

**UNITED STATES PATENT AND TRADEMARK OFFICE**

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**BEFORE THE PATENT TRIAL AND APPEAL BOARD**

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TOYOTA MOTOR CORPORATION,

Petitioner,

v.

BUNKER HILL TECHNOLOGIES, LLC

Patent Owner

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IPR2025-00250

U.S. Patent No. 10,549,648

**PETITIONER'S OPPOSITION TO PATENT OWNER'S  
REQUEST FOR DISCRETIONARY DENIAL**

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**Petitioner's Exhibit List**

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## I. INTRODUCTION

The Director should deny Patent Owner’s request for discretionary denial (Paper 7) (“DD Req.”) because the Petition was filed within six years of the ’648 patent issuing and less than three months after the district court complaint was filed, the related district court litigation remains at an early stage, and the Board’s review is projected to conclude with a Final Written Decision by August 2027—two months before the expected trial in October 2027.

There are no settled expectations in the validity of the ’648 patent. On the contrary, the Director has found that patents less than six years old “have not been in force for a significant period of time . . . and, accordingly, Patent Owner has not developed strong settled expectations that favor discretionary denial . . .” *Samsung Elecs. Co. v. Wilus Inst. of Standards & Tech. Inc.*, IPR2025-00935, Paper 12 at 2 (Acting Director Sep. 26, 2025) (declining discretionary denial when challenged issued in 2021 and 2023); *see also Samsung Elecs. Co. v. Wilus Inst. of Standards & Tech. Inc.*, IPR2025-00933, Paper 11 at 3 (Acting Director Oct. 10, 2025) (“Patent Owner has not developed strong settled expectations” where “most challenged patents issued between 2020 and 2023”); *Cambridge Indus. USA, Inc. v. Applied Optoelecs., Inc.*, IPR2025-00434, IPR2025-00436, IPR2025-00437, Paper 11 at 2-3 (Acting Director June 26, 2025) (patent issued in 2019 “ha[d] not developed strong settled expectations”); *Berkshire Hathaway Energy Co. v. Birchtech Corp.*,

IPR2025-00274, Paper 23 at 2-3 (Acting Director July 2, 2025) (same for patents that “issued in 2019 and 2020”).

Patent Owner’s attempt to manufacture settled expectations by invoking “the technological and industry context in which [the ’648 patent] operates” (DD Req. at 6) should be rejected. Patent Owner, a nonpracticing entity, does not (and cannot) point to any evidence showing it has invested time, money, or resources dedicated to research and development, manufacturing, supplier integration, or regulatory activities, and the sole authority cited for this proposition is dicta from a life sciences case between competing pharmaceutical companies that is completely inapposite.

Patent Owner’s reliance on unspecified confidential licenses as evidence of market reliance should be afforded no weight. In the absence of any details about the number of licenses, their terms, the circumstances of when and how they were executed, or even the identity of any licensees, the Director has no way of evaluating whether such licenses are the result of an objective assessment of the ’648 patent’s strength, or if they were extracted under threat of or to resolve litigation and therefore have limited probative value. Indeed, Patent Owner states that “[t]he ’648 patent is included in Patent Owner’s broader licensing program” (*id.* at 10), indicating it may be just one patent in a larger portfolio license that may cover various technologies, further calling into question its actual licensing value. Patent Owner could have

moved for a protective order and/or filed a motion to seal exhibits containing license agreements having confidential information, but failed to do so.

Patent Owner's remaining theories for discretionary denial fare no better. While ignoring most of the factors set forth in *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (Mar. 20, 2020), Patent Owner argues that Petitioner's *Sotera* stipulation has "limited practical benefit" because "it is conditional on institution" and Petitioner would be "free to pursue its full range of defenses in district court" if institution is denied. DD Req. at 14. This argument is nonsensical and ignores the purpose of the stipulation, which is to prevent the same issues being litigated in both forums.

Patent Owner also asserts that institution would have "marginal value" because the '648 patent is one of nine patents asserted against Petitioner, and only one other asserted patent is currently the subject of an IPR petition. But the issue before the Director under *Fintiv* is overlap between proceedings with respect to the '648 patent challenged in the Petition, which is addressed by Petitioner's *Sotera* stipulation.

Patent Owner tepidly criticizes the Petition for purported "heavy reliance on expert reconstruction" to "supply critical elements" of the invalidity theories and "bridge gaps in the prior art" (*id.* at 15-16), but the only example cited is the "contingent fallback" theory in Ground 2, which contends that, to the extent the

anticipating reference (Conlon) in Ground 1 is found not to disclose the claimed control system, the claims challenged in Ground 1 would have been obvious based on the teachings of Conlon. There is nothing improper here. Indeed, Patent Owner fails to identify errors or inaccuracies in any of the grounds set forth in the Petition, including Ground 1 and Ground 4 which assert anticipation of the challenged claims based on the Conlon and Ortmann references, respectively—neither of which were before the Examiner during prosecution.

Patent Owner also contends that the “prompt allowance” of the ’648 patent claims in under two months without a single prior art rejection must be the result of “informed examination” by an Examiner who “already reviewed and approved [the] immediate parent application” and thus “brought continuity, familiarity, and efficiency to the examination of the present one.” *Id.* at 20. Petitioner respectfully offers a more likely explanation: the Examiner failed to uncover any of the references cited in the Petition, including Conlon and Ortmann which form the basis of separate anticipation grounds.

Finally, the application of the Office’s new guidance in the March 2025 and March 2026 memoranda establishing additional discretionary denial considerations violates the separation of powers under the U.S. Constitution because it is inconsistent with the Congressional intent and purpose of the America Invents Act.

Accordingly, Petitioner respectfully requests that the Director deny Patent Owner's request for discretionary denial and refer the Petition to the Board on the merits.

## **II. ARGUMENT**

### **A. Patent Owner Has No Settled Expectations**

#### **1. Patent Owner Ignores the Age of the '648 Patent When the Petition Was Filed**

Patent Owner has no settled expectations in the '648 patent, which issued on February 4, 2020 (EX1001, cover page), was first asserted in litigation on November 18, 2025 (EX2002), and was challenged in this IPR less than three months later. As the Director has repeatedly explained, the less time a patent has been in force, the less settled expectations in the patent should be. *See, e.g., Cambridge*, Paper 11 at 2-3 (patents issued in 2019 and 2020 "have not been in force for a significant period of time" and do not result in "strong settled expectations that favor discretionary denial").

The Petition was filed within six years of the '648 patent's issuance. "Although there is no bright-line rule on when expectations become settled," *Dabico Airport Solutions Inc. v. AXA Power ApS*, IPR2025-00408, Paper 21 at 3 (Acting Director June 18, 2025), the Director has repeatedly found that patents in force for six years or less have not given rise to settled expectations. *See, e.g., Cambridge*, Paper 11 at 2-3 (no settled expectations for patents five and six years old); *Apple Inc.*

*v. Apex Beam Tech. LLC*, IPR2025-00896, IPR2025-00900, IPR2025-00901, IPR2025-00907, IPR2025-00909, IPR2025-00910, IPR2025-00911, Paper 10 at 3 (Acting Director Sept. 3, 2025) (no settled expectations for patents three and four years old); *Evenflo Co., Inc. v. Baby Jogger, LLC*, IPR2025-01122, IPR2025-01140, Paper 12 (Director Nov. 20, 2025) (declining discretionary denial where challenged patents were less than two years old); *3D Sys. Corp. et al. v. Intrepid Automation, Inc.*, IPR2025-01241, IPR2025-01242, Paper 11 (Director Nov. 20, 2025) (declining discretionary denial where challenged patents were three and four years old); *Asustek Computer, Inc. v. Nokia Tech. Oy*, IPR2025-01153, Paper 13 (Director Nov. 20, 2025) (declining discretionary denial where challenged patent was five years old); *Solventum Corp. v. Wound Healing Tech., LLC*, IPR2025-01042, Paper 12 (Director Nov. 20, 2025) (declining discretionary denial where challenged patent was five years old); *CentralSquare Tech., LLC v. Carbynem Ltd*, IPR2025-01179, Paper 12 (Director Nov. 20, 2025) (declining discretionary denial where challenged patent was two years old).

Tellingly, Patent Owner studiously avoids stating the age of the '648 patent at the time of the Petition, instead vaguely asserting that it has been in force for “many years,” and “[b]y the time any Final Written Decision could issue in this proceeding, the patent will have been in force for over seven years.” DD Req. at 2-3 (emphasis added). Because discretionary denial is determined prior to institution,

settled expectations should be evaluated based on the circumstances existing when the petition is filed rather than incorporating future expectations that may develop by the time of the Final Written Decision. Not surprisingly, Patent Owner cites no authority to support its misleading characterization of the '648 patent's age for purposes of settled expectations, and the cases it does cite involve patents in force for over six years *when the petitions were filed*. *Id.* at 3-4. Accordingly, the age of the '648 patent at the time of the Petition—under six years—shows there are no settled expectations.

**2. There Is No “Technology and Industry Context” Giving Rise to Settled Expectations**

Patent Owner attempts to manufacture settled expectations by invoking “the technological and industry context in which [the '648 patent] operates.” *Id.* at 6. Specifically, Patent Owner asserts that “[t]he claims at issue relate to vehicle propulsion systems, an area characterized by extended development timelines, substantial upfront capital investment, long-term supplier integration, and regulatory gating,” and that “[i]n such industries, design decisions are often locked in years before commercial deployment, supply chains are structured around fixed technical assumptions, and freedom-to-operate assessments are made early and relied upon throughout product lifecycles.” *Id.* However, Patent Owner does not assert or cite any evidence showing *it* has invested time, money, or resources dedicated to any

such research and development, manufacturing, supplier integration, or “regulatory gating.”

Patent Owner’s only authority for this proposition is dicta from a life sciences case that is completely inapposite. In *Amgen Inc. v. Bristol-Myers Squibb Co.*, IPR2025-00601, the petitioner was a biosimilar developer challenging a competing pharmaceutical company’s patent directed to treating cancer by administering combinations of certain antibodies. *Amgen*, Paper 6 (Request for Discretionary Denial) at 1, 6-11. The actual quote from the discretionary denial decision paraphrased by Patent Owner is as follows: “Although there may be good reasons why a patent owner has strong settled expectations in a patent that has only been in force for three years, for example an explanation of how an extraordinary amount of investment, time, and resources dedicated to research, development, trials, and regulatory approval correlates to settled expectations, ***Patent Owner has not sufficiently articulated such reasons in these proceedings.***” *Amgen*, Paper 9 at 2 (Acting Director July 24, 2025) (emphasis added). The same is true here—Patent Owner has not articulated any reasons or provided any explanation of how it invested any time and resources dedicated to “research, development, trials, and regulatory approval” that correlates to settled expectations, nor could it as a non-practicing entity. Abstract industry-wide generalities such as “technological and industry

context” that have no connection to Patent Owner or the challenged patent are insufficient to warrant discretionary denial.

Moreover, IPRs have previously been instituted involving patents in the electric vehicle industry, further disproving Patent Owner’s unsupported assertions. *See, e.g., Tesla, Inc. v. Charge Fusion Tech. LLC*, IPR2025-00152, IPR2025-00153, Paper 11 (Acting Director June 12, 2025) (declining discretionary denial where patents related to features of EV battery charging).

### **3. Patent Owner’s Confidential Licensing Should Be Given No Weight**

Patent Owner relies on “arm’s-length licensing transactions involving the ’648 patent with sophisticated market participants” as evidence of market reliance and settled expectations. DD Req. at 10. But Patent Owner does not provide any details about the number of licenses, their terms, the circumstances of when and how they were executed, or even the identity of any licensees, citing “binding confidentiality obligations.” *Id.* at 11. Therefore, Petitioner and the Director have no way of evaluating whether such licenses demonstrate whether the ’648 patent “has meaningfully shaped commercial behavior” (*id.* at 10) because they are the result of an objective assessment of the patent’s strength, or if they were extracted under threat of or to resolve litigation and therefore have limited probative value. *See, e.g., Laser Dynamics, Inc. v. Quanta Computer, Inc.*, 694 F.3d 51, 77-78 (Fed. Cir. 2012) (finding district court abused its discretion by admitting into evidence settlement

agreement “tainted by the coercive environment of patent litigation” to prove damages). Indeed, Patent Owner states that “[t]he ’648 patent is included in Patent Owner’s broader licensing program” (DD Req. at 10), indicating it may be just one patent in a larger portfolio license that may cover various technologies, further calling into question its actual licensing value.

To help address these questions, Patent Owner could have moved for a protective order and/or filed a motion to seal exhibits containing license agreements having confidential information, and later move to expunge such confidential information from the record after final judgment or if institution is denied. *See* 37 §§ 42.54(a), 42.56; *see also, e.g., Intel Corp. et al. v. Alacritech, Inc.*, IPR2017-01391, Paper 81 at 51-52 (Nov. 26, 2018) (granting motion to seal “due to the inclusion of certain licensing terms that Patent Owner regards as confidential”). Patent Owner failed to do so. Accordingly, the confidential license(s) referenced by Patent Owner should be afforded no weight in the discretionary denial analysis.

**B. Discretionary Denial is Unwarranted Under *Fintiv***

While Patent Owner ignored most of the *Fintiv* factors, a holistic analysis under *Fintiv* confirms that discretionary denial is unwarranted.

**1. Factor 1 – Whether the District Court Has Indicated It Will Grant a Stay**

The district court has not denied a stay or otherwise indicated that a stay would be unavailable. Where a court has not expressed a view, this factor is neutral. *See*

*Nikon Corp. v. Optimum Imaging Techs., LLC*, IPR2024-01372, Paper 17 at 10-11 (Apr. 23, 2025); *Sand Revolution II, LLC v. Cont’l Intermodal Grp.-Trucking LLC*, IPR2019-01393, Paper 24 at 7 (June 16, 2020). Moreover, any stay statistics from the district court are not “specific evidence” indicating this factor supports denial “because the court may determine whether or not to stay any individual case, including the related one, based on a variety of circumstances and facts beyond our control and to which the Board [or Director] is not privy.” *Sand Revolution II*, Paper 24 at 7. Accordingly, this factor does not support discretionary denial.

**2. Factor 2 – Proximity of Trial Date to Board’s Final Written Decision**

This factor weighs heavily against discretionary denial because the parallel district court case is in its very early stages. A scheduling conference is set for June 2, 2026. EX1010. No scheduling order has been entered, although trial has been tentatively set for October 2027. *Id.* By contrast, the Board’s statutory Final Written Decision deadline in this proceeding will be approximately August 2027. Accordingly, the extremely early stage of the parallel litigation weighs heavily against discretionary denial. *See, e.g., Amazon.com, Inc. v. NL Giken Inc.*, IPR2025-00250, Paper 14 at 2 (Acting Director May 16, 2025) (declining discretionary denial where it was “likely that a final written decision in this proceeding will issue before the district court trial occurs”); *Merck Sharp & Dohme LLC v. Halozyme, Inc.*, PGR2025-00006, Paper 29 at 2 (Acting Director June 12, 2025) (finding this factor

weighed against discretionary denial where district court had not yet scheduled a trial date and Final Written Decision was projected to issue years before trial).

### **3. Factor 3 – Investment in Parallel Litigation**

At the time of the institution decision, the district court will have made no investment in the parallel litigation. No scheduling order has been entered. *See* EX1010. The court will not have held a *Markman* hearing and claim construction will not even be underway. Fact discovery will be ongoing but in its early stages, and expert discovery will not be completed. In short, the court is unlikely to have issued any substantive orders related to the '648 patent. This does not constitute “substantial investment” under *Fintiv*. *See Fintiv*, Paper 11 at 10.

Moreover, Toyota acted with significant diligence in filing the petition on February 3, 2026, less than three months after the complaint was filed on November 18, 2025, and almost nine months before the statutory deadline—preventing the district court case from maturing before PTAB review. *See Samsung Elecs. Co. v. Mullen Indus. LLC*, IPR2024-01472, Paper 9 at 10 (Mar. 31, 2025) (finding diligence when petition was filed less than five months after infringement contentions). For this additional reason, this factor weighs strongly against discretionary denial.

#### **4. Factor 4 – Overlap Between Issues**

Petitioner submitted a *Sotera* stipulation in this proceeding agreeing not to pursue in district court “any ground raised or that reasonably could have been raised during the IPR.” Paper 5 at 1; *see also Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020-01019, Paper 12 at 18-19 (Dec. 1, 2020). Patent Owner claims this stipulation has “limited practical benefit” because “it is conditional on institution” and Petitioner would be “free to pursue its full range of defenses in district court” if institution is denied. DD Req. at 14. This argument is nonsensical and ignores the purpose of the stipulation, which is to prevent the same issues being litigated in both forums. It would be illogical for Petitioner to pledge not to raise invalidity defenses in district court if institution is denied here, resulting in those defenses not being heard in either forum.

This factor also considers whether the petition challenges claims not at issue in the district court, which indicates less issue overlap between the two proceedings. *See Fintiv*, Paper 11 at 12-13. The district court complaint asserts only claim 16 (EX2002, ¶ 153), but the petition challenges all 20 claims. Paper 1 at 10. And the additional challenged claims have materially different scope than the claim identified in the complaint—for example, claims 2, 10, and 17 recite a DC/DC converter coupled to the energy storage device; claims 3 and 11 recite a second energy storage system coupled to the DC/DC converter; claims 5, 13, and 18 recite

a wheel/axle assembly coupled to the gear assembly; and claim 6 recites inverters coupled between the energy storage device and the motors. *See* EX1001, 13:48-15:6. This fact further reduces issue overlap between the two proceedings.

Patent Owner argues that institution would have “marginal value” and provide no “efficiency benefits” because the ’648 patent is “but one of nine patents at issue in the district court litigation,” and only one other asserted patent—U.S. Patent No. 11,374,508 (“the ’508 patent”)—is currently the subject of an IPR petition. DD Req. at 13-14. But that framing is wrong—the issue before the Director is overlap between proceedings with respect to the ’648 patent challenged in the Petition, which is addressed by the *Sotera* stipulation discussed above. Patent Owner’s misplaced argument is better directed to the district court in opposition to a motion to stay. But even then, the Eastern District of Texas has granted such motions and found that stays may simplify the issues even when not all asserted patents are under review by the PTAB, if resolution of an instituted IPR “will generally aid in resolving the parties’ other disputed claims.” *OnPoint Sys., LLC v. Protect Animals with Satellites, LLC*, 2022 U.S. Dist. LEXIS 122961, at \*10-12 (E.D. Tex. July 12, 2022) (granting stay where IPR instituted for only one of four asserted patents). Here, three other (older) patents asserted by Patent Owner in district court are in the same family as either the ’648 patent or the ’508 patent and have similar claim terms. For this additional reason, Patent Owner’s efficiency argument is devoid of merit.

**5. Factor 5 – Whether the Parties Are the Same**

When the petitioners are the same as the named defendants in the district court litigation, the Board has found that this factor adds “little if anything to the discretionary denial analysis.” *See, e.g., Aylo Freesites Ltd. f/k/a MG Freesites Ltd. v. WellcomeMat, LLC*, IPR2024-00710, Paper 13 at 17-18 (Sept. 5, 2024); *Shenzhen Root Tech. Co. v. Chiaro Tech. Ltd.*, IPR2024-01296, Paper 9 at 19–20 (Feb. 25, 2025). Here, the named defendants in the district court litigation are the real parties-in-interest identified in the Petition: Toyota Motor Corporation (Petitioner), Toyota Motor North America, Inc., and Toyota Motor Sales, U.S.A., Inc. Paper 1 at 2. Accordingly, this factor weighs against discretionary denial or, at worst, is neutral.

**6. Factor 6 – Other Considerations, Including Merits**

This factor considers any “other circumstances” as “part of a balanced assessment of all the relevant circumstances.” *Fintiv*, Paper 11 at 14. Here, the merits of the Petition are strong. The Petition raises substantial statutory challenges on five grounds covering all 20 claims of the ’648 patent, including two separate § 102 grounds over Conlon (EX1004) and Ortmann (EX1008). Paper 1 at 13-83. Moreover, *none* of the prior art relied on in the Petition was of record during prosecution. *Id.* at 1.

Patent Owner criticizes the Petition for purported “heavy reliance on expert reconstruction” to “supply critical elements” of the invalidity theories and “bridge

gaps in the prior art” (DD Req. at 15-16), but the only example Patent Owner gives—in conclusory fashion—is the “contingent fallback” theory in Ground 2, which incorporates by reference Ground 1 and contends that, to the extent Conlon is found not to disclose the claimed control system in independent claims 1 and 16, the subject matter of the claims challenged in Ground 1 would have been obvious based on the teachings of Conlon. *Id.* at 16; *see also* Paper 1 at 30-32. There is nothing incorrect or improper in asserting obviousness by incorporating a prior ground and explaining—with supporting expert testimony—how a single limitation would have been obvious over a reference if the Board finds that the limitation is not inherently disclosed by that reference.

Significantly, Patent Owner fails to identify errors or inaccuracies in any of the grounds set forth in the Petition, including Ground 1 and Ground 4 which assert anticipation of the challenged claims based on Conlon and Ortmann, respectively. Instead, Patent Owner makes only straw man arguments, such as the Petition’s reliance on “a single expert’s opinion” (as if multiple expert declarations are necessary) to “interpret ambiguous disclosures in the cited references” (explaining how a POSITA would understand the prior art is one of the roles of an expert), “supply motivations to combine that are not expressly articulated therein” (requiring an expressly stated motivation to combine in the prior art is precisely the sort of rigid test rejected by the Supreme Court in *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398,

419 (2007)), and “to assert that certain claim limitations would have been ‘well-understood,’ ‘routine,’ or ‘obvious’ despite the absence of explicit disclosure” (again, this is one of the roles of an expert, particularly when obviousness is asserted over a single reference, as in Ground 2). In sum, nothing about the merits of the Petition or the supporting expert declaration is improper or warrants discretionary denial.

Patent Owner also contends that the prosecution history “undermines” and “conflicts” with the Petition. DD Req. at 18-20. In Patent Owner’s view, the “prompt allowance” of the ’648 patent claims in under two months without a single prior art rejection must be the result of “informed examination” by an Examiner who “already reviewed and approved [the] immediate parent application” and thus “brought continuity, familiarity, and efficiency to the examination of the present one.” *Id.* at 20. Petitioner respectfully offers a more likely explanation: the Examiner failed to uncover any of the references cited in the Petition, including Conlon and Ortmann which form the basis of separate anticipation grounds.

For example, the Examiner never searched for the terms “generator,” “M/G,” or variations thereof (EX1002 at 166-167), even though the independent claims recite “a control system configured to selectively . . . operate the first traction[/electric] motor[/drive system] as a **generator** to **generate** electrical power while operating the second traction[/electric] motor[/drive system] to drive the

vehicle through the gear assembly; and operate the second traction[/electric] motor[/drive system] as a **generator** to **generate** electrical power.” EX1001 at 13:38-47, 14:19-30, 14:60-15:2 (claims 1, 9, 16) (emphasis added). Instead, the Examiner searched for many terms that do not even appear in the claims, such as “EV,” “HEV,” “automobile,” etc. EX1002 at 166-167. Further, although the Examiner searched for “traction motor,” and “motor” near “second,” “dual,” or “twin,” the Examiner did not search for “M/G” or “motor/generator.” *Id.* Had the Examiner searched these terms, Conlon should have been uncovered because it expressly discloses a powertrain with first and second “motor/generators” referred to as “M/G A” and M/G B” (EX1004, Abstract; ¶¶ [0002]-[0007], [0009], [0013], [0014], [0017], [0028], [0031], [0032], [0035], [0037], [0042]-[0046], [0049]-[0053], [0056], [0058]). Further, Ortmann should have been uncovered because it discloses a powertrain with multiple electric machines referred to as a “motor/generator” or “motor-generator.” EX1008, ¶¶ [0004], [0019]. In addition, Reynolds should have been uncovered because it discloses a powertrain with at least one “electric machine (motor/generator).” EX1005, ¶¶ [0016]. As explained in the Search Disclosure Declaration accompanying the Petition, these references were uncovered by Petitioner using simple, straight-forward, common sense search terms such as “motor,” “generator,” and “M/G.” Paper 3 at 2.

\* \* \* \* \*

In sum, every meaningful *Fintiv* factor either favors institution or is neutral. None supports discretionary denial. The Board is positioned to decide patentability first, efficiently, and on a complete record—exactly what *Fintiv* was designed to facilitate.

**C. Additional Considerations in the March 2026 Memorandum**

Patent Owner argues that additional discretionary considerations in the Director’s March 2026 memorandum favor denial because one accused product, the Toyota Prius Plug-In Hybrid, is manufactured outside the United States. DD Req. at 12. However, Petitioner has substantial ties to the U.S. economy through its domestic sales, distribution, service, and dealership activities involving the accused products. Toyota PHEVs—including the Prius Plug-in Hybrid—are sold and serviced throughout the United States. Toyota has also stated that electrified vehicles, including HEVs and PHEVs, are expected to account for nearly 70% of its U.S. sales mix by 2030. EX1011. Moreover, Petitioner has announced a \$912 million investment in five manufacturing plants involved in hybrid vehicle production in West Virginia, Kentucky, Mississippi, Tennessee, and Missouri. EX1012. This investment is part of a larger \$10 billion investment plan in the United States over the next five years that Petitioner has launched with the specific aim of contributing to and supporting local communities. *Id.* Indeed, Petitioner currently employs approximately 50,000 people in the United States and has been involved in the

development and manufacturing of over 35 million vehicles across 11 domestic manufacturing plants. *Id.* For at least these reasons, foreign manufacturing of the Toyota Prius Plug-In Hybrid does not warrant discretionary denial.

**D. Discretionary Denial is Unwarranted Under 35 U.S.C. § 325(d)**

Although not raised by Patent Owner, discretionary denial under 35 U.S.C. § 325(d) is unwarranted because the prior art and arguments presented in the Petition were not previously presented to the Office.

Under *Advanced Bionics, LLC v. MED-EL Elektromedizinische Geräte GmbH*, IPR2019-01469, Paper 6 at 8 (Feb. 13, 2020), the Director evaluates (1) whether the same or substantially the same art or arguments were previously presented to the Office, and (2) if so, whether the petitioner has demonstrated that the Office erred in a manner material to patentability. Whether the same or substantially the same prior art or arguments were previously presented to the Office is a highly factual inquiry that is guided by *Becton, Dickinson* factors (a), (b), and (d):

(a) the similarities and material differences between the asserted art and the prior art involved during examination; (b) the cumulative nature of the asserted art and the prior art evaluated during examination; ... (d) the extent of the overlap between the arguments made during examination and the manner in which petitioner relies on the prior art.

*Id.* at 9-10. Here, the factors demonstrate that the prior art and arguments presented in the Petition were not previously presented to the Office.

Patent Owner does not dispute that Conlon (EX1004), Reynolds (EX1005), and Ortmann (EX1008) were not of record during prosecution. Patent Owner also does not assert that any of these references are similar to or cumulative of the prior art evaluated during prosecution. Further, because the claims of the '648 patent were allowed without a single prior art rejection, there can be no overlap with the grounds set forth in the Petition. Thus, the first prong of *Advanced Bionics* is not satisfied and discretionary denial under 35 U.S.C. § 325(d) is unwarranted.

**E. Application of the Office's New Guidance in the March 2025 and March 2026 Memoranda Violates the Separation of Powers**

Application of the Office's new guidance in the March 2025 and March 2026 memoranda establishing additional discretionary denial considerations violates the separation of powers under the U.S. Constitution because it is inconsistent with the Congressional intent and purpose of the America Invents Act ("AIA").

The U.S. Constitution gives each branch of government different powers, and no branch can "encroach upon the powers confided to the others." *Kilbourn v. Thompson*, 103 U.S. 168, 191 (1880); *see also Miller v. French*, 530 U.S. 327, 341 (2000). Congress has the "duty of making laws," the President has "the duty of executing them," and the judiciary has "the duty of interpreting and applying them." *Massachusetts v. Mellon*, 262 U.S. 447, 488 (1923). This separation of powers is "essential to the preservation of liberty," *Mistretta v. United States*, 488 U.S. 361, 380 (1989), because it "prevents the accumulation of all powers, legislative,

executive, and judiciary, in the same hands.” *Patchak v. Zinke*, 583 U.S. 244, 249-50 (2018) (internal quotation marks omitted).

In the AIA, Congress created the PTAB and post-grant proceedings such as IPRs that were intended to improve patent quality by providing a more efficient means to adjudicate validity issues than was previously available. In particular, Congress was concerned about the issuance of poor-quality patents that often spurred litigation by nonpracticing entities, and thus created proceedings such as IPR and post-grant review (“PGR”) that allowed accused infringers and third parties to challenge the validity of patents in a forum that would be faster, cheaper, and use a lower standard of proof than district court. *See, e.g.*, 157 Cong. Rec. S1052-S1053 (2011) (Sen. Whitehouse: “Unfortunately, numerous poor-quality patents have issued in recent years, resulting in seemingly endless litigation . . . . Administrative processes that should serve as an alternative to litigation also have broken down, resulting in further delay, cost, and confusion.”) For many years after the AIA was signed into law, the IPR institution rate remained steady between approximately 65%-70%, consistent with Congressional intentions. EX1012 at 7.

However, the Office’s new guidance in the March 2025 and March 2026 memoranda has significantly curtailed IPR institution through discretionary denial by the Director (a Presidential appointee). For example, the March 2025 memorandum states that parties seeking discretionary denial may address issues

beyond the factors found in precedential PTAB decisions, including “[w]hether there have been changes in the law or new judicial precedent issued since issuance of the claims that may affect patentability;” “[t]he extent of the petition’s reliance on expert testimony;” “[s]ettled expectations of the parties, such as the length of time the claims have been in force;” and “[c]ompelling economic, public health, or national security interests.” Stewart Memorandum, Interim Processes for PTAB Workload Management (Mar. 26, 2025).<sup>1</sup> The March 2025 memorandum also notes the Director will consider “the ability of the PTAB to comply with pendency goals for *ex parte* appeals, its statutory deadlines for AIA proceedings, and other workload needs.” *Id.* The justification for these new considerations was “to improve PTAB efficiency, maintain PTAB capacity to conduct AIA proceedings, reduce pendency in *ex parte* appeals, and promote consistent application of discretionary considerations in the institution of AIA proceedings.” *Id.*

The March 2026 memorandum added more factors that the Director may consider when determining whether to institute IPR or PGR, including “(1) the extent to which any products accused of infringement in a parallel proceeding are manufactured in the United States or are related to investments in American manufacturing operations; (2) the extent to which any products made, sold, or

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<sup>1</sup> <https://www.uspto.gov/sites/default/files/documents/InterimProcesses-PTABWorkloadMgmt-20250326.pdf>

licensed by the patent owner that compete with the accused products are manufactured in the United States; and (3) whether the petitioner is a small business that has been sued for infringement of the patent at issue.” Squires Memorandum, Additional Discretionary Institution Considerations – U.S. Manufacturing and Small Business Use of AIA Proceedings (Mar. 11, 2026).<sup>2</sup> The justification for these additional considerations was “off-shoring trends” in manufacturing and the perception that “many of the most frequent users of IPR and PGR proceedings are large companies that have stated in public financial disclosures that they do not have a significant, existing manufacturing presence in the United States, nor are they taking concrete steps to invest in American manufacturing.” *Id.*

Although the AIA requires the Director to “consider the effect of any such regulation [regarding IPR] on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings,” 35 U.S.C. § 316(b), the factors set forth in the March 2025 and March 2026 memoranda—particularly the focus on “settled expectations” and domestic manufacturing—exceed the Director’s statutory authority, effectively bypassing Congress and frustrating the goals of the AIA by changing the IPR rules through arbitrary and capricious executive action that makes institution substantially more

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<sup>2</sup> [https://www.uspto.gov/sites/default/files/documents/Additional\\_Discretionary-Institution\\_Considerations\\_US\\_Manufacturing\\_and\\_Small\\_Business\\_Use\\_of\\_AIA\\_Proceedings.pdf](https://www.uspto.gov/sites/default/files/documents/Additional_Discretionary-Institution_Considerations_US_Manufacturing_and_Small_Business_Use_of_AIA_Proceedings.pdf)

difficult for petitioners. The current institution rate is approximately 37%. EX1012 at 7.

This inconsistency with the statute violates the constitutional separation of powers. *See Util. Air Regul. Grp. v. EPA*, 573 U.S. 302, 327 (2014). In *Utility Air*, the Supreme Court determined that an EPA rule “would deal a severe blow to the Constitution’s separation of powers” because it rewrote clear statutory thresholds and was “inconsistent with” the statute’s structure and design. *Id.* at 321. The Court “reaffirm[ed] the core administrative-law principle that an agency may not rewrite clear statutory terms to suit its own sense of how the statute should operate.” *Id.* at 328.

Similarly, here, the Office’s new guidance in the March 2025 and March 2026 memoranda is inconsistent with the AIA’s goal of improving patent quality by providing a more efficient means to adjudicate validity issues than was previously available. *See also Washington v. Trump*, 768 F. Supp. 3d 1239, 1263 (W.D. Wash. 2025) (When the executive branch’s actions “purport to condition congressionally appropriated funds in a manner that effectively rewrites the law, they usurp Congress’s legislative role and thus amount to an end run around the separation of powers.”); *cf. City of Portland v. United States*, 969 F.3d 1020, 1041 (9th Cir. 2020) (finding that a regulation effectively rewrote a statute when it “depart[ed] from the carefully crafted balance” in the statute).

The Office's discretion to deny a meritorious IPR petition is cabined by the Constitution. The Director's discretion to deny institution based on factors such as "settled expectations" and domestic manufacturing violates the Constitution's separation of powers because its application is inconsistent with the AIA's goal of improving patent quality by providing a more efficient means to adjudicate validity issues than was previously available.

### **III. CONCLUSION**

For the reasons set forth above, Petitioner respectfully requests that the Director deny Patent Owner's request for discretionary denial and instead refer the Petition to a merits panel for consideration.

Date: May 12, 2026

Respectfully submitted,

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**CERTIFICATE OF WORD COUNT**

Pursuant to 37 C.F.R. § 42.24, the undersigned attorney for Petitioner declares that the argument section of this Opposition has 5,897 words, according to the word count tool in Microsoft Word™.

/s/ John F. Presper  
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**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**

**CERTIFICATE OF SERVICE**

The undersigned certifies, in accordance with 37 C.F.R. §§ 42.105 and 42.6,  
that service was made on the Patent Owner as detailed below.

*Date of service*                      May 12, 2026

*Manner of service*                Electronic Mail

*Documents served*                Petitioner's Opposition to Patent Owner's Request  
for Discretionary Denial

*Served upon:*

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