

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE OFFICE OF THE UNDER SECRETARY OF COMMERCE
FOR INTELLECTUAL PROPERTY AND DIRECTOR OF THE
UNITED STATES PATENT AND TRADEMARK OFFICE

VECTOR FLOW, INC.,
Petitioner,

v.

HID GLOBAL CORPORATION,
Patent Owner.

IPR2023-00353
Patent 8,234,704 B2

Before KATHERINE K. VIDAL, *Under Secretary of Commerce for
Intellectual Property and Director of the United States Patent and
Trademark Office.*

DECISION

Vacating the Decision on Institution and Remanding to the
Patent Trial and Appeal Board for Further Proceedings

I. INTRODUCTION

On December 17, 2022, Vector Flow, Inc. (“Petitioner”) filed a Petition requesting *inter partes* review of claims 11–15 of U.S. Patent No. 8,234,704 B2 (Ex. 1001, “the ’704 patent”). Paper 2 (“Pet.”). HID Global Corporation (“Patent Owner”) filed a Preliminary Response on April 25, 2023. Paper 7 (“Prelim. Resp.”).

In the Petition, Petitioner argued that the Board should not exercise its discretion to deny institution due to a related district court litigation because “[t]he pending litigation against Petitioner is in early stages, and no claim construction rulings and no significant discovery have occurred.” Pet. 11. In its Preliminary Response, Patent Owner argued that the Board should exercise its discretion to deny institution because “[t]he parallel district court proceeding is in an advanced stage.” Prelim. Resp. 6. Patent Owner argued, *inter alia*, that (1) “[c]laim construction is already complete, with the district court issuing an order on March 27, 2023,” (2) fact discovery will have closed prior to the expected institution decision, and (3) “[a]ny Final Written Decision here (expected in July 2024), would come five to six months after trial (*see* Ex. 2002 at 22).” *Id.* at 6–7. Petitioner sought authorization to file a reply addressing the Patent Owner’s arguments for discretionary denial and alleged inconsistencies in claim construction positions taken in the pending litigation. *See* Ex. 3001. The Board denied Petitioner’s request for authorization to file a Reply to Patent Owner’s Preliminary Response. Paper 8 (“Decision” or “Dec.”), 2 n.1 (quoting Ex. 3001).

On July 17, 2023, the Patent Trial and Appeal Board (“Board”) issued a Decision denying institution of *inter partes* review. Dec. 2. The Board exercised its discretion under 35 U.S.C. § 314(a) to deny the Petition based on the advanced state of a related litigation. *Id.* at 16–26. On August 4,

2023, Petitioner filed a request for rehearing by the Director, seeking Director review of Board's decision denying institution. Paper 9.

I have reviewed Petitioner's Request, the Board's Decision, the relevant papers, and the relevant exhibits of record in this proceeding. I determine that Director review of the Board's Decision is appropriate. *See Revised Interim process for Director review*¹ §§ 4.B, 5.A.

Upon review, I determine that there was good cause to authorize Petitioner's request to file a reply. Accordingly, I vacate the Board's Decision, grant Petitioner's request for a reply solely to address § 314(a), and remand to the Board for additional proceedings consistent with this decision. Petitioner is authorized to file a reply within 14 days of this order, and Patent Owner is authorized to file a sur-reply within 14 days of the reply. The Board shall issue a decision that evaluates § 314(a) in light of all of the pre-institution papers, including the Petitioner's reply and Patent Owner's sur-reply.

II. BACKGROUND

Under 35 U.S.C. § 314(a), the Director has discretion to deny institution of an *inter partes* review.² *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016) (“[T]he agency’s decision to deny a petition is a matter committed to the Patent Office’s discretion.”); *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1356 (2018) (“[Section] 314(a) invests the Director with discretion on the question whether to institute review.”)

“In determining whether to exercise discretion to deny institution under 35 U.S.C. § 314(a), the Board considers an early trial date in related

¹ Available at www.uspto.gov/patents/ptab/decisions/revised-interim-director-review-process.

² The Board institutes trial on behalf of the Director. 37 C.F.R. § 42.4(a).

litigation as part of an assessment of all relevant circumstances of the case, including the merits, in an effort to balance considerations such as system efficiency, fairness, and patent quality.” *Sotera Wireless, Inc. v. Masimo Corporation*, IPR2020-01019, Paper 12 (PTAB Dec. 1, 2020) (precedential as to § II.A.) (citing *Apple, Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) (precedential)). Because scheduled trial dates often change, “[p]arties may present evidence regarding the most recent statistics on median time-to-trial for civil actions in the district court in which the parallel litigation resides.” Memorandum, Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation (USPTO June 21, 2022) (“Interim Procedure”).³ “Where the parties rely on time-to-trial statistics, the PTAB will also consider additional supporting factors such as the number of cases before the judge in the parallel litigation and the speed and availability of other case dispositions.” *Id.*

In its Petition, Petitioner asserted that *Fintiv* did not support discretionary denial under § 314(a) because “[t]he pending litigation against Petitioner is in early stages, and no claim construction rulings and no significant discovery have occurred.” Pet. 11.

In its Preliminary Response, Patent Owner discussed each of the six *Fintiv* factors in detail and argued that each factor favors denying institution. *See* Prelim. Resp. 6–19. In doing so, Patent Owner relied on the district court’s Claim Construction Order (Ex. 2001; *see* Ex. 2003) and Scheduling Order (Ex. 2002), both of which were issued after the Petition was filed but

³ Available at www.uspto.gov/sites/default/files/documents/interim_proc_discretionary_denials_aia_parallel_district_court_litigation_memo_20220621_.pdf.

prior to Patent Owner's Preliminary Response. *See* Prelim. Resp. at 8. The district court's Scheduling Order set a trial date of January 19, 2024, which Patent Owner argued is "more than six months before the expected date for the Final Written Decision in this proceeding (July 25, 2024)." *Id.* at 10. Patent Owner acknowledged that the District of Delaware median time-to-trial is 33.7 months. *Id.* at 12. However, Patent Owner presented the following argument specific to the presiding judge:

Judge Williams was recently confirmed to the bench, and he currently presides over approximately 24% fewer patent cases than the average number of patent cases for the other judges in the district. Ex. 2009. Adjusting the time to trial based on Judge Williams' case load (from 33.7 months to 25.6 months), the expected trial date would occur in February 2024, which is still more than five months before a Final Written Decision is expected here.

Id.

Following Patent Owner's Preliminary Response, Petitioner sought authorization to file a reply "to Patent Owner's arguments in its preliminary response regarding (1) discretionary denial under section 314(a)." Ex. 3001. Patent Owner argued that "the Petition already raised the foreseeable discretionary-denial issues (Pet. at 11 and 8) . . . so no good cause exists for Petitioner to address these issues again. Further briefing would also prejudice Patent Owner (*see* Prelim. Resp. at 18–19)." *Id.* Patent Owner argued in the Preliminary Response that allowing Petitioner to address discretionary denial after the Petition would "prejudice Patent Owner at least because Patent Owner has devoted resources to developing its arguments concerning discretionary denial and allowing Petitioner to belatedly attempt to moot those issues would be improper . . ." Prelim. Resp. 19 (citing *Shenzhen Silver Star Intelligent Tech. Co., Ltd. v. iRobot Corp.*, IPR2018-

00897, Paper 9, 8 n.9 (PTAB Oct. 1, 2018); *Ontel Products Corp. v. Guy A. Shaked Investments Ltd.*, IPR2020-01703, Paper 10, 2 (PTAB Feb. 4, 2021).

The Board agreed with Patent Owner and denied Petitioner’s request to file a reply. *See* Dec. 17–18. Specifically, the Board “agreed with Patent Owner’s contention that Petitioner had ‘good reason’ to expect a *Fintiv* argument by Patent Owner, at least because ‘Petitioner [filed] on the last day before the one-year statutory bar, and . . . the advanced stage of the parallel litigation and the impending claim construction and discovery deadlines.’” *Id.* at 18 (citing Prelim. Resp. 18–20). The Board held “that, if Petitioner wished to provide a more complete *Fintiv* analysis for us to consider, it should have done so in the Petition.” *Id.*

Petitioner seeks Director review of the Board’s Decision, raising the following “issues of significant importance”

- (1) whether petitioners must affirmatively address *Fintiv* challenges in their petitions to avoid denial of institution under § 314(a), and if so, under what circumstances,
- (2) the procedures for petitioners to seek to file pre-institution reply briefs to address *Fintiv* challenges, and
- (3) the impact of assignor estoppel arguments in the parallel litigation on the *Fintiv* analysis.

Paper 9, 5.⁴ Petitioner argues, *inter alia*, that it was not foreseeable that Patent Owner would raise assignor estoppel arguments in the parallel litigation, thus preventing Petitioner from raising an invalidity defense in that litigation. *See id.* at 9–14 (citing Ex. 1013; *Google LLC v. Valtrus Innovations, Ltd.*, IPR2022-01197, Paper 12 (PTAB Mar. 29, 2023)).

⁴ Whitespace added to quote.

III. DISCUSSION

I agree that there is good cause to authorize Petitioner to file a reply on the § 314(a) issues expressly raised by Patent Owner’s Preliminary Response, for the reasons set forth below. The Board’s reasoning in denying Petitioner’s request to file a reply did not take into account the change in status of the parallel district court proceeding that occurred between the Petition and the Preliminary Response, or the fact that Patent Owner submitted new evidence on time-to-trial statistics for both the district court and the presiding judge. *See Fintiv*, Paper 11, 2 (determining that “supplemental briefing on the issue of discretionary denial is necessary in this case to give Petitioner an opportunity to respond” in “light of the apparent change in status of the parallel proceeding”); *see also* Interim Procedure at 8–9.

The Petition could not have addressed the scheduled trial date or the claim construction order, both of which issued after the Petition was filed but before the Preliminary Response was due. *See* Ex. 2002 (Scheduling Order issued December 20, 2022 setting trial date for January 16, 2024); Ex. 2001 (Claim Construction Order). Moreover, Petitioner did not have the opportunity to address Patent Owner’s evidence on median time-to-trial for civil actions in the District of Delaware and the statistics and arguments related to Judge Williams specifically. *See Valtrus*, IPR2022-01197, Paper 12, 5. (“A petitioner, however, cannot be expected to anticipate every argument that may be raised by a patent owner”). Finally, Petitioner did not have the opportunity to address Patent Owner’s assignor estoppel arguments—that could eliminate the overlap between this proceeding and the parallel litigation—raised only after the Petition was filed. *See*

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Ex. 1013–1015. The Board would benefit from separate briefing by the Parties directly addressing these issues.

Consequently, I vacate the Board’s Decision and remand to the Board for further proceedings. I authorize Petitioner upon remand to file a reply addressing “discretionary denial under section 314(a)” in their reply request. Ex. 3001, 2. The reply shall be filed within 14 days of this order and be limited to 3 pages, as originally requested by Petitioner. I also authorize Patent Owner to file a sur-reply, limited to 3 pages, within 14 days of Petitioner’s reply. The Board shall then issue a decision that evaluates the § 314(a) issue in light of all of the pre-institution papers, including the Petitioner’s reply and Patent Owner’s sur-reply.

IV. ORDER

Accordingly, based on the foregoing, it is:

ORDERED that the Decision Denying Institution is *vacated*;

FURTHER ORDERED that the case is remanded to the Board for proceedings consistent with the instructions above.

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