Paper 9
Filed: August 11, 2023

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

PAINTEQ, LLC,
Petitioner,

v.

ORTHOCISION, INC.,
Patent Owner.

IPR2023-00477
Patent No. 11,083,511

REQUEST FOR REHEARING BY THE DIRECTOR

TABLE OF CONTENTS

I. IMPORTANT ISSUES OF LAW AND POLICY 1

II. SUMMARY OF THE PROCEDURAL FACTS 1

III. LEGAL STANDARD 3

IV. ARGUMENT.....4

A. As an important issue of law and policy, under the legal principles and policy directives set forth in *CommScope*, *AviaGames*, and *OpenSky*, the Board erred by discretionarily denying the 477 Petition without determining whether it presents a compelling unpatentability challenge 4

B. The Board abused its discretion by failing to weigh multiple countervailing considerations in reaching its conclusion that "the *totality* of the circumstances" warrant discretionary denial.....7

1. The Board's incomplete analysis of the merits of the 451 Petition is insufficient to reasonably support the Board's decision to discretionarily deny the 477 Petition 9

2. The Board's finding that instituting review on a single additional ground would result in unwarranted burden is arbitrary and not supported by the evidence of record.....10

3. The Board's finding that "Petitioner has given [the Board] no reason to think that [Petitioner] would prevail on the 477 Petition in the event Petitioner is unsuccessful in proving the grounds in the 451 Petition" ignores the entirety of the unpatentability argument set forth in the 477 Petition 12

C. The Board abused its discretion by soliciting Patent Owner's response to Petitioner's Ranking, coaching Patent Owner on how to rebut Petitioner's reasons for parallel petitions, and permitting Patent Owner to file a response outside the deadline set forth in 37 C.F.R. § 42.107(b).....13

V. RELIEF REQUESTED 14

Entropic Communications, LLC, Exhibit 2010
Page 2010 - 2
IPR2025-00180, Comcast Corporation v. Entropic Communications, LLC

TABLE OF AUTHORITIES

Cases

Abbott Labs. v. Integrated Sensing Sys., Inc., IPR2019-01339, Paper 7 at 10 (PTAB Jan. 23, 2020) 12, 14

Apple Inc. v. Neodron Ltd., IPR2020-00998, Paper 8 at 11 (PTAB Dec. 15, 2020) 11, 14

AviaGames, Inc. v. Skillz Platform, Inc., IPR2022-00530, Paper 14 (PTAB Mar. 2, 2023) 1, 6, 9

CommScope Tech. v. Dali Wireless, Inc., IPR2022-01242, Paper 23 (PTAB Feb. 27, 2023) (precedential) 1, 4, 5

OpenSky Industries, LLC v. VLSI Technology LLC, IPR2021-01064, Paper 102, 49–50 (PTAB Oct. 4, 2022) (precedential) 1, 5, 6

Redline Detection, LLC v. Star Envirotech, Inc., 811 F.3d 435, 442 (Fed. Cir. 2015) 4

Statutes

35 U.S.C. § 314(a) 2

Other Authorities

Changes Under Consideration to Discretionary Institution Practices, Petition Word-Count Limits, and Settlement Practices for America Invents Act Trial Proceedings Before the Patent Trial and Appeal Board, 88 Fed. Reg. 24505 (proposed April 21, 2023) 12

Revised Interim Process for Director Review § 2(B) 3

Rules

37 C.F.R. § 42.107(b) 13, 14

I. IMPORTANT ISSUES OF LAW AND POLICY

Pain TEQ, LLC ("Petitioner") requests Director Review to address whether, in light of the Director's decisions in *CommScope Tech. v. Dali Wireless, Inc.*, IPR2022-01242, Paper 23 (PTAB Feb. 27, 2023) (precedential) and *AviaGames, Inc. v. Skillz Platform*, Inc., IPR2022-00530, Paper 14 (PTAB Mar. 2, 2023), the compelling merits test set forth in the USPTO Memorandum, Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation ("Guidance Memo") (June 21, 2022) and *OpenSky Industries, LLC v. VLSI Technology LLC*, IPR2021-01064, Paper 102, 49–50 (PTAB Oct. 4, 2022) (precedential) applies in the context of parallel IPR petitions. Specifically, Petitioner requests the Director to address whether, as a matter of law and policy, the Board erred by discretionarily denying an IPR petition—without determining whether the petition presents a compelling, meritorious unpatentability challenge—solely because institution thereof would result in parallel IPR proceedings.

Petitioner believes that the issue stated above is an issue of first impression.

II. SUMMARY OF THE PROCEDURAL FACTS

On January 9, 2023, Petitioner filed a first *inter partes* review (IPR) petition (IPR2023-00451, Paper 1, "451 Petition") setting forth a single obviousness ground against each of the twenty-three claims of U.S. Patent No. 11,083,511 (Ex. 1001, the "'511 Patent"). Eight days later, on January 17, 2023, Petitioner filed a second

Entropic Communications, LLC, Exhibit 2010
Page 2010 - 4
IPR2025-00180, Comcast Corporation v. Entropic Communications, LLC

petition (Paper 1, "477 Petition," and together with the 451 Petition, the "Petitions") also presenting a single obviousness ground against each claim of the '511 Patent. Along with the 477 Petition, Petitioner submitted an explanation of parallel petitions (Paper 3, "Ranking"), ranking the 451 Petition ahead of the 477 Petition and explaining that the relative weakness of the 451 Petition is its reliance on U.S. Publication No. 2015/0088200 ("Lins"), whose prior art status hinges on the priority date of the challenged claims, while the prior art status of the references relied upon in the 477 Petition is indisputable. Paper 3 at 2, 5.

On January 25, 2023, the Board issued an order (Paper 4) setting April 25, 2023 as the deadline for Patent Owner's preliminary responses. Patent Owner did not file a preliminary response to either petition and did not respond to Petitioner's Ranking.

On June 8, 2023, the Board issued *sua sponte* an order (IPR2023-00451, Paper 8, "Order") soliciting Patent Owner to file a response to Petitioner's Ranking and coaching Patent Owner that it "may rebut Petitioner's argument that a second petition, i.e., the 477 Petition, is necessary by stipulating in its response that Lins qualifies as prior art." IPR2023-00451, Paper 8 at 3. The Order explicitly stated that "the panel will consider Patent Owner's response in determining whether to exercise discretion under 35 U.S.C. 314(a) to deny institution." *Id.* On June 19, 2023, Patent Owner filed the solicited response (Paper 9), stipulating that, for the purposes of

IPR2023-00451, Patent Owner agrees not to dispute that Lins qualifies as prior art. *Id.*

On June 20, 2023, Petitioner requested authorization from the Board to submit a succinct reply for the narrow purpose of addressing implications of the intervening precedential Director's decision in *CommScope* in the context of parallel IPR proceedings. Ex. 3001. The Board denied this request.

On July 12, 2023, the Board granted the 451 Petition and discretionarily denied the 477 Petition. Notably, in the decision to institute IPR2023-00451, the Board only addressed unpatentability of six of the twenty-three challenged claims, but "d[id] not address Petitioner's challenge as to the remaining claims at this stage." IPR2023-00451, Paper 11 at 27, 35.

III. LEGAL STANDARD

"Requests for Director Review of the Board's decision whether to institute an AIA trial … shall be limited to decisions presenting (a) an abuse of discretion or (b) important issues of law or policy. Both discretionary and merits-based issues may be raised, subject to limitations (a) and (b) above." Revised Interim Process for Director Review § 2(B). "An abuse of discretion occurs if the decision (1) is clearly unreasonable, arbitrary, or fanciful; (2) is based on an erroneous conclusion of law; (3) rests on clearly erroneous fact findings; or (4) involves a record that contains no

Entropic Communications, LLC, Exhibit 2010
Page 2010 - 6
IPR2025-00180, Comcast Corporation v. Entropic Communications, LLC

evidence on which the Board could rationally base its decision." *Redline Detection, LLC v. Star Envirotech, Inc*., 811 F.3d 435, 442 (Fed. Cir. 2015).

IV. ARGUMENT

A. As an important issue of law and policy, under the legal principles and policy directives set forth in *CommScope*, *AviaGames*, and *OpenSky*, the Board erred by discretionarily denying the 477 Petition without determining whether it presents a compelling unpatentability challenge

In *CommScope*, which is an intervening authority that Petitioner could not have addressed when filing the Petitions, the Director set forth a cornerstone principle that "[t]he patent system and the public benefit from instituting challenges where there is a showing of unpatentability by compelling merits." *CommScope* at 4. The Director explained that this public policy consideration is so significant that "a finding under this higher standard [] would compel the Board to review claims for the public benefit when *other considerations favor discretionary denial*." *Id.* (emphasis added).

In the present case, in its decision denying the 477 Petition (Paper 8, "Non-Institution Decision"), the Board dismissed the Director's policy directive set forth in *CommScope* with a single conclusory sentence, stating that the compelling merits test applies only to "parallel district court litigation and not the present circumstances." Paper 8 at 9-10, n. 5. This is not so. In *CommScope*, the Director explained that "[t]he compelling merits test seeks to strike a balance among the competing concerns of avoiding potentially conflicting outcomes, *avoiding wasteful*

parallel proceedings, protecting against patent owner harassment, and strengthening the patent system by allowing the review of patents challenged with a sufficiently strong initial merits showing of unpatentability." *CommScope* at 4 (emphasis added). Notably, the principle that the compelling standard test accounts for a concern of "avoiding wasteful parallel proceedings" does not draw a distinction between parallel district court litigation and parallel IPR proceedings.

Indeed, other Director's decisions make it clear that the policy principle set forth in *CommScope* that "a showing of unpatentability by compelling merits … compel[s] the Board to review claims for the public benefit when *other considerations favor discretionary denial*" is universal. *Id.* (emphasis added). For example, in *OpenSky*, the Director stated that the compelling merits test is *not confined* to the circumstances where the *Fintiv* factors are implicated, and instead its application is governed by "the public interest, which compels the USPTO to evaluate unpatentability challenges that, at the institution stage, evidence compelling merits." *OpenSky* at 49. The Director articulated the precise public policy considerations on which the compelling merits test is based:

> requiring the Board to assess whether the Petition presents a compelling-merits case based on the record before the Board prior to institution balances the interests of patent owners, including practicing entities and small to medium-sized enterprises, in reliable patent rights, with the public interest in canceling invalid patents, clearing the path

> for future innovation, and removing the tax on society caused by the litigation and licensing of invalid patents.

Id. at 5. In *OpenSky*, the Director held that the public benefit of compelling unpatentability challenges overrides other concerns and precludes the Board from exercising its authority to discretionarily deny an IPR petition, even in an extreme case where the petitioner has engaged in "discovery misconduct, violation of an express order, abuse of the IPR process, and unethical conduct." *Id.* at 3-5.

In *AviaGames*, which is another intervening decision that Petitioner could not have addressed at the time of filing the Petitions, the Director reiterated that an IPR petition that presents a compelling unpatentability challenge "compels the Board to review claims for the public benefit when other considerations favor discretionary denial." *AviaGames* at 5. The Director held that the public interest precludes the Board from discretionarily denying an IPR petition without first determining whether the presented invalidity grounds have compelling merits—even when the challenged patent claims had already been found unpatentable by a district court. *Id.* (vacating the Board's discretionary denial decision and remanding for the Board to determine whether the record presents "a compelling, meritorious challenge").

In the present case, the Board did not follow the Director's policy directives set forth in *CommScope*, *AviaGames*, and *OpenSky*. Instead, the Board quoted the general observations in the Trial Practice Guide pertaining to parallel IPR petitions and, on that basis, concluded that "the totality of the circumstances" favors

discretionary denial of the 477 Petition and declined institution. Paper 8 at 11-12. Notwithstanding the Board's abuse of discretion in reaching this conclusion, which is addressed below, it was premature for the Board to exercise its authority to discretionarily deny the 477 Petition, without first determining whether the 477 Petition presented compelling, meritorious unpatentability grounds against the challenged claims. Without the "compelling merits" determination, the Board failed to properly weigh the considerations favoring discretionary denial against the countervailing public interest in granting IPR petitions when they present compelling unpatentability challenges.

Because the Board concluded its analysis prematurely—without addressing the merits of the 477 Petition—the Non-institution Decision disproportionally focused on the "additional burden on Patent Owner and the Board," while failing to account for the public interest considerations. Thus, the Board's discretionary denial of the 477 Petition was premature and contradicted the governing public policy principles set forth by the Director in *CommScope*, *AriaGames*, and *OpenSky*.

B. The Board abused its discretion by failing to weigh multiple countervailing considerations in reaching its conclusion that "the *totality* of the circumstances" warrant discretionary denial

The Board purported to have reached its decision to discretionarily deny the 477 Petition "in light of the *totality* of the circumstances." Paper 8 at 11-12 (emphasis added). This "totality" includes the following considerations favoring

discretionary denial: (1) the Board's decision to institute review of the same challenged patent claims in IPR2023-00451; (2) Patent Owner's stipulation not to challenge the status of Lins as prior art; and (3) the general observations in the Trial Practice Guide that "one petition *should be* sufficient to challenge the claims of a patent in most situations" and that "two or more petitions … *may* place a substantial burden on the Board and the patent owner." Paper 8 at 11-12 (quoting Trial Practice Guide, 59) (emphasis added).

The Board's "totality" analysis, however, overlooked the following important countervailing factors: (1) in the institution decision of the counterpart IPR2023-00451, the Board only analyzed unpatentability of six of the twenty-three challenged claims, which is insufficient to reasonably assess whether a discretionary denial of the 477 Petition is unduly prejudicial to the public interest in cancelling all invalid patent claims; (2) the Board provided no rationale as to why review of each claim on a single additional ground would result in an unwarranted burden for Patent Owner and the Board, especially considering that the granted counterpart petition in IPR2023-00451 also only presents a single unpatentability ground for each challenged claim; (3) the Board did not address the fact that Patent Owner did not oppose institution of parallel IPR trials; (4) the Board did not consider its precedent of instituting parallel IPR trials when a parallel petition is filed as a reasonable precaution in case a patent owner can challenge the prior art status of a reference

relied upon in the counterpart petition; and most importantly, (5) the Board did not consider the merits of the 477 Petition and the public benefit of cancelling invalid claims. The significance of these overlooked considerations is addressed in the analysis set forth below.

1. The Board's incomplete analysis of the merits of the 451 Petition is insufficient to reasonably support the Board's decision to discretionarily deny the 477 Petition

In *AviaGames*, the Director underscored the need for "a holistic view of whether efficiency and integrity of the system are best served by denying or instituting review." *AviaGames* at 4 (quoting *Fintiv*, Paper 11, 6). In this case, the Board's partial analysis of the 451 Petition—only addressing unpatentability of six of the twenty-three challenged claims—is insufficient to establish a "holistic view" necessary to determine whether the efficiency and integrity of the system would have been better served by institution of an IPR on the additional ground presented in the 477 Petition or a discretionary denial to avoid parallel proceedings. IPR2023-00451, Paper 11 at 35.

For example, if one of the claims whose patentability the Board had not addressed in its decision to institute IPR2023-00451 were to survive that trial—but would have been cancelled on the grounds presented in the 477 Petition—then the Board's decision to discretionarily deny the 477 Petition would be detrimental to the public interest in canceling all invalid claims. In other words, without a

determination that the instituted trial in IPR2023-00451 would likely result in invalidation of *all* challenged claims, the Board could not have reasonably assessed whether its discretionary denial of the 477 Petition was unduly prejudicial to the public interest. Accordingly, the Board's reliance on general observations from the Trial Practice Guide that "[b]ased on the Board's experience, one petition *should be* sufficient to challenge the claims of a patent in most situations," as a wholesale substitute for a fact-specific analysis of the record in the *present* case, constitutes an abuse of discretion. Paper 8 at 7, 11 (quoting Trial Practice Guide, 59).

2. <u>The Board's finding that instituting review on a single additional ground would result in unwarranted burden is arbitrary and not supported by the evidence of record</u>

The Board did not provide any rationale as to why the *present* record reasonably shows that instituting a second petition on a single additional ground would result in an undue burden on the Board or on the patent owner. Instead of analyzing this issue under the specific circumstances of this case, the Board again used a general observation in the Trial Practice Guide that "[t]wo or more petitions filed against the same patent … *may* place a substantial and unnecessary burden on the Board and the patent owner" as a wholesale substitute for a fact-specific analysis of the present record. Paper 8 at 7, 11 (quoting Trial Practice Guide, 59).

In contradiction to the Board's conclusion, the record in this case shows that Patent Owner did not oppose institution of parallel IPR trials. In fact, even after the

Board issued the Order signaling the Board's willingness to discretionarily deny the 477 Petition, Patent Owner filed a two-sentence response that did not allege an undue burden and did not request the Board to exercise its discretion to deny the 477 Petition. The Board's precedent dictates that, in circumstances when Patent Owner does not oppose institution of parallel IPR trials, the Board refrains from exercising its discretion to deny the parallel petition. *Apple Inc. v. Neodron Ltd.*, IPR2020-00998, Paper 8 at 11 (PTAB Dec. 15, 2020) ("Patent Owner has not requested that we exercise our discretion to only consider, at most, one petition. Accordingly, we do not exercise our discretion to deny this [parallel] Petition under § 314(a)").

With respect to the unwarranted burden on the Board, Petitioner's Ranking explained that because "Petitioner cannot foresee whether Patent Owner will produce such evidence [challenging Lins's prior art status], the Second Petition is necessary." Paper 3 at 3. The Board's precedent dictates that in such circumstances:

> [g]iven that the primary references in each Petition have different bases for availability as prior art under § 102, *the burden on the Board is outweighed* by Petitioner's reasonable precaution taken in case Patent Owner can antedate a reference. Addressing the challenges in both Petitions will provide a timely, fair, and efficient resolution for both parties before the Board, and may ultimately be helpful in reducing issues related to patentability and resolving the dispute in the district court litigation. Accordingly, [the Board] decline[s] to exercise

> discretion to deny Petitioner's request for *inter partes* review in this proceeding in view of the parallel proceeding.

Abbott Labs. v. Integrated Sensing Sys., Inc., IPR2019-01339, Paper 7 at 10 (PTAB Jan. 23, 2020) (emphasis added) (granting parallel IPR petitions). Thus, not only is the Board's conclusion of unwarranted burden unsupported by the evidence in the present record, it also contradicts the Board's own precedent.

Furthermore, the burden on the Board associated with institution of an additional trial is mitigated by the additional fees that Petitioner submitted when filing the 477 Petition. This mitigating factor is consistent with the policy governing the proposed changes to the PTAB Rules of Practice published April 21, 2023, which provide the following: "[a]s to parallel petitions, the Office is also considering changes to provide that, as an alternative to filing multiple petitions, a petitioner may pay additional fees for a higher word-count limit." Changes Under Consideration to Discretionary Institution Practices, Petition Word-Count Limits, and Settlement Practices for America Invents Act Trial Proceedings Before the Patent Trial and Appeal Board, 88 Fed. Reg. 24505 (proposed April 21, 2023).

3. <u>The Board's finding that "Petitioner has given [the Board] no reason to think that [Petitioner] would prevail on the 477 Petition in the event Petitioner is unsuccessful in proving the grounds in the 451 Petition" ignores the entirety of the unpatentability argument set forth in the 477 Petition</u>

The invalidity grounds in each of the Petitions stand on their own, and there is no overlap between them. The 451 Petition establishes that claims 1-5, 8, and 9 are obvious over the combination of Vestgaarden-981, Vestgaarden-818, and Lins and that claims 6, 7, and 10-23 are obvious over the same three references plus Paltzer. IPR2023-00451, Paper 1 at 11-82. The 477 Petition does not rely on any references cited in the 451 Petition. Instead, the 477 Petition establishes that claims 1-8 are obvious over the Stoffman-McCormack combination and that claims 9-23 are obvious over this combination in view of Stark. Paper 2 at 19-86. The 477 Petition provides sixty-seven pages of detailed arguments explaining why Petitioner would prevail on the Stoffman-based ground. The success of this ground is not contingent on the outcome of the IPR2023-00451. Thus, the Board's finding that there is "no reason to think that [Petitioner] would prevail on the 477 Petition in the event Petitioner is unsuccessful in proving the grounds in the 451 Petition" overlooks the detailed reasoned analysis set forth on pages 19-86 of the 477 Petition.

C. The Board abused its discretion by soliciting Patent Owner's response to Petitioner's Ranking, coaching Patent Owner on how to rebut Petitioner's reasons for parallel petitions, and permitting Patent Owner to file a response outside the deadline set forth in 37 C.F.R. § 42.107(b)

The Trial Practice Guide dictates that a patent owner can respond to a petitioner's reasons for parallel petitions "in its preliminary responses or in a separate paper filed *with* the preliminary responses." Trial Practice Guide, 60 (emphasis added). Notably, the Trial Practice Guide does not permit filing of such

"separate paper" *without* a preliminary response. In the present case, Patent Owner did not file a preliminary response and therefore foreclosed its opportunity to oppose institution of parallel trials. When this happens, the Board analyzes both petitions on their merits, and if they both establish a reasonable likelihood of success, the Board institutes parallel IPR trials. *See Abbott Labs.*, IPR2019-01339, Paper 7 at 10; *see also Neodron Ltd.*, IPR2020-00998, Paper 8 at 11.

In this case, however, the Board departed from its precedent: instead of addressing the 477 Petition on the merits, the Board issued the Order soliciting Patent Owner's response to the Petitioner's Ranking. IPR2023-00451, Paper 8 at 2-3. The Order coached Patent Owner on how to rebut Petitioner's reasons for parallel trials and signaled the Board's willingness to discretionarily deny the 477 Petition, if the requested response were filed. *Id.* at 3. Furthermore, the Board's Order departed from the Trial Practice Guide by permitting Patent Owner to rebut Petitioner's reasons for parallel trial *without* submitting a preliminary response. It also departed from the rule set forth in the 37 C.F.R. § 42.107(b) by permitting Patent Owner to respond to Petitioner's Ranking well outside the regulatory deadline. For all these reasons, the Board's Order constitutes an abuse of discretion.

V. RELIEF REQUESTED

Petitioner respectfully requests the Director vacate the Non-Institution Decision and remand this matter for the Board to properly weigh all countervailing

Entropic Communications, LLC, Exhibit 2010
Page 2010 - 17
IPR2025-00180, Comcast Corporation v. Entropic Communications, LLC

considerations and determine whether the present record favors granting the 477 Petition. If so, Petitioner requests that the Board analyze the 477 Petition on the merits and institute trial if the 477 Petition establishes a reasonable likelihood of success. If the Board determines that the record still favors a discretionary denial, then the Board should determine whether the 477 Petition presents a compelling, meritorious challenge, and if so, the Board should grant the 477 Petition and institute trial.

Dated: August 11, 2023

Respectfully submitted,
Hill Ward Henderson, P.A.

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CERTIFICATE OF SERVICE

Pursuant to 37 C.F.R. §§ 42.6(e) and 42.105(b), the undersigned certifies that on August 11, 2023 a copy of this REQUEST FOR REHEARING BY THE DIRECTOR was electronically served on the Patent Owner's counsel of record as follows:

James Pingor (James.Pingor@dinsmore.com)
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Dated: August 11, 2023

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