Petitioner’s liability necessitates *inter partes* review by the PTAB.

Nonetheless, even if applicable here, the *Fintiv* factors, considered as a whole, do not warrant discretionary denial. *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (P.T.A.B. Mar. 20, 2020) (precedential). As detailed below, each factor either weighs against denial or is neutral.

1. Factor 1: No Stay Has Been Requested.

Factor 1 considers “whether a stay exists or is likely to be granted if a proceeding is instituted.” *Fintiv*, IPR2020-00019, Paper 11 at 6-9 (emphasis

omitted). This factor is neutral. No stay has been requested, much less denied, in the district court proceeding. Patent Owner presents only speculation, unsupported by evidence, that a stay would be denied if sought.

Patent Owner does not dispute that no stay has been requested in the district court litigation. *See* Paper 7 at 8-10. Patent Owner argues this factor nonetheless weighs in favor of denial because “even if Petitioner were to seek a stay, that motion would almost certainly be denied.” Paper 7 at 8. Where, as here, no stay has been requested, the Board has declined to infer the outcome of a motion to stay. *See, e.g., Hulu, LLC v. SITO Mobile R&D IP, LLC*, IPR2021-00298, Paper 11 at 10-11 (P.T.A.B. May 19, 2021) (because “neither party has produced evidence that a stay has been requested[,] . . . [w]e decline to infer, based on actions taken in a different case with different facts, how the District Court would rule should a stay be requested by the parties in the parallel case here” (citation omitted)); *Sand Revolution II, LLC v. Cont’l Intermodal Grp. Trucking LLC*, IPR2019-01393, Paper 24 at 7 (P.T.A.B. June 16, 2020) (“In the absence of specific evidence, we will not attempt to predict how the district court in the related district court litigation will proceed . . . based on a variety of circumstances and facts beyond our control and to which the Board is not privy.”).

Accordingly, Patent Owner’s speculation on the outcome of a motion to stay in the district court proceeding carries no weight, and this factor is, at worst, neutral.

2. Factor 2: The Proximity of the Court’s Trial Date Is Not Determinative Here.

Factor 2 considers the proximity of the court’s trial date to the Board’s projected statutory deadline. *Fintiv*, IPR2020-00019, Paper 11 at 9. This factor is neutral. While Petitioner acknowledges the current schedule provides a trial date prior to the Final Written Decision date, recent PTAB decisions support institution of this Petition notwithstanding the present trial schedule. *See, e.g., Google LLC v. Mullen Indus. LLC*, IPR2025-00019, Paper 14 at 13 (P.T.A.B. May 12, 2025) (“Although the earlier trial date weighs in favor of discretionary denial, the remaining factors are either neutral or weigh[] against discretionary denial. Accordingly, we decline to exercise discretion to deny institution.”).

Moreover, the fact that the current schedule provides a trial date prior to the Final Written Decision date should be given no weight because the district court proceeding will not fully address the issue of Petitioner’s potential liability, as further discussed in Section II(B)(3) below. Thus, resolution of the district court proceeding does not foreclose Patent Owner from asserting its patent in future litigation against Petitioner. There is no efficiency lost by institution, as the only potential resolution of Patent Owner’s claims is a finding of invalidity, either here or by the district court. Further, as discussed, Petitioner has submitted a *Sotera*-type stipulation, confirming that institution will resolve the issue of invalidity based on

prior art raised or that could have been raised in the Petition. Thus, the more efficient route is to institute this proceeding.

Efficiency and fairness dictate a resolution of the patentability of all claims of the '788 Patent, which is best achieved through institution of Hisense's Petition.

3. Factor 3: Investment in the Parallel Proceeding by the Court and the Parties.

Factor 3 considers “the amount and type of work already completed in the parallel litigation by the court and the parties at the time of the institution decision.” *Fintiv*, IPR2020-00019, Paper 11 at 9.

A *Markman* order was issued in the AUO Litigation on August 18, 2025. Nevertheless, “much work remains, including the preparation and service of rebuttal expert reports, expert discovery, dispositive motions, and pretrial motions and disclosures.” *Samsung Elecs. Co., Ltd. v. Nanoco Techs. Ltd.*, No. IPR2021-00185, 2021 WL 2006579, at *5 (P.T.A.B. May 19, 2021). Even where the Board has found this factor “weighs somewhat in favor of exercising [its] discretion to deny institution,” the Board has nonetheless ordered institution where the petitioner filed a *Sotera* stipulation. *See id.* at *5-6, *13; *Lego Sys., Inc. v. MQ Gaming LLC*, No. IPR2020-01447, 2021 WL 606920, at *5 (P.T.A.B. Feb. 16, 2021).

Patent Owner argues that “Petitioner’s decision to bring this Petition almost four months before trial highlights its lack of diligence in challenging the '788 Patent in the EDTX Litigation and before the Board.” Paper 7 at 13. As an initial point,

Petitioner Hisense USA Corporation was only recently added as a party to the litigation on October 2, 2024. *Compare* Ex. 1014 *with* Ex. 1015. Petitioner filed this Petition less than seven months later on May 14, 2025. That other defendants are related to the Petitioner and were already defendants is irrelevant. Those entities are not responsible for the alleged infringement as these entities only either assemble or sell the accused television models or sell completed units. As such, the earlier inclusion of related entities in the district court litigation should not be a factor in considering the timeliness of the Petition.

Moreover, the Board has expressly discounted the argument that Petitioner's use of the full statutory period afforded for the filing of a petition shows a lack of diligence. *See Medtronic, Inc. v. Avanos Med. Sales, LLC*, IPR2020-00895, Paper 16 at 29 (P.T.A.B. Oct. 23, 2020) ("Congress has expressly provided a one-year grace period...We decline to consider any petition filed within such a statutorily mandated grace period to be *ipso facto* 'not-expeditious-enough.'").

Accordingly, this factor is neutral.

4. Factor 4: The Overlap Between the Asserted Art and Petitioner's Invalidity Arguments in the District Court Counsels Against Denial.

Factor 4 considers the overlap between issues raised in the petition and in the parallel proceeding. *Fintiv*, IPR2020-00019, Paper 11 at 12-13. This factor weighs against denial because Petitioner has submitted a *Sotera* stipulation. Ex. 1013.

Where Petitioner submits a *Sotera* stipulation, this factor “weighs ***strongly in favor*** of not exercising discretion to deny institution.” *See Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020-01019, Paper 12 at 19 (P.T.A.B. Dec. 1, 2020) (precedential) (emphasis added). Indeed, the Board has recently clarified that “[b]ased on the *Sotera* decision and the March 2025 *Fintiv* Guidance” a *Sotera* stipulation is “highly relevant.” *Nikon Corp. v. Optimum Imaging Techs., LLC*, No. IPR2024-01374, 2025 WL 1249839, at *9 (P.T.A.B. Apr. 29, 2025).

Patent Owner argues that Petitioner’s *Sotera* stipulation is “meaningless” because “it does not bind AUO.” Paper 7 at 15. However, the Board has found that the relevance of the *Sotera* stipulation “applies even if another defendant might pursue such grounds in parallel litigation.” *Comcast Cable Commc'ns, LLC v. Touchstream Techs., Inc.*, No. IPR2024-00325, 2024 WL 3552921, at *5 (P.T.A.B. July 26, 2024). In fact, the Board previously rejected this argument when Patent Owner attempted to assert it in a prior proceeding. *Innolux Corp. v. Phenix Longhorn LLC*, No. IPR2025-00043, 2025 WL 1413380, at *5 (P.T.A.B. May 15, 2025) (finding this factor weighs against exercising discretionary denial even though “Petitioner’s joint invalidity contentions were created in cooperation with defendants in other district court cases involving the same patent” and “those other defendants [were] not subject to Petitioner’s [*Sotera*] stipulation”).

Accordingly, this factor is “highly relevant” and weighs “strongly in favor” of not exercising discretion to deny the Petition.

5. Factor 5: The Parties are Not Identical.

Factor 5 considers whether the petitioner and the defendants in the parallel proceeding are the same. *Fintiv*, IPR2020-00019, Paper 11 at 13-14. Indeed, “[i]f a petitioner is unrelated to a defendant in an earlier court proceeding, the Board has weighed this fact against exercising discretion to deny institution.” *Id.* at 14.

This factor weighs against discretionary denial because the parties are not identical. The defendants in the parallel proceeding include AUO Optronics Corporation (“AUO”) and Hisense USA Corporation (Petitioner) and its affiliates. As discussed in detail below, AUO is not a real party in interest nor in privity with a party to the instant proceeding. Accordingly, the petitioner and the defendants in the AUO Litigation are not the same.

Moreover, as detailed *infra* in Section B(1), Petitioner has no relationship with AUO, a co-defendant in the AUO Litigation, such that the two should be considered “related” parties for purposes of this proceeding. Accordingly, this factor weighs against discretionary denial.

6. Factor 6: The Strong Merits of the Invalidity Challenge Weigh Against Discretionary Denial.

Patent Owner argues that “the weakness of the Petition on the merits [weighs] against institution” and offers an 11-page-long argument on why the Petition’s

obviousness-based invalidity arguments should fail in nonobservance of the Interim Director Discretionary Process guidance. Paper 7 at 15-27.

First, these arguments are improper and thus should be discounted or outright rejected. Patent Owner states “the merits will be more fully addressed in Patent Owner’s Preliminary Response” and incorporates the same “by reference pursuant to FAQ Q.25.” Paper 7 at 15. Such incorporation by reference is ***expressly prohibited*** pursuant to 37 C.F.R. § 42.6(a)(3). Patent Owner’s Preliminary Response has not yet been filed, and it cannot be incorporated by reference in any event.

Second, Patent Owner cites FAQ Q.25, which has been superseded by the Interim Director Discretionary Process procedures on the USPTO website. *See FAQs for Interim Processes for PTAB Workload Management*, USPTO (Aug. 27, 2025), <https://www.uspto.gov/patents/ptab/faqs/interim-processes-workload-management>. The relevant, controlling procedure makes clear that “when filing a brief for discretionary denial, a patent owner may ***direct attention to an anticipated POPR and evidence for a discussion of the merits***” and may “briefly explain why the merits are relevant.” However, “a patent owner should not treat a discretionary denial brief as an additional opportunity for merits briefing.” *Interim Director Discretionary Process*, USPTO (Aug. 27, 2025), <https://www.uspto.gov/patents/ptab/interim-director-discretionary-process>.

Patent Owner's 11-page merits-based argument comprises nearly a third of Patent Owner's briefing. Such detailed technical argument on why the Petition's obviousness-based invalidity arguments are "weak" goes far beyond "briefly explain[ing] why the merits are relevant" to a discretionary denial decision. Paper 7 at 15-27. Indeed, Patent Owner's disregard for the clear directive that it should not treat a discretionary denial brief as an opportunity for merits briefing counsels in favor of disregarding Patent Owner's argument in Section III(6) of its Discretionary Denial Brief entirely. Paper 7 at 15-27.

Nonetheless, in an abundance of caution, Petitioner addresses these improper merits-based arguments below.

a. Claims 1-3 and 5-6 are Obvious Under 35 U.S.C. § 103 Over Nonomura in view of Kang and further in view of the Knowledge of a POSITA.

Patent Owner's arguments for each of Petitioner's invalidity grounds relate to the purported insufficiency of Petitioner's motivation to combine its cited references for claim element 1C of the '788 Patent: "varying gamma reference voltage levels on columns of said display." *See* Paper 7 at 17-26. For the Nonomura and Kang combination, Patent Owner argues, "even if [this element] is taught by Kang," the Petition "fails to articulate a clear motivation that a POSITA would have to make the proposed, specific modification." Paper 7 at 17.

Specifically, Patent Owner claims the Petition fails to establish a *prima facie* case of obviousness because it “hinges solely” on a common sense/common knowledge argument of its expert to supply the alleged motivation to combine to meet the “column limitations” of independent claims 1, 3, and 5. Paper 7 at 19. This is incorrect.

Despite Patent Owner’s suggestion otherwise, “common sense or common knowledge can be invoked to provide a suggestion or motivation to combine or modify a prior art reference.” *Ex parte Barile*, No. 2016-005473, 2017 WL 2303222, at *2 (P.T.A.B. May 22, 2017); *see DyStar Textilfarben GmbH & Co. Deutschland KG v. C.H. Patrick Co.*, 464 F.3d 1356, 1367 (Fed. Cir. 2006). Common sense or common knowledge is only inappropriate as a basis for motivation to combine where it is “used as a wholesale substitute for reasoned analysis and evidentiary support.” *Arendi S.A.R.L. v. Apple Inc.*, 832 F.3d 1355, 1362 (Fed. Cir. 2016). This is not the case here. Indeed, the Federal Circuit has found the invocation of common sense as motivation to combine “properly accompanied by reasoned analysis and evidentiary support” where supported by evidence of advantages resulting from the combination of references and expert testimony. *United Therapeutics Corp. v. Liquidia Techs., Inc.*, No. 2022-2133, 2024 WL 3199314, at *6 (Fed. Cir. June 27, 2024) (citation omitted).

The Petition demonstrated that a POSITA would have been motivated to combine Kang with Nonomura to satisfy the limitation for varying gamma reference levels on columns of the display. The Petition achieves this through reasoned analysis and evidentiary support based on Dr. Betancourt's testimony and analysis of the advantages resulting from the combination. *See* Pet. at 10-11; 18.

For example, the Petition asserts, "Both Nonomura and Kang are in the same field of endeavor, i.e., gamma correction. Consequently, a POSITA would have had a reasonable expectation of success in combining their various disclosures to achieve, for example, (i) desired gamma correction in the real state in which an LCD panel has been mounted and (ii) improved display quality." Pet. at 10 (citing Ex. 1003 ¶ 78). Both (i) and (ii) represent an "advantage" in the art to make the purported modifications. The Federal Circuit has confirmed "reasoned decisionmaking" sufficient to demonstrate a motivation to combine. *See Outdry Techs. Corp. v. Geox S.p.A.*, 859 F.3d 1364, 1370 (Fed. Cir. 2017) (finding Board articulated adequate explanation for motivation to combine where it explained references were from the same field of endeavor and explained the advantage of combining the references).

In addition, the Petition states that "A POSITA would be motivated to modify Nonomura's systems to vary the gamma reference voltage levels on its columns of the LCD panel 36 in light of the teachings of Kang" because "[a]rranging an LCD into columns and rows for accessing individual pixels was well known to a POSITA

as of the earliest claimed priority date.” Pet. at 18 (citing Ex. 1003 ¶ 82.15). This statement relies on Dr. Betancourt’s Declaration, which provides that “It is common knowledge in the display industry to arrange an LCD panel into columns and rows for accessing individual pixels, and corresponding row drivers and column drivers are in engineers’ regular toolbox.” Ex. 1003 ¶ 82.15. Such common knowledge is fully consistent with the *KSR*’s requirement of “an expansive and flexible approach,” that combinations may be “obvious to try,” and its warning to avoid “transform[ing] the general principle into a rigid rule that limits the obviousness inquiry.” *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 415, 419, 421 (2007). Indeed, *KSR* held that, in assessing obviousness, “[w]hat matters is the objective reach of the claim.” *Id.* at 419. That is because “subject matter can be proved obvious” by showing “a known problem for which there was an obvious solution encompassed by the patent’s claims.” *Id.* at 420.

Accordingly, because the Petition’s conclusions are supported by evidence of advantages resulting from the combination of references and expert testimony, the Petition has properly articulated a motivation to combine. *United Therapeutics Corp.*, 2024 WL 3199314, at *6.

b. Claims 1-3 and 5-6 are Obvious Under 35 U.S.C. § 103 Over Uehara and Kang in view of the Knowledge of a POSITA.

Patent Owner likewise argues that Petitioner’s obviousness argument under 35 U.S.C. § 103 over Uehara and Kang fails because “the Petition fails to offer any purported motivation to modify the reference as claimed apart from common knowledge/common sense.” Paper 7 at 22.

As stated in the preceding section, despite Patent Owner’s suggestion otherwise, “common sense or common knowledge can be invoked to provide a suggestion or motivation to combine or modify a prior art reference.” *Ex parte Barile*, 2017 WL 2303222, at *2; *see DyStar*, 464 F.3d at 1367. Indeed, the use of common sense or common knowledge to provide a motivation to combine is only inappropriate when “used as a wholesale substitute for reasoned analysis and evidentiary support.” *Arendi*, 832 F.3d at 1362. Common sense as motivation to combine is “properly accompanied by reasoned analysis and evidentiary support” where supported by evidence of advantages resulting from the combination of references and expert testimony. *United Therapeutics*, 2024 WL 3199314, at *6.

The Petition, supported by expert testimony, establishes a motivation to combine Kang with Uehara to satisfy the limitation for varying gamma reference levels on columns of the display. *See* Pet. at 28-29; 36. For example, the Petition explains, “Both Uehara and Kang are in the same field of endeavor, i.e., gamma

correction. Consequently, a POSITA would have had a reasonable expectation of success in combining their various disclosures to achieve, for example, (i) desired gamma correction that takes into consideration the gamma characteristics of the image signal for which gamma correction has been performed and (ii) improved display quality.” Pet. at 28 (citing Ex. 1003 ¶ 84). Both (i) and (ii) represent an “advantage” in the art to make the purported modifications. The Federal Circuit has found similar “reasoned decisionmaking” sufficient to demonstrate a motivation to combine. *See Outdry*, 859 F.3d at 1370.

In addition, the Petition states that “A POSITA would be motivated to modify the teachings of Uehara to apply the gamma reference voltage levels, which are varied by the personal computer 202, to the columns of the liquid crystal panel 204b in light of the teachings of Kang. Arranging an LCD into columns and rows for accessing individual pixels was well known to a POSITA as of the earliest claimed priority date.” Pet. at 36 (citing Ex. 1003 ¶ 89.15). This statement relies on Dr. Betancourt’s Declaration, which provides that “It is common knowledge in the display industry to arrange an LCD panel into columns and rows for accessing individual pixels, and corresponding row drivers and column drivers are in engineers’ regular toolbox.” Ex. 1003 ¶ 89.15.

The Petition’s conclusions are supported by evidence of advantages resulting from the combination of references and expert testimony. The case law makes clear

this is sufficient to establish a motivation to combine. *United Therapeutics Corp.*, 2024 WL 3199314, at *6.

c. Claims 1 and 3 are Obvious Under 35 U.S.C. § 103 Over Tobiya and Kang in view of the Knowledge of a POSITA.

As for the Petition’s third ground of invalidity, Patent Owner repeats the same argument made for Grounds 1 and 2. In particular, Patent Owner urges “the Petition has failed to establish a *prima facie* case of obviousness because it does not explain with clarity and particularly why a POSITA would modify Tobiya with Kang to meet the ‘column’ limitation of independent claims 1 and 3” because it “fails to offer any purported motivation to modify the reference as claimed apart from common knowledge/common sense.” Paper 7 at 25-26.

As discussed *supra*, common sense or common knowledge is appropriately invoked to provide a “motivation to combine or modify a prior art reference.” *Ex Parte Barile*, No. 2016-005473, 2017 WL 2303222, at *2; ; *see DyStar*, 464 F.3d at 1367. However, common sense or common knowledge will not be sufficient when “used as a wholesale substitute for reasoned analysis and evidentiary support.” *Arendi*, 832 F.3d at 1362.

The Petition properly invokes common sense/common knowledge to establish a motivation to combine because Petitioner’s argument is “properly accompanied by reasoned analysis and evidentiary support.” Specifically, Petitioner’s motivation to

combine, based in common knowledge, is supported by evidence of advantages resulting from the combination of references and expert testimony. *United Therapeutics Corp*, 2024 WL 3199314, at *6 (citation omitted).

In particular, Petitioner has properly shown it would have been common knowledge to combine Kang with Tobiya to satisfy the limitation for varying gamma reference levels on columns of the display. The Petition achieves this through reasoned analysis and evidentiary support based on the Petition’s analysis of advantages resulting from the combination of references and expert testimony. *See* Pet. at 28-29; 36.

For example, the Petition asserts, “Both Tobiya and Kang are in the same field of endeavor, i.e., gamma correction. Consequently, a POSITA would have had a reasonable expectation of success in combining their various disclosures to achieve, for example, (i) variable gamma correction in addition to a linear type gamma correction and (ii) improved display quality.” Pet. at 48 (citing Ex. 1003 ¶ 91). Both (i) and (ii) represent an “advantage” in the art to make the purported modifications. This “reasoned decisionmaking” is sufficient to demonstrate a motivation to combine. *See Outdry*, 859 F.3d at 1370.

In addition, the Petition states that “A POSITA would be motivated to modify the teachings of Tobiya to apply the gamma reference voltage levels, which are varied by the computer 2, to the columns of the liquid crystal panel 6 in light of the

teachings of Kang because arranging an LCD into columns and rows for accessing individual pixels was well known to a POSITA as of the earliest claimed priority date.” Pet. at 54 (citing Ex. 1003 ¶ 96.12). As support for this proposition, Petitioner relies on Dr. Betancourt’s Declaration, which provides that “It is common knowledge in the display industry to arrange an LCD panel into columns and rows for accessing individual pixels, and corresponding row drivers and column drivers are in engineers’ regular toolbox.” Ex. 1003 ¶ 96.12. Thus, Petitioner’s common knowledge rationale is adequately supported by expert testimony.

Thus, as is the case with the Petition’s first and second grounds of invalidity, Petitioner has set forth a sufficient motivation to combine Tobiya and Kang, properly supported by evidence of advantages resulting from the combination of references and expert testimony. *United Therapeutics Corp.*, 2024 WL 3199314, at *6.

B. The Factors Contemplated by the Director’s Memo Weigh Against Discretionary Denial.

1. The Petition is Not Time-Barred Because AUO is Not a Real Party in Interest Nor in Privity with Petitioner.

Patent Owner argues that the Petition is time-barred because Petitioner’s co-defendant in the parallel litigation, AUO, had a deadline to request *inter partes* review of November 20, 2024. Paper 7 at 27. Specifically, Patent Owner argues that Petitioner should be subject to AUO’s deadline to request *inter partes* review because AUO is a real party in interest and is in privity with Petitioner. Contrary to

Patent Owner's contention, AUO is neither a real party in interest nor in privity with Petitioner, and thus, the Petition is not time-barred.

a. AUO is Not a Real Party in Interest.

Patent Owner argues AUO is a real party in interest because of “the pre-existing contractual relationship between AUO and Petitioner directed to the products accused of infringement [in the district court proceeding].” Paper 7 at 29. Patent Owner contends, “in this respect, it is apparent that the Petition was filed at AUO's behest.” *Id.* But this conclusion is not supported by fact or law. Rather, it is idle speculation and, in any event, is incorrect. AUO's supply contracts with Petitioner do not establish that AUO is a real party in interest.

Indeed, the Board has found the mere existence of a supplier-manufacturer relationship insufficient to establish that a non-party is a real party in interest. *See Assa Abloy Ab v. CPC Pat. Techs. Pty, Ltd.*, No. IPR2022-01045, 2024 WL 3799652, at *21, *24 (P.T.A.B. Aug. 13, 2024); *see also Uniloc 2017 LLC v. Facebook Inc.*, 989 F.3d 1018, 1029 (Fed. Cir. 2021) (“Without such evidence of control, in addition to no evidence of joint funding, or even any evidence of substantial coordination between the parties as to their respective decisions to bring these proceedings, a finding that [nonparty] is an RPI of or in privity with [party] here would be improper.”). Here there is no evidence of control, joint funding, or substantial coordination between Petitioner and AUO. Rather, Patent Owner simply

speculates based on supply agreements that there may be such an arrangement. There is none, and the Board should reject this unfounded speculation.

Moreover, Phenix’s reliance on *Ventex* in support of its position that AUO is a real party in interest is misplaced. In *Ventex*, the Board determined the parties “had a specially structured, preexisting, and well-established business relationship” including “exclusivity agreement[s],” and the non-party was “funding the *inter partes* review.” *Ventex Co., Ltd. v. Columbia Sportswear N. Am., Inc.*, No. IPR2017-00651, 2019 WL 764130, at *4, *6 (P.T.A.B. Jan. 24, 2019). Phenix has not presented any such evidence. Indeed, Patent Owner could never present evidence that AUO has funded the instant proceedings, because it has not.

Patent Owner further alleges that AUO should be considered a real party in interest “from a practical and equitable standpoint” because “AUO will benefit from the redress that the board might provide in this proceeding because a decision determining that the challenged claims are unpatentable would relieve AUO from liability for [infringement].” Paper 7 at 30. But this argument has repeatedly been rejected. Indeed, PTAB precedent confirms that while a non-party “may derive some benefit” from an IPR proceeding, “this derived benefit does not, however, make [the non-party] an RPI to [the] proceeding.” *Assa Abloy Ab*, 2024 WL 3799652, at *21; *cf WesternGeco LLC v. ION Geophysical Corp.*, 889 F.3d 1308, 1321 (Fed. Cir.

2018) (“a common desire among multiple parties to see a patent invalidated, without more, does not establish privity”). Accordingly, AUO is not a real party in interest.

b. AUO is Not in Privity with Petitioner

Patent Owner contends that AUO is in privity with Petitioner because: (1) there is a pre-existing substantive legal relationship between AUO and Petitioner; and (2) AUO is acting as a proxy for Petitioner to relitigate the same issues. But these arguments are unsupported by evidence and are factually incorrect.

First, there is no pre-existing substantive legal relationship between AUO and Petitioner.¹ Patent Owner argues that Petitioner’s Answer in the AUO Litigation states Petitioner’s affiliate Hisense Visual “contracts with AUO for the accused LCD panels and purchases . . . the accused LCD Panels from AUO” and that Petitioner “is responsible for U.S.-based activities related to the alleged infringing Hisense television products.” Patent Owner takes these factual pleadings and suggests that they are equal to an admission that AUO and Petitioner have a pre-existing substantive legal relationship that should make them privies. Paper 7 at 31. This is incorrect. Phenix cites to no authority for support of this point. To the contrary, the Federal Circuit has declined to accept such a sweeping interpretation of “substantive

¹ Hisense Visual, who is not a Petitioner in the instant proceeding, is the contracting party to a supply agreement with AUO that contains an indemnification obligation. Petitioner is not a party to this agreement. AUO has not funded or controlled this proceeding in any way.

legal relationship[],” instead finding that a supplier relationship is not sufficient to establish privity. *WesternGeco*, 889 F.3d at 1319, 1321.

Second, there is no evidence AUO is acting as a proxy for Petitioner to relitigate the same issues. In this regard, Patent Owner argues that “in light of the contract between AUO and Petitioner, it is apparent that Petitioner is acting as a proxy for AUO to litigate issues AUO is time-barred from litigating itself.” Paper 7 at 32-33. Again, Phenix cites no authority in support of this position. Rather, the existence of “a contractual and fairly standard customer-manufacturer relationship regarding the accused product . . . does not necessarily suggest” a party is litigating an IPR as a proxy for the other. *WesternGeco*, 889 F.3d 1321 (internal citation omitted).

2. Phenix Does Not Have Settled Expectations of Validity.

Patent Owner argues it has settled expectations regarding the '788 Patent's validity. Paper 7 at 33. This is false. First, the '788 Patent expired nearly two years ago. Thus, there necessarily can be no future expectations regarding its validity. Second, and more critically, Patent Owner is a non-practicing entity that engages in the business of bringing lawsuits to enforce its patents. Such a non-practicing entity has no settled expectations regarding a patent's validity. Indeed, the Director has previously explained that where “a patent may have been in force for years but [was] not commercialized, asserted, marked, licensed, or otherwise applied in a

petitioner's particular technology space, if at all," this fact weighs against a patent owner's claim of settled expectations. *Intel Corp. v. Proxense LLC*, IPR2025-00327, Paper 12 at 2-3 (Director June 26, 2025). Patent Owner does not sell any products, much less products that compete with Petitioner's products. These facts counsel against discretionary denial.

Patent Owner incorrectly argues there are settled expectations of the '788 Patent's validity because: (1) there has already been a challenge to the '788 Patent's validity; and (2) AUO allegedly had knowledge of the '788 Patent for over ten years but did not challenge its validity. Paper 7 at 33-34.

As to its first argument, Patent Owner cites four cases in support of its argument that because there has already been a challenge to the patent's validity, it has settled expectations of same. However, none of the cases Patent Owner cites involved an expired patent. See *Dabico Airport Sols. Inc. v. AXA Power ApS*, IPR2025-00408; *Samsung Elecs. Am., Inc. v. Cerence Operating Co.*, IPR2025-00458; *iRhythm Techs., Inc. v. Welch Allyn*, IPR2025-00363; *Apotex Inc. v. Alkermes Pharma Ireland Ltd.*, IPR2025-00514. As Patent Owner admits in its response brief, "the '788 Patent was granted over 16 years ago on July 7, 2009 and is now **expired**." Thus, because the '788 Patent is expired, Phenix has no settled expectations.

Moreover, the prior IPR has little bearing on the invalidity challenges set forth by the Petition because the prior IPR was based on different prior art. This fact notwithstanding, neither the scope of the claim nor the strength of the prior art were addressed in the prior IPR because it was denied based on a procedural deficiency. *See Innolux Corp. v. Phenix Longhorn LLC*, IPR2025-00044, Paper 11 at 20 (P.T.A.B. June 9, 2025) (“Because Petitioner has not provided constructions, either rebutting the presumption that ‘means for executing’ is a means-plus-function term, or identifying corresponding structure if it is a means-plus-function term, Petitioner has violated Rule 104(b)(3).”) As such, the mere existence of the prior IPR is not probative of the strength of the ’788 Patent.

As to its second argument, Patent Owner argues that because AUO allegedly knew of the ’788 Patent for a number of years, but did not file a challenge, Patent Owner had “settled expectations.” Patent Owner never presents evidence that ***Petitioner*** had knowledge of the ’788 Patent. That some third party—i.e., AUO—had knowledge of the Patent but did not file a challenge is entirely irrelevant to any conclusions regarding Petitioner. Indeed, this is confirmed by the single case cited by Patent Owner, in which the Board found that the “Petitioner’s awareness of Patent Owner’s applications and failure to seek early review of the patents favors denial.” *iRhythm Techs., Inc. v. Welch Allyn*, IPR2025-00363, Paper 10 at 3 (P.T.A.B. June 6, 2025). But Phenix does not allege Hisense (Petitioner) had knowledge, only that

AUO had knowledge of the '788 Patent. Thus, this case offers no support for Patent Owner's theory, which is unsupported by any facts regarding Petitioner. Accordingly, this factor weighs against denial.

3. The District Court Case Will Not Fully Address Hisense's Liability.

That the district court case will not fully address the issue of Phenix's potential claims for infringement against Hisense weighs against discretionary denial. As Phenix notes in its Response, Phenix has asserted the '788 Patent against AU Optronics Corporation ("AUO") and Hisense Electronic Mexico, S.A. DE C.V. ("Hisense Mexico") in a patent infringement action in the Eastern District of Texas. Phenix's infringement claims in the district court litigation relate to Hisense's U.S.-based activities regarding certain allegedly infringing Hisense television products, which Hisense purchased from co-defendant, AUO.

However, resolution of the AUO Litigation does not fully address Hisense's potential liability relating to its alleged infringement of the '788 Patent. Hisense purchases products from other entities leaving open the possibility that Patent Owner will assert its patent in future litigation against Petitioner. Accordingly, efficiency and fairness dictate a resolution of the validity of the Challenged Claims now, which is best achieved through institution of Hisense's Petition.

4. The Petition Properly Relies on Expert Testimony.

Patent Owner takes contradictory and confusing positions regarding the Petition's reliance on expert testimony. On one hand, Patent Owner argues that "[t]his factor favors denial because the expert testimony relied on by Petitioner is not focused" and "provides only a cursory analysis of the prior art." Paper 7 at 36. Conversely, Patent Owner asserts that the Petition "relies on expert testimony for almost every cited claim limitation and every Ground." *Id.* Thus, it is not clear from Patent Owner's arguments whether Patent Owner suggests Petitioner's reliance on expert testimony is below or above the appropriate threshold.

In any event, the Petition properly relies on Dr. Betancourt's testimony to support its meritorious invalidity grounds. While Patent Owner argues the Petition is deficient because the Betancourt Declaration is used as "a gap-filler in the Petition to allegedly explain why it would be obvious to a POSITA to modify *each primary reference* with the teachings of Kang," expert testimony is properly offered on the issue of motivation to combine teachings of references in a certain way. Paper 7 at 36.

Indeed, the Consolidated Trial Practice Guide ("CTPG") states:

Expert testimony may have many uses. For example, it may be used to explain the relevant technology to the panel. It may also be used to establish the level of skill in the art and describe the person of ordinary skill in the art. Experts may testify about the teachings of the prior art and how they relate to the patentability of the challenged claims. Expert testimony may also be offered on the issue of whether

there would have been a reason to combine the teachings of references in a certain way, or if there may have been a reasonable expectation of success in doing so. If evidence of objective indicia of nonobviousness has been entered into the record, an expert may also provide testimony as to how this evidence should be weighed against evidence of unpatentability, or may explain the nature and import of such objective evidence.

United States Patent and Trademark Office, *CTPG*, 34-35 (Nov. 21, 2019).

Consistent with the CTPG, the Petition’s reliance on Dr. Betancourt’s Declaration provides helpful context for Petitioner’s invalidity grounds. For example, the Declaration: explains the relevant technology (Ex. 1003 ¶¶ 34-38); establishes the level of skill in the art and describe the person of ordinary skill in the art (Ex. 1003 ¶¶ 26, 28-30); explains the teachings of the prior art (Ex. 1003 ¶¶ 39-76) and how they relate to the patentability of the challenged claims (Ex. 1003 ¶¶ 77-96); establishes a reason to combine the teachings of references in a certain way (Ex. 1003 ¶¶ 77-96).

Moreover, the use of expert testimony to establish a reason to combine the teachings of references in a certain way does not amount to “filling gaps” in the prior art. To be sure, Patent Owner fails to point to any specific example of Petitioner’s purported “gap-filling.” *See* Paper 7 at 35-36. Thus, this factor weighs against denial. *Cambridge Indus. USA, Inc. v. Applied Optoelectronics, Inc.*, No. IPR2025-00434, Paper 11 at 2-3 (P.T.A.B. June 26, 2025) (denying Patent Owner’s request for discretionary denial in part because “[a]lthough Patent Owner argues that

discretionary denial is warranted because Petitioner is over-reliant on expert testimony, Patent Owner does not identify any portions of the expert testimony that suggest Petitioner is using its expert to fill gaps in the prior art.”).

Finally, Patent Owner suggests that Dr. Betancourt’s Declaration is somehow deficient because it “us[es] language that tracks the Petition.” Paper 7 at 36. But this is not a relevant consideration in determining whether to accord weight to expert testimony. *Ensign US S. Drilling LLC v. C&M Oilfield Rentals LLC*, No. IPR2023-00804, 2023 WL 7097291, at *10 (P.T.A.B. Oct. 26, 2023) (“Patent Owner’s argument that Mr. Hamdan’s declaration should be given little to no weight because it parrots the petition is not persuasive. If declaration testimony is supported sufficiently and, in turn, supports contentions in the Petition, we do not give it little to no weight simply because it is repeated in the Petition.”).

Accordingly, this factor weighs against discretionary denial.

5. Compelling Economic Interests Counsel Against Discretionary Denial.

Petitioner Hisense USA Corporation is a U.S. Corporation in Georgia. As a leading domestic distributor of technology products, Petitioner is responsible for substantial economic activity in the United States and Petitioner’s activities within the United States support U.S. national and economic interests. Indeed, a recent executive order by President Trump recognizes that “[a] nation’s ability to produce domestically is the bedrock of its national and economic security” particularly in

“certain advanced industrial sectors like . . . technology products.” Exec. Order No. 14257, 90 Fed. Reg. 15041, 15043 (Apr. 2, 2025), *abrogated* by *V.O.S. Selections, Inc.*, 2025 WL 2490634, at *18, *cert. granted*, 2025 WL 2601020.

By contrast, the Patent Owner is a non-practicing entity (“NPE”) that engages in predatory lawsuits to monetize a portfolio of invalid patents. Patent Owner offers no products, nor has it ever attempted to sell any products. As discussed *supra*, this counsels against discretionary denial.

III. CONCLUSION

For the reasons set forth in the Petition and herein, Petitioner’s challenges to the ’788 Patent represent an appropriate use of the Board’s resources. Accordingly, Petitioner respectfully requests the Director deny Patent Owner’s Request for Discretionary Denial.

Respectfully submitted,

By: /s/ Matias Ferrario
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CERTIFICATE OF WORD COUNT

The undersigned certifies pursuant to 37 C.F.R. § 42.24(d) that the foregoing **Petitioner's Opposition to Patent Owner's Discretionary Denial Brief** excluding any table of contents, mandatory notices, certificates of service or word count, or appendix of exhibits or claim listing, contains 6,881 words according to the word-processing program used to prepare this paper (Microsoft Word). Petitioner certifies that this response does not exceed the applicable type-volume limit of 37 C.F.R. § 42.24(a).

Dated: September 15, 2025

By: /s/ Matias Ferrario
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing **Petitioner's Opposition to Patent Owner's Discretionary Denial Brief** has been served electronically via email upon the following:

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