

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

ACCELIGHT TECHNOLOGIES, INC.,
Petitioner,

v.

APPLIED OPTOELECTRONICS, INC.
Patent Owner.

IPR2026-00093
U.S. Patent No. 9,523,826

**PETITIONER'S REQUEST FOR DIRECTOR REVIEW OF
DISCRETIONARY DENIAL**

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I. INTRODUCTION

Patent Owner respectfully requests Director Review of the March 3, 2026 Decision denying institution of IPR2026-00093 on discretionary grounds. The Director's reconsideration of the discretionary denial decision is requested in view of the Director's March 11, 2026 memorandum titled "Additional Discretionary Institution Considerations – U.S. Manufacturing and Small Business Use of AIA Proceedings" ("March 11 Memo"), which issued after the denial and provides new guidance directly relevant to the discretionary analysis. Petitioner had no opportunity to address that guidance in its February 13, 2026 opposition to discretionary denial (Paper 9). Petitioner respectfully requests reconsideration of the denial in light of the intervening guidance in the March 11 Memo.

Under the Office's new guidance, institution is favored because Petitioner is a small business that has been sued for infringement of the challenged patent. The Office has expressly identified small-business status as relevant to the exercise of discretion, and it supports institution here. As a small business, Petitioner faces significant burdens in defending against infringement claims in district court. The IPR process offers a streamlined and specialized forum for defending against infringement allegations and thus serves the core purposes of the America Invents Act by providing an efficient and cost-effective alternative to district court litigation. Where, as here, the Petition raises strong unpatentability grounds and additional

favorable discretionary considerations (*see* Paper 9 and Section V, below), Petitioner’s status as a small business weighs in favor of institution rather than discretionary denial.

II. STANDARD FOR DIRECTOR REVIEW

“Director Review may be requested in a proceeding under part 42 of 37 C.F.R. where the Board’s decision on institution under 35 U.S.C. §§ 135, 314, or 324; the Board’s final decision under 35 U.S.C. §§ 135, 318, or 328; or the Board’s decision granting rehearing of either a decision on institution or a final decision implicates potential (a) abuse of discretion, (b) important issues of law or policy, (c) erroneous findings of material fact, or (d) erroneous conclusions of law.” USPTO, Director Review Process § 5.A, <https://www.uspto.gov/patents/ptab/decisions/director-review-process>. “The Director has an interest in creating binding guidance to increase fairness and efficiency, and for establishing consistency across Board proceedings.” *Id.* at § 1.

III. PETITIONER’S STATUS AS A SMALL BUSINESS SUED FOR INFRINGEMENT FAVORS INSTITUTION

Institution is warranted under the Office’s current discretionary institution framework because Petitioner qualifies as a small business under the SBA’s applicable size standards and is defending against allegations of infringement of the challenged patent. Specifically, Petitioner and real party in interest, Accelight Technologies (Wuhan) Inc., in combination, have fewer than 500 employees, and

thus qualify as a small business. Petitioner has been sued in district court by Patent Owner, Applied Optoelectronics Inc., for alleged infringement of the challenged patent, U.S. Patent 9,523,826, along with five other patents. The Office has expressly recognized that circumstance—where a small business is sued for alleged patent infringement—as a relevant consideration in the institution analysis and has encouraged small businesses to identify themselves when they rely on IPRs or PGRs as a practical means of defending against infringement claims. March 11 Memo at 2. That consideration favors institution here.

This is precisely the type of case in which IPR review is most appropriate. Congress created IPR to provide an efficient, expert forum for evaluating patentability outside the burdens and expense of full district court litigation. That objective has heightened significance for a small business accused of infringement, where the cost and complexity of litigating patent validity in district court can be a severe strain on its limited personnel, time, and financial resources. Instituting review would allow the Board to consider the substantial unpatentability issues presented in the Petition in the specialized forum designed for that purpose.

In contrast, denial would force Petitioner to shoulder the expense and burden of litigating those validity issues solely in district court. That burden is magnified by the parties' resource asymmetry: Petitioner is a small business with limited litigation capacity, whereas Patent Owner is better positioned to absorb the cost and

complexity of district court proceedings given its disproportionately greater resources compared to Patent Owner.¹ The Director should accordingly treat Petitioner’s small-business status, coupled with Petitioner’s significant investments of time and resources in building the U.S. market for the accused product (discussed below), as factors favoring institution.

**IV. PATENT OWNER’S ASSERTED “SETTLED EXPECTATIONS”
CARRY LITTLE WEIGHT AND ARE OUTWEIGHED BY
PETITIONER’S RELIANCE INTERESTS**

Patent Owner’s asserted “settled expectations” based on the age of the ’826 patent do not weigh meaningfully against institution. The record shows that Patent

¹ In contrast to Petitioner’s small size, the Patent Owner AOI is publicly traded on the NASDAQ Global Market under the ticker symbol “AAOI.” In AOI’s 2025 Form 10-K Annual Report for the fiscal year ended December 31, 2025 (“10-K”), retrieved from AOI’s website at <https://investors.ao-inc.com/financial-information/annual-reports>, AOI states: “As of December 31, 2025, we employed 4,691 full-time employees, of which 69 held Ph.D. degrees in a science or engineering field. Of our employees, 548 are located in the U.S., 1,262 are located in Taiwan and 2,881 are located in China.” *See* 10-K, p. 12. AOI’s 10-K further states that “[i]n 2025, 2024 and 2023, our revenue was \$455.7 million, \$249.4 million and \$217.6 million and our gross margin was 30.0%, 24.8% and 27.1%, respectively.” *Id.* at 4.

Owner waited more than six years after issuance to assert the patent, despite Petitioner's accused product being on the U.S. market since 2018. Ex. 1012, ¶¶3-4. Patent Owner has identified no concrete reliance interests, such as licensing activity, marketplace reliance, or other evidence showing that it structured its conduct around a reasonable expectation of patent validity.

In contrast, Petitioner invested substantial time and resources to develop its U.S. business while Patent Owner remained silent, giving Petitioner every reason to expect that no infringement claim would be brought against it. *Id.* That consideration is especially important here because Petitioner is a small business: denial of institution would require it to bear the substantial burden of litigating validity exclusively in district court, despite the absence of any countervailing reliance interest on Patent Owner's side.

Thus, the equities do not favor protecting Patent Owner's purported "settled expectations" of validity; they instead favor permitting a small business accused of infringement to obtain the Board's review of substantial unpatentability challenges.

V. ADDITIONAL DISCRETIONARY FACTORS STRONGLY FAVOR INSTITUTION RATHER THAN DENIAL

A holistic assessment of the significant factors outlined in Petitioner's Opposition to Patent Owner's Discretionary Denial Request (Paper 9, "DD Opp.") confirms that discretionary denial is not warranted.

A. Patent Owner's Conduct During Prosecution and the Examiner's Errors Weigh Against Discretionary Denial

Although the challenged claims concern a routine optical transceiver module technology long used in the industry, Patent Owner did not submit an IDS and did not disclose material prior art to the Office. The examiner then allowed the claims after a single office action, apparently accepting Patent Owner's argument that Mizue did not disclose the claimed "elastic component" covered by the extending arm, while overlooking Mizue's Figure 8, which does disclose that feature. Paper 1 ("Pet."), 9, 29–29, 40–42; DD Opp., 7–9. In these circumstances, where Patent Owner failed to satisfy its disclosure obligations and the examiner materially erred in evaluating the prior art, the Board's review is warranted.

B. The Complexity and Breadth of the District Court Litigation Weighs Against Discretionary Denial

Patent Owner's district court suit against Petitioner involves multiple interrelated patents from different families covering diverse but overlapping optical transceiver technologies, several of which are also the subject of instituted IPRs (IPR2025-01566, -01567, -01570). Because these patents present interrelated technical issues, the PTAB is better positioned than the district court to assess patentability in a coordinated and consistent manner, which would promote efficiency, consistency, and predictability.

C. Petitioner's Stipulation to Not Pursue Any Invalidity Challenges Under Section 102 or 103 in the District Court Weighs Against Discretionary Denial

Petitioner has stipulated to not pursue any invalidity challenges against the '826 patent under 35 U.S.C. §§ 102 or 103 in the district court litigation if IPR is instituted (and not later terminated). *See* Paper 6 (filed Nov. 20, 2025). Petitioner's broad stipulation, coupled with the stay of the district court litigation, eliminates any meaningful possibility of overlap with the district court case, ensures that the PTAB will serve as the sole forum for prior art-based invalidity issues, and materially advances judicial efficiency while avoiding inconsistent outcomes. Those circumstances weigh strongly in favor of institution.

D. Judicial Efficiency and Consistency Strongly Weigh Against Denial

The '826 patent and U.S. Patent No. 10,578,818 involve closely related technology, as both concern pluggable optical transceivers and contain substantially overlapping disclosures. Because the '826 patent is also being used as prior art against the '818 patent in IPR2026-00094 (which has been instituted), the PTAB can evaluate the two proceedings in a consistent and efficient way, conserving resources and reducing the risk of conflicting outcomes. That benefit is especially important because the patents are being litigated in separate district court actions before different judges, which increases the risk of inconsistent rulings on claim construction and validity. These reasons also weigh against discretionary denial.

E. The Merits of the Petition are Compelling and Support Institution

Institution is further warranted because the Petition presents strong unpatentability grounds: Mizue anticipates claims 1-7, Li in view of Liu renders claims 1-6 obvious, and Li renders claim 7 obvious. Discretionary denial under § 325(d) is also unwarranted because Mizue was relied on in a materially different way during prosecution, Li and Liu were not previously considered, and the prosecution history shows material error in the examiner's evaluation of Mizue.

VI. CONCLUSION

Patent Owner's request for discretionary denial identifies no legitimate basis for denial. It relies primarily on the patent's age and the discretionary denial in a different IPR filed by an unrelated party. As Petitioner explained in its opposition, however, the relevant facts and circumstances favor institution, including that Petitioner is a small business that was sued for infringement after making significant investments in the accused technology. On this record, the Board should evaluate the Petition on its merits and institute *inter partes* review.

Dated: April 2, 2026

Respectfully submitted,

/Arpita Bhattacharyya/

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CERTIFICATE OF SERVICE

Pursuant to 37 C.F.R. § 42.6(e), I certify that on April 2, 2026, a copy of
**PETITIONER'S REQUEST FOR DIRECTOR REVIEW OF
DISCRETIONARY DENIAL** was served upon the below-listed counsel by
electronic mail:

Jo Dale Carothers - jcarothers@weintraub.com
Eric Caligiuri - ecaligiuri@weintraub.com

Dated: April 2, 2026

By: / Kate Rose /
Kate Rose