UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

AMAZON.COM, INC.,
Petitioner,

v.

KAIFI LLC,
Patent Owner.

IPR2025-00626
Patent No. 11,082,518

REQUEST FOR DISCRETIONARY DENIAL

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I. INTRODUCTION

Pursuant to the Director's March 26, 2025 memorandum entitled "Interim Processes for PTAB Workload Management" ("Director's Memo"), the patent owner, KAIFI LLC, requests that the Director exercise her discretion under 35 U.S.C. § 314(a) and deny institution of an *inter partes* review (IPR) trial. This request is timely filed within two months of the April 11, 2025 notice of filing date accorded (Paper 7).

Congress created IPRs "to provide an effective and efficient ***alternative*** to district court litigation." *Gen. Plastic Indus. Co. v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19, 16-17 (Sept. 6, 2017) (precedential) (emphasis added). Congress envisioned IPRs as "quick and cost effective ***alternatives*** to litigation." H.R. Rep. No. 112-98, pt. 1, at 40 (2011) .

However, in this case, there is no reason to believe that this IPR will be an alternative to the overlapping district court litigation, *KAIFI LLC v Amazon.com, Inc.*, No, 2:24-cv-00542 (E.D. Tex. filed July 17, 2024) (the "Parallel Litigation"). Rather, this IPR, if it is allowed to continue, will be an ***additional*** proceeding, lagging seven months behind the Parallel Litigation. This IPR, if it is allowed to continue, would be inefficient and delay resolution of the parties' dispute. It would burden an already-overstretched governmental body (the Board) to invest significantly in a complex case that the district court is already poised to fully resolve

first. It would burden the parties with another complex and expensive proceeding, imposing that expense and burden disproportionately on KAIFI, creating an unfair advantage for the "big tech" petitioner (Amazon) in this case, and causing wasteful duplication notwithstanding the petitioner's stipulation, which is largely meaningless in the circumstances of this case but which the petitioner can say is more than the standard *Sotera* stipulation.

If an IPR is instituted in this case, the result will be neither efficiency nor cost-effectiveness – not for the parties, not for the government. The Director should therefore deny the IPR petition as soon as possible.

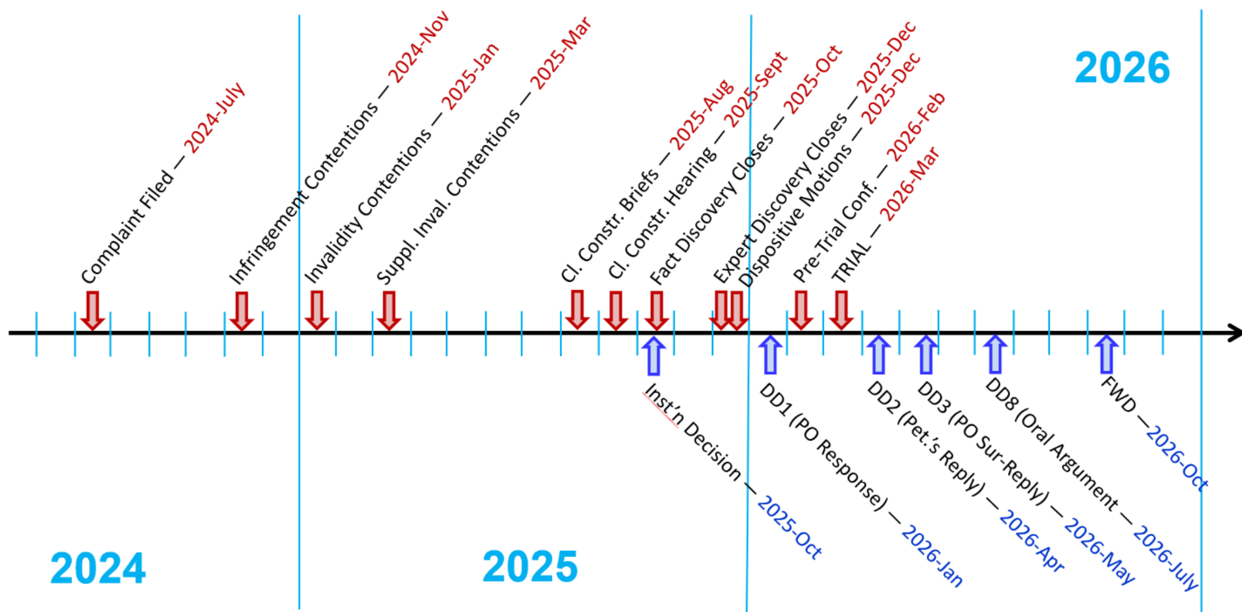
II. THE OVERLAPPING PARALLEL LITIGATION

The Parallel Litigation involves the '518 Patent at issue in this IPR plus three other patents owned by KAIFI. Each of those other three patents is the subject of another IPR filed by the petitioner simultaneously with this IPR petition: (1) IPR2025-00624 against U.S. Patent No. 8,040,232; (2) IPR2025-00625 against U.S. Patent No. 8,930,196; and (3) IPR2025-00627 against U.S. Patent No. 7,689,001. KAIFI is simultaneously filing requests for discretionary denial in all four IPRs.

The Parallel Litigation will have been ongoing for about 15 months when a decision on institution is due (October 11, 2025) in this IPR, and the trial in the Parallel Litigation will occur about ***seven months*** before a final written decision (FWD) is due in this IPR.

The most pertinent facts are that (1) the Parallel Litigation started on July 17, 2024; (2) infringement and invalidity contentions have already been exchanged; (3) claim construction started May 13, 2025 and concludes with a *Markman* hearing on September 16, 2025 (before an institution decision is due); and (4) trial starts on March 16, 2026, which is about seven months before the FWD would be due.

The timeline below graphically illustrates key events in the Parallel Litigation and the IPR. Key events in the Parallel Litigation are shown on top in red, while key events of the IPR trial (if instituted) are shown on the bottom half in blue.



See Ex. 1018 (court's docket control (scheduling) order).

Since the complaint was filed about eleven months ago, the parties have been litigating the case diligently, including serving extensive initial and supplemental infringement and invalidity contentions, including separate detailed subject-matter-

eligibility contentions. *See* Exs. 2001 (initial invalidity contentions for'518 Patent), 2002 (general subject-matter ineligibility contentions), 2005 (initial subject-matter ineligibility contentions for '518 Patent), 2009 (amended/supplemental invalidity contentions for '518 Patent), 2011 (amended/supplemental general subject-matter ineligibility contentions); 2014 (amended/supplemental subject-matter ineligibility contentions for '518 Patent). The petitioner's invalidity contentions are directed at the same claims 1-20 challenged in the IPR petition and include (1) ineligibility contentions under 35 U.S.C. § 101, *see* Exs. 2002, 2005, 2011, 2014; (2) written-description and enablement contentions under 35 U.S.C. § 112, ¶ 1, *see* Ex. 2001 at 56-85, Ex. 2009 at 56-86; (3) indefiniteness contentions under 35 U.S.C. § 112, ¶ 2, *see* Ex. 2001 at 85-109, Ex. 2009 at 86-110; and (4) anticipation and obviousness contentions under 35 U.S.C. §§ 102 and 103, *see* Ex. 2001 at 17-25; Ex. 2009 at 18-26. The vast majority of the prior-art invalidity contentions under §§ 102 and 103 are based on non-publication "system" prior art. *See* Ex. 2009 at 13-17 (listing 12 items of system prior art), 18-26 (listing 140 prior-art invalidity contentions, 100 of which are based at least in part on system prior art).

By the time a decision on institution is due in this IPR, the parties will have completed all claim-construction activities, the court will have held a claim-construction hearing, and the court will have recently issued or will soon issue its claim-construction order. By the time a decision on institution is due in this IPR,

fact discovery will close within six days, and expert discovery will close within a little over seven weeks. Summary-judgment motions and *Daubert* motions will be due less than two months after the decision on institution.

Within five months of the decision on institution, the parties and the court will complete all pre-trial litigation activities and start the trial, which will conclude well before six months prior to the deadline for the FWD. The entire time before KAIFI's due date 1 in this IPR trial (if trial is instituted) will overlap with pre-trial preparations in the Parallel Litigation, whereas the petitioner will likely have several weeks preceding the petitioner's due date 2 after the conclusion of the district court trial.

III. THE IPR PETITION

The petition (Paper 2) presents two challenge grounds based on two references – Ermis (U.S. Patent Appl. Publ. No. 2012/0079091, Ex. 1005) and Nakano (U.S. Patent No. 9,720,391, Ex. 1023) – as follows:

Grounds	Claim(s)	Basis
#1	1-20	35 U.S.C. §103 over Ermis
#2	1-20	35 U.S.C. §103 over Ermis in view of Nakano

The petition was filed February 26, 2025, over eight months after the complaint was filed in the Parallel Litigation. The petition is accompanied by a 141-page, 290-paragraph declaration (Ex. 1003) from Henry Houh. The petition and

Henry Houh cite 26 other references (Exs. 1006-1016 and 1024-1039) besides Ermis and Nakano.

IV. ALL *FINTIV* FACTORS FAVOR DISCRETIONARY DENIAL.

As the Supreme Court has explained, 35 U.S.C. § 314(a) "invests the Director with discretion on the question whether to institute review." *SAS Inst., Inc. v. Iancu*, 584 U.S. 357, 366 (2018). The Board is "permitted, but never compelled, to institute an IPR proceeding." *Harmonic Inc. v. Avid Tech., Inc.*, 815 F.3d 1356, 1367 (Fed. Cir. 2016).

The precedential order in *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (Mar. 20, 2020) ("*Fintiv*") identifies six factors for the Director (or, by delegation, the Board) to consider in deciding whether to exercise discretion to deny institution under 35 U.S.C. § 314(a) based on parallel proceedings involving the same patent. The factors considered to determine whether efficiency, fairness, and the merits support denial include:

> **Factor 1**: Whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted;
>
> **Factor 2**: Proximity of the court's trial date to the Board's projected statutory deadline for a final written decision;
>
> **Factor 3**: Investment in the parallel proceeding by the court and the parties;

> **Factor 4**: Overlap between issues raised in the petition and in the parallel proceeding;
>
> **Factor 5**: Whether the petitioner and the defendant in the parallel proceeding are the same party; and
>
> **Factor 6**: Other circumstances that impact the Board's exercise of discretion, including the merits.

Fintiv at 5–6. Application of the present facts to these factors demonstrates that there are strong reasons for exercising discretion to deny institution in this case. As explained below, every one of the *Fintiv* factors favors denial.

A. Starting Trial Seven Months Before the FWD Favors Denial.

Fintiv factor 2 considers the proximity of the court's trial date to the Board's projected statutory deadline for a FWD. *See Fintiv* at 9. "If the court's trial date is earlier than the projected statutory deadline, the Board generally has weighed this fact in favor of exercising authority to deny institution under NHK." *Id*. That is the case here. The trial date is ***seven months*** earlier than the projected FWD deadline. Factor 2 therefore significantly favors denial. In fact, the district court trial will conclude before Due Date 2 in the IPR, and the bulk of the litigation will be completed at the time of a decision on institution in this IPR.

Under the new bifurcated pre-institution process, the Director has exercised discretion to deny institution where the district court's scheduled trial date and/or time-to-trial statistics indicate that trial will occur before a final written decision—

even if only by a few months. In one of her first decisions under the new process, the Director denied institution where the district court trial was scheduled five months before the final written decision was due, and the district court's time-to-trial statistics suggested that the trial would occur 1-3 months before a final written decision. *See Arm Ltd. v. Daedalus Prime LLC*, IPR2025-00207, Paper 10 at 2 (May 16, 2025). Trial in this case is even further ahead of the IPR. Here the district court has scheduled trial to occur seven months before the due date of any final written decision. And the district court's time-to-trial statistics indicate a trial date four months before a final written decision. Given the "current workload needs of the PTAB," the rapidly-approaching trial in this case strongly weighs in favor of discretionary denial. Director's Memo at 3.

Even before the new bifurcated pre-institution process, the Board regularly found that a period of six months between the district court trial and the expected date of the FWD supports denying institution. *See*, *e.g.*, *Apple Inc. v. Haptic, Inc.*, IPR2024-01475, Paper 11 at 10-11, 17-18 (Apr. 4, 2025) (trial over six months before FWD); *Samsung Elecs. Co. v. Mojo Mobility Inc.*, IPR2023-01094, Paper 11 at 7-8, 29 (Feb. 9, 2024) (trial approximately six months before FWD); *HP Inc. v. Universal Connectivity Techs., Inc.*, IPR2024-01429, Paper 11 at 8-9, 28-29 (Apr. 16, 2025) (denying institution where district court trial was expected six months before FWD, notwithstanding *Sotera* stipulation); *Innolux Corp. v. Phenix Longhorn*

LLC, IPR2025-00043, Paper 10 at 8-9 (May 15, 2025) (same); *Charter Commc'ns, Inc. v. Adaptive Spectrum & Signal Alignment, Inc.*, IPR2024-01379, Paper 16 at 9-11, 16-17 (Apr. 17, 2025) (denying institution where district court trial was expected seven months before FWD, notwithstanding *Sotera* stipulation); *Google LLC v. Cerence Operating Co.*, IPR2024-01464, Paper 15 at 7-8, 15 (Apr. 23, 2025) (same).

By the time of the FWD in this IPR, if trial is instituted, the parties will have completed the trial at least six months earlier (because trial is scheduled to begin about seven months earlier). By that time, the parties will have expended considerable resources (likely, several million dollars each) trying the case before the district court. Yet despite having expended those resources, the dispute will languish over the heads of the parties for at least another six months while the Board completes the IPR trial, if trial is instituted. Such a long and unnecessary delay is contrary to fundamental notions of repose, closure, and speedy adjudication. The clearly better choice in these circumstances is not to allow the IPR to prolong the parties' dispute. That is especially true considering that whatever validity issues left to be resolved in the IPR 6-7 months later could easily be resolved in the litigation with little incremental added impact or cost. The district court will be thoroughly familiar with the '518 Patent and can most efficiently resolve ***all*** of the patent's issues, rather than carving out some issues for the Board to decide much later in an extra proceeding, burdening another branch of the government with extra work,

including repetitious understanding of the complex ’518 Patent and all the surrounding context in which the district court was already thoroughly steeped.

Accordingly, factor 2 weighs heavily in favor of discretionary denial. That is so notwithstanding the petitioner’s arguments to the contrary.

First, the petition contends that *Fintiv* factor 2 is neutral because the trial date is speculative and subject to change. *See* Pet. at 110. Actually, it is the petitioner who is engaged in speculation. There is no reason on the record to credibly question the scheduled trial date in this case. Nonetheless, the petitioner appeals to statistics, contending that the median time-to-trial for civil actions in the Eastern District of Texas is 23 months, rather than the 20-month period in the court’s actual schedule for this case. *See* Pet. at 110 (citing Ex. 1019 at 5). But, there is no reason to believe that this case will not finish three months before the median. Still, even using the 23-month median date, trial would occur four months prior to the due date of a final written decision, strongly supporting denial. *See Arm* at 2 (denying institution when time-to-trial statistics suggested trial date 1-3 months before projected final written decision due date).

Second, the petitioner notes that a motion to dismiss for lack of venue is pending. But the Board regularly declines to speculate how venue disputes will be resolved, or the effect of any such decision on the trial date. *See, e.g., Cisco Sys. Inc. v. Monarch Networking Solutions. LLC*, IPR2020-01226, Paper 11 at 11 (Mar.

4, 2021) ("We decline to speculate, though, whether the district court will grant that" motion to transfer); *SK Hynix Inc. v. Netlist, Inc.*, IPR2020-01042, Paper 14 at 11 (Dec. 17, 2020) (declining "to attempt to predict how the District Court will decide the motion to transfer and the effects of that decision"); *GlobalFoundries Inc. v. STC.UNM*, IPR2020-00984, Paper 11 at 15 (Dec. 9, 2020) ("We also will not speculate about Petitioner's motion to transfer the proceeding to the Austin division of the District Court of the Western District of Texas and any impact that may have on the trial date, should the motion be granted.").

The petitioner's mention of a number of trials set for March 16, 2026 is similarly unavailing, *see* Pet. at 111, as the Board has also "decline[d] to speculate as to which trials will not occur on [a given] date." *Cisco Sys.*, IPR2020-01226 at 11. Thus, neither the venue-transfer motion nor Judge Gilstrap's trial schedule should have any impact on this analysis.

In conclusion, *Fintiv* factor 2 weighs heavily in favor of discretionary denial because trial in the Parallel Litigation will have been long over before the IPR's FWD.

B. The Large Investment in the Parallel Litigation Favors Denial.

The significant investment in the Parallel Litigation by the district court and the parties also weighs in favor of denial. By the time the Board's institution decision is due on or about October 11, 2025, the parties and the court will have been

actively litigating for about 15 months or approximately 75% of the case from complaint to trial. In dollar terms, that likely represents several million dollars per party in litigation costs.

Significantly, claim construction will be fully briefed, a *Markman* hearing will have occurred, a claim construction order will be imminent or may have recently issued. Thus, if the Board were to make an institution decision on the merits, the Board would have to do so independently resolving the implicated claim-construction issues. That is, both the Board and the court would duplicate that substantial effort. Plus, there would be a risk of inconsistent rulings, which would benefit no one and only further complicate the considerable complications that parallel proceedings routinely cause. That waste, duplication, and redundancy alone is sufficient reason to discretionarily deny the petition.

Also, at the time of the institution decision, fact discovery will be essentially complete, closing less than one week after the institution decision's deadline, expert discovery will close within about seven weeks, and summary-judgment motions and *Daubert* motions will be due less than two months after the decision on institution.

The present case is similar to *Motorola Solutions, Inc., v. Stellar, LLC*, IPR2024-01205, Paper 19 at 2–3 (Mar. 28, 2025), in which the Director discretionarily denied institution. As in *Motorola Solutions*, the parties have served extensive infringement and invalidity contentions and will have filed claim

construction briefs by the time of the institution decision. *Id.* at 3; Ex. 1018 at 3, 4. The parties will also have made significant investment in expert discovery by the institution decision deadline, with expert discovery scheduled to close in less than two months (more than the seven weeks in this case). Accordingly, the investment by the district court in the present case will be comparable to that in *Motorola Solutions*, wherein the court held a *Markman* hearing and construed the disputed claim terms. *Motorola Solutions* at 3; Ex. 1018 at 3. *See also Fintiv* at 10 ("[D]istrict court claim construction orders may indicate that the court and parties have invested sufficient time in the parallel proceeding to favor denial.");

Because, by the time of an institution decision in this IPR, the court and the parties and will have invested substantial time and resources in the Parallel Litigation preparing for a March 16, 2026 trial date—a date seven months before the Board's projected date for a FWD—factor 3 strongly favors discretionary denial.

C. Identical Parties Favor Denial.

The petitioner is the defendant in the Parallel Litigation. The parties are therefore identical in the two proceedings. Thus, *Fintiv* factor 5 weighs against institution. *See Fintiv* at 15.

D. The Absence of a Stay Favors Denial.

Fintiv factor 1 asks whether the court granted a stay or evidence exists that one may be granted if an IPR trial is instituted. *Fintiv* at 6-9. In this case, the answer is no. The case is not stayed, no motion to stay the litigation has been filed, *see* Pet. at 110, the petitioner has not committed to file such a motion, no evidence has been presented that such a motion would be granted, and the reality is that such a motion would almost certainly be denied given the advanced stage of the litigation.

While it has sometimes been said that factor 1 is considered neutral in the absence of a stay motion, that is simplistic and illogical, at least in a case like this one. The Director should take this opportunity to clarify how *Fintiv* factor 1 should be analyzed in a case such as this one.

If no stay motion has been filed, then factor 1 must be considered to favor denial. If no stay motion is filed, the litigation will not be stayed. Period. This is equivalent to a stay motion having been denied. There is no logical difference between an unstayed case by reason of (1) denial of a stay motion or (2) the absence of a stay motion. That is, the Director should declare a bright-line rule that factor 1 favors discretionary denial if the case has not yet been stayed (for any reason) at the time of the Director's decision on discretionary denial. A neutral assessment of factor 1 should be reserved for cases in which a stay motion is pending and the Director wishes not to speculate how the court will rule on that pending motion.

Such a rule is fair and properly incentivizes petitioners to file stay motions in time to get real efficiency gains. Such a rule would be more realistic than the current practice of pretending factor 1 is neutral when there is no possibility that the case will be stayed. Here, because the petitioner has not yet filed a stay motion (and has given no indication that it will do so at all, let alone before the Director's decision on this request), factor 1 decisively favors denial.

Moreover, assuming for the sake of discussion that the petitioner were to eventually file a stay motion in the district court, such a late-filed motion will almost certainly be denied. The Parallel Litigation is pending in the United States District Court for the Eastern District of Texas before Judge Rodney Gilstrap. Since 2014, Judge Gilstrap has fully granted only 15 out of 106 motions to stay pending an IPR; he has fully denied 87 of those motions. *See* Ex. 2019 (tallying grants and denial per year). That is a 14% grant rate compared to an 82% denial rate. Judge Gilstrap typically (and reasonably) defers ruling on stay motions until and unless a review trial is instituted by the Board. *See Force Mos Tech., Co. v. ASUSTek Computer, Inc.*, No. 2:22-CV-00460-JRG, 2024 WL 1586266 at *4 (E.D. Tex. Apr. 11, 2024) ("Typically, when a party files such a premature motion to stay, this Court will deny the motion without prejudice to refile the same following the PTAB's institution decision regarding the last of the patents-in-suit to be acted upon by the PTAB."). If a trial is instituted in this IPR, that would occur on or around October 11, 2025. At

that time, the litigation would be at such an advanced stage that it is highly unlikely that Judge Gilstrap would stay the case. By that time, the trial will be about five months away (March 16, 2026). *See* Ex. 1018 at 1. Moreover, by that time, the court will have conducted a *Markman* hearing (September 16, 2025) and likely have issued a claim construction ruling. *Id.* at 4. Fact discovery will be very nearly closed (October 17, 2025), and summary-judgment and evidence-exclusion motions will be due in less than two months (December 8, 2025). *Id.* at 1, 3.

Judge Gilstrap predictably denies stays under circumstances with an imminent trial and a FWD not expected for many months after the trial date. *See*, *e.g.*, *Croga Innovations Ltd. v. Cisco Sys., Inc.*, No. 2:24-CV-00065-JRG, Dkt. 108 at 2 (E.D. Tex. Apr. 14, 2025) (denying a motion to stay when trial was scheduled and the FWD is expected "four months after the scheduled trial date"); *MyPort, Inc. v. Samsung Elecs. Co.*, No. 2:22-CV-00114-JRG, Dkt. 73 at 4–5 (E.D. Tex. June 13, 2023) (denying a motion to stay when trial was scheduled and "the PTAB [final written] decision is not due until over two months after jury trial is set to begin"); *Solas OLED Ltd. v. Samsung Display Co.*, No. 2:19-CV-00152-JRG, Dkt. 133 at 4 (E.D. Tex. July 17, 2020) (denying a motion to stay because "trial is only a few months away" and FWDs would have been issued months after the scheduled trial); *Oyster Optics, LLC, v. Infinera Corp.*, No. 2:19-CV-00257-JRG, Dkt. 87 at 4–5 (E.D. Tex. July 17, 2020) (denying a motion to stay because claim construction

briefing was finished and "[f]act discovery is closing in about a month and trial is only six months away."). Even when a trial is scheduled ***after*** a FWD is expected, Judge Gilstrap has denied a motion to stay. *See Polaris PowerLED Tech., LLC v. Samsung Elecs. Co.*, No. 2:22-CV-00469-JRG, Dkt. 73 at 4–5 (E.D. Tex. Mar. 15, 2024) (trial was scheduled over one year away and the motion was filed just 11 days after the IPR institution decision). In short, the timing of this case is such that it almost certainly will not be stayed.

Had the petitioner seriously intended to seek a stay, it would have filed its IPR petitions much sooner, such that a stay would have offered tangible benefits in terms of efficiency. By waiting so long, it can be inferred that the petitioner intends for the IPRs to be nothing more post-trial backstops, in case it loses the trial in the district court.

Moreover, the likelihood of a stay is even less because all four IPRs would have to be instituted before the petitioner would have a realistic chance of obtaining a stay. Judge Gilstrap typically denies stay motions when an IPR trial has not been instituted against any one of multiple patents in suit. *See Force Mos Tech.*, 2024 WL 1586266 at *4 ("[T]he Court finds that the Motion should be denied with prejudice given that only two of the three Asserted Patents have been challenged at the PTAB. Specifically, because Defendant has not challenged the '346 patent, the IPRs cannot simplify the issues related to the '346 patent in this case. Thus, a serious

problem exists with the Motion because even in a situation where the PTAB invalidates every instituted claim, the ’346 patent’s asserted claims would remain live in this case. For this reason, the IPRs cannot simplify the issues to the extent necessary to justify a stay. In short, the Court still has a case to try regardless of the outcome of the IPRs.”).

In conclusion, the facts that the Parallel Litigation has not been stayed and will not be stayed favor discretionary denial.

E. Overlapping Invalidity Issues Favor Denial Notwithstanding the Petitioner’s Uniquely Limited Stipulation.

“[I]f the petition includes the same or substantially the same claims, grounds, arguments, and evidence as presented in the parallel proceeding, th[at] fact has favored denial.” *Fintiv* at 12. That is the case here.

The petitioner has conditionally stipulated not to pursue certain invalidity arguments in the district court if the Board institutes an IPR trial. *See KAIFI LLC v. Amazon.com, Inc.*, No. 2:24-cv-00542, Dkt. 81 (May 8, 2025) (Ex. 2016). As explained below, the petitioner would give up very little with this stipulation. Specifically, the stipulation extends to only (1) the challenge grounds in the petition (*i.e.*, § 103 based on Ermis and § 103 based on Ermis and Nakano); (2) any “ground that could have reasonably been raised under §§ 102 or 103 on the basis of prior art patents or printed publications”; and (3) any ground based on a combination of

system prior art with Ermis and/or Nakano. *Id.* at 3-4. The stipulation explicitly reserves the petitioner's right to assert, for example, system prior art in combination with printed publications other than Ermis and Nakano:

> Defendants' stipulations above are not intended and should not be construed to limit Defendants' ability to assert invalidity of any claim of the patents at issue in this lawsuit based on any other ground, including combinations of system prior art with patents or printed publications that were not asserted as part of a ground raised in Defendants' respective IPR petitions, or to use any patents or printed publications for other purposes . . .

Id. at 4. This stipulation, which goes just ever so slightly beyond a standard *Sotera* stipulation, does not tip the balance in favor of institution in this case.

Chief Judge Boalick's March 24, 2025 memorandum removed the absolute safe-harbor provision for *Sotera* stipulations. *See* Chief APJ Boalick, Memo. at 2-3 (Mar. 24, 2025) ("[A] timely-filed *Sotera* stipulation . . . will ***not*** be dispositive by itself" (emphasis added)). Additionally, in *Motorola Solutions*, the Director explained that a *Sotera* stipulation is "not likely to moot" "invalidity arguments in the district court [when they] are more expansive":

> Petitioner's [*Sotera*] stipulation does not ensure that these IPR proceedings would be a "true alternative" to the district court proceeding. Petitioner's invalidity

> arguments in the district court are more expansive and include combinations of the prior art asserted in these proceedings with unpublished system prior art, which Petitioner's stipulation is not likely to moot.

Motorola Solutions at 3-4 (citations omitted).

Such is the case here, where the Parallel Litigation includes numerous additional invalidity grounds that the petitioner has asserted in the district court regardless of whether the Board institutes. For example, the petitioner contends in the Parallel Litigations that the claims of the '518 Patent are ***ineligible under 35 U.S.C. § 101***, *see* Exs. 2002, 2005, 2011, 2014, ***not compliant with the written-description and enablement requirements of 35 U.S.C. § 112***, ¶ 1, *see* Ex. 2001 at 56-85, Ex. 2009 at 56-86, and ***indefinite in violation of 35 U.S.C. § 112,*** **¶** ***2***, *see* Ex. 2001 at 85-109, Ex. 2009 at 86-110. Thus, even if the petitioner's stipulation took all the § 102 and § 103 invalidity issues out of the Parallel Litigation (that is definitely not so, as explained below), the petitioner would still get two chances to invalidate the '518 Patent, and both the Board and the district court would have to invest in fully understanding the invention, the scope of the claims, the ordinary level of skill in the art, the patent's advances over the prior art (as would be necessary, for example, to assess what was conventional in the prior art, so as to assess eligibility under § 101), etc. That represents substantial overlap even if the invalidity grounds are not exactly the same.

Moreover, the petitioner's stipulation does little to simplify just the § 102 and § 103 invalidity issues in the Parallel Litigation. To understand this, the petitioner's invalidity contentions in the Parallel Litigation should be examined. Those contentions, in their most recent form, are attached as Exhibit 2009, which the petitioner served with 19 accompanying detailed invalidity claim charts (one chart for each primary reference). It is apparent from Exhibit 2009 that the vast majority of the § 102 and §103 invalidity contentions in the Parallel Litigation is based on system prior art that will be little affected by the stipulation.

Specifically, the petitioner has enumerated 140 combinations of prior art (both documents and system, including single-reference invalidity grounds). *See id.* at 18-26 (table listing all § 102 and § 103 contentions). In that table, the references that are documents appear in the left column with an apostrophe followed by three digits (*e.g.*, "Arling '239"), whereas system references do not end with an apostrophe and three digits (*e.g.*, "Control4"). The system references in this table are "Control4," "Creston," "Ecobee," "EnergyHub," "Google Nest," "Honeywell Lyric Home Automation," "IFTTT," "Samsung Smart Things," "Savant," "Simplify My Home," "WeMo," and "Amazon Echo 1st Generation." *See id.* at 13-17 (table listing of system prior art).

Of the 140 asserted combinations of prior art, only 32 are based on documents only. The remaining 108 asserted combinations involve system prior art alone or in

combination with a document reference. Of those 108 system-based invalidity assertions, only 22 involve either Ermis or Nakano. The remaining 86 system-based invalidity assertions rely on neither Ermis nor Nakano and therefore are ***not*** subject to the petitioner's stipulation. That is, the petitioner has reserved 86 § 102/103 invalidity grounds that it can pursue in the Parallel Litigation if an IPR trial is instituted. In fact, the petitioner has generally preserved the right to pursue invalidity based on each of the twelve system references alone plus each system reference augmented with seven secondary references. The following excerpt of Ex. 2009 is illustrative, showing that just two of the ten invalidity contentions based on the "Creston" system prior art would be forfeited by the stipulation:

Crestron	1-3, 5-6, 8, 19-20	1-20
Crestron + Arling '239		1-2, 4-8, 10-11, 16-20
Crestron + Cipollo '336		1, 4-11, 16-20
Crestron + Ermis '091	STIPULATED AWAY	1-20
Crestron + Feldstein '203		1-2, 4-6, 8-9, 12-14, 17-20
Crestron + Kelly '231		1-20
Crestron + Madonna '125		1-20
Crestron + Nakano '391	STIPULATED AWAY	1-2, 4-15, 17
Crestron + Steiner '212		1, 5-6
Crestron + Yabe '222		1, 13-14

Ex. 2009 at 19 (annotated, color added). This pattern is repeated for each of the twelve base system references.

As can be seen, the stipulation in these circumstances does not meaningfully simplify the Parallel Litigation. If an IPR trial is instituted, both the Board and the district court will assess the patentability of the same claims under the same statute (§ 103). Although the references may differ, the foundational issues will overlap extensively, with the result that the two governmental bodies will needlessly expend effort redundantly to come up to speed to decide their technically different but foundationally substantively highly overlapping patentability issues. *See also* FAQs for Interim Processes for PTAB Workload Management, available at https://www.uspto.gov/patents/ptab/faqs/interim-processes-workload-management, at FAQ 14 (last viewed June 10, 2025) ("Where the petitioner is relying on corresponding system art in a co-pending proceeding and/or several other invalidity theories, a stipulation may not be particularly meaningful because the efficiency gained by any AIA proceeding will be limited.").

And the petitioner will benefit from having two opportunities to invalidate the '518 Patent on obviousness grounds. The petitioner will also benefit from the added cost imposed on KAIFI, while the petitioner (the second largest company in the world) will not even notice the additional cost that its tactics impose.

Accordingly, "Petitioner's stipulation does not ensure that these IPR proceedings would be a 'true alternative' to the district court proceeding." *Motorola Solutions* at 3-4. Thus, although Petitioner's *Sotera* stipulation may mitigate ***some*** small concern of duplication between the parallel proceeding and this proceeding, instituting review would nonetheless be extremely inefficient.

To be sure, the Board cannot fully adjudicate the validity issues regarding the '518 Patent. Only the district court can do so. In any case, the district court will need to fully understand the '518 Patent and its prosecution history, resolve its claim-construction issues, define a person of ordinary skill in the art, determine what was conventional and known in the art before the '518 Patent (*e.g.*, to assess eligibility under § 101), understand the scope and content of the prior art (*e.g.*, to resolve obviousness issues under § 103 based on one or more of the 89 reserved § 103 invalidity grounds), understand the other *Graham* factors, etc. Having done so, the district court will be well poised to decide the obviousness of the claims over Ermis and Nakano – the two references presented in the petition – if the petitioner has enough confidence in those grounds to press them through trial.[1] It would be highly

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[1] Actually, the petitioner has so little confidence in the combination of Ermis and Nakano (challenged ground 2 in the petition), that it did ***not*** include that

wasteful and inefficient for the Board to do so as well. Thus, the petitioner's stipulation does too little to alleviate the wasteful overlap of issues in these cases.

To the extent that the petitioner's stipulation reduces overlap to any meaningful degree, that is not enough to offset the IPR's seven-month time lag relative to the Parallel Litigation, as the Board as recognized in recent cases. *See HP*, IPR2024-01429, Paper 11 at 10-11, 28-29; *Charter Commc'ns*, IPR2024-01379, Paper 16 at 13-17; *Google*, IPR2024-01464, Paper 15 at 11-13,15.

Based on the strong overlap in the underlying subject matter and foundational issues – notwithstanding the petitioner's limited stipulation – there are strong "concerns of inefficiency and the possibility of conflicting decision" if this IPR is instituted. *Fintiv* at 12. Thus, the factor 4 weighs against institution.

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combination in its invalidity contentions in the Parallel Litigation. *See* Ex. 2004 at 17-25. It is apparent that the petitioner is hoping for a second chance to try its lesser favored (fallback) invalidity arguments at the Board if it loses the trial in the district court. It goes without saying that such a second bite at the apple is unfair and highly inefficient.

F. Other Considerations Favor Denial.

Fintiv factor 6 considers "other circumstances that impact the Board's exercise of discretion, including the merits." *Fintiv* at 6.

1. The merits of the petition do not favor institution.

The petition's only argument regarding this factor is a bald statement that "[t]his Petition presents compelling evidence of unpatentability, and thus denial is inappropriate." Pet. at 111 (citing Ex. 1020). But, that assertion is merely attorney argument; the petition cites to no evidence regarding the strength of the petition. *See, e.g., In re Geisler*, 116 F.3d 1465, 1470 (Fed. Cir. 1997) (attorney argument is not evidence); *Icon Health & Fitness, Inc. v. Strava, Inc.*, 849 F.3d 1034, 1043-44 (Fed. Cir. 2017) (same). Moreover, that bald assertion is entirely conclusory and lacks any explanation why the petition is "compelling" in any respect. As such, the petition's assertion deserves no weight. *See, e.g., Oakley, Inc. v. Sunglass Hut Int'l*, 316 F.3d 1331, 1343 (Fed. Cir. 2003) (explaining that unsupported testimony is "facially deficient"); *Dell, Inc. v. Elecs. & Telecommn'cs Research Inst.*, IPR2014-00152, Paper 12 at 19-20 (May 16, 2014) (giving no weight to conclusory assertions). Finally, although, the petition stresses that "[t]he Petition [is] supported by Dr. Houh's expert testimony," Pet. at 111-12, Dr. Houh tellingly never says that the invalidity arguments are "compelling" or especially strong in any sense. Dr. Houh's absence of supporting testimony in this respect speaks volumes.

For legal support, the petition cites to an Office memorandum (Ex. 1020). *See* Pet. at 111 (citing Ex. 1020). But, that memo has been rescinded. *See* Ex. 2017 (notice rescinding Ex. 1020). Thus, even if there were any reason to believe the petitioner's attorney's bald assertion that the petition is "compelling," that is no longer a basis to avoid discretionary denial.

For perspective, every petitioner in every case always considers the petition to be strong. Such confidence is inevitably premature. Issues of a patent's compliance with 35 U.S.C. §§ 102 and 103 are notoriously complex, and the inevitable flaws in the petition – often fatal flaws – are not immediately apparent yet become apparent during the complex, thorough, and expensive process that is a review trial before the Board. For example, cross examination of a declarant often exposes the holes and weaknesses in the declarant's testimony. Yet, here the petition cites to untested expert testimony as allegedly demonstrating the petition's strength. That cannot be so.

Notably, the Petition does not present anticipatory prior art under 35 U.S.C. § 102. Instead, the petition relies solely on grounds asserting obviousness under 35 U.S.C. § 103. That is a sign of weakness.

Also, as explained below, the petition's admitted heavy reliance on expert testimony to support its challenge grounds, is a sign of weakness, not strength. *See* § IV-F-2 *infra*.

Moreover, as noted above, the petitioner has so little confidence in challenge ground 2 (Ermis in view of Nakano) that the petitioner did not include that invalidity ground in its invalidity contentions in the Parallel Litigation. That is also a sign of weakness.

Finally, KAIFI reserves the right to present specific substantive flaws in the merits of the petition in a preliminary response.

Overall, the petition has not identified anything under *Fintiv* factor 6 that supports institution. Quite to the contrary, the petition's heavy reliance on expert testimony in support of non-anticipatory challenge grounds, one of which it chose not to include among its 140 invalidity contentions in the litigation, is a sign of weakness, further tipping the balance in favor of discretionary denial.

Fintiv factor 6 is open-ended, and any relevant factor should be considered by the Director when deciding whether to discretionarily deny a petition. *See Fintiv* at 14, 16. The Director has recently enumerated some such additional factors. *See* Director's Memo at 2-3. Those and other relevant factors favor denial in this case, as explained in more detail below.

2. The petition's heavy reliance on expert testimony favors denial.

The petition's heavy reliance on expert testimony shows weakness, not strength, in the petition's positions. In fact, Dr. Houh's 290-paragraph, 141-page

declaration (Ex. 1003) is considerably longer than the petition itself. Such heavy reliance on expert testimony is more appropriate in the Parallel Litigation where the judge and jury can receive expert testimony live in person and assess credibility firsthand. That would be extremely unusual in this IPR. This heavy reliance of expert testimony weighs in favor of discretionary denial. *See also* FAQs for Interim Processes for PTAB Workload Management, available at https://www.uspto.gov/patents/ptab/faqs/interim-processes-workload-management, at FAQ 21 (last viewed June 10, 2025) ("[E]xtensive reliance on expert testimony and/or reasonable disputes between experts on dispositive issues may suggest that the questions are better resolved in an Article III court. . . . [I]t is not necessary for an expert to explain every aspect of the prior art. It is most helpful if an expert is providing focused testimony, for example to provide helpful context or to explain terms of art. The failure to provide focused expert testimony may weigh against institution.").

Moreover, Dr. Houh's declaration remarkably resembles large tracts of the petition. The following are just a few examples of passages where Dr. Houh's testimony tracks the petition, almost word-for-word:

Dr. Hough's Decl. (Ex. 1003)	Petition (Paper 2)
¶¶ 66-67	Pages 25-26
¶ 75	Page 31

¶ 82	Pages 35-36
¶¶ 94, 98, 99	Page 40
¶¶ 109, 112, 113	Pages 44-45
¶ 137	Page 53

See, e.g., Kinetic Techs., Inc. v. Skyworks Solutions., Inc., IPR2014-00529, Paper 8, at 15 (Sept. 23, 2014) ("Merely repeating an argument from the Petition in the declaration of a proposed expert does not give that argument enhanced probative value."). The petitioner's heavy reliance on such questionable expert testimony weighs in favor of discretionary denial.

3. The Parallel Litigation can most efficiently resolve the parties' entire dispute all at once.

As noted above, this is one of four IPRs against the four patents at issue in the Parallel Litigation. The Parallel Litigation will resolve not just the parties' dispute about the '518 Patent but the parties' disputes regarding all four patents. By comparison, the petitioner has sought to multiply the proceedings from one to five (the Parallel Litigation plus four IPRs). The added burdens and inefficiencies from the petitioner's strategy is multiplied accordingly (*i.e.*, 5 times). It would clearly be most efficient for the government to conduct one proceeding (the Parallel Litigation) to resolve all of the parties' disputes rather than conducting as many as five separate

proceedings[2] to resolve the same disputes in a piecemeal, duplicitous, and potentially inconsistent manner. It would also be less burdensome to the parties.

4. Institution of an IPR trial will disproportionately prejudice KAIFI in the Parallel Litigation.

The petition has been filed in this case at a time such that institution of an IPR trial will distract KAIFI from its trial preparations in the district court. The petitioner will not be similarly impacted.

KAIFI's entire response preparation period, from the institution decision to due date 1, will coincide with busy, critical late-stage litigation. But a portion of the petitioner's reply preparation period before due date 2 will occur after the trial concludes. Thus, the petitioner will not have the difficult juggling act that KAIFI must manage. Additionally, the petitioner may have the benefit of learning from the Parallel Litigation's trial and applying that knowledge in its IPR reply. Because the schedule of the Parallel Litigation and IPR places a heavier concentration of tasks in both proceedings on KAIFI, while the petitioner benefits from the imbalance,

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[2] KAIFI does not concede that any of the other three IPRs should be instituted and reserves all rights to argue that each of the other three IPRs should be denied discretionarily and/or on the merits.

instituting a trial creates an unfair burden on KAIFI and an unfair advantage for the petitioner. This imbalance, thus, favors denial.

Moreover, even assuming *arguendo* that the burdens of the parallel proceedings were distributed equally on the parties, the petitioner is much, much more able to absorb those burdens than KAIFI. The petitioner is the second largest company in the world, with a market capitalization over $1.8 trillion, annual revenue north of $630 billion, over 1.5 million employees, and assets worth over $620 billion. *See* Ex. 2018 at 2. To be sure, the petitioner has long been one of the pillars of "big tech." KAIFI is tiny by comparison.

5. The Board has other important work to do.

An IPR trial in this case would unnecessarily tax the Board's limited resources for the petitioner's sole benefit. To be sure, every minute spent by the Board on this IPR is one less minute the Board is able to spend on (1) its backlog of *ex parte* appeals, (2) other review petitions that must be evaluated, and (3) review trials that have already started or should be started (*i.e.*, not denied discretionarily or on the merits). Cases in categories (2) and (3) have statutory deadlines. *See* 35 U.S.C. §§ 314(b), 316(a)(11). Regarding (1), the Office should prioritize the Board's expeditious handling of *ex parte* appeals. Validity challenges like the ones here – which can be fully, fairly, and more promptly resolved by a district court that must otherwise fully familiarize itself with the '518 Patent and its issues – should not

detract the Board from the Board's other important work. For this additional reason, the Director should exercise her discretion to deny institution.

6. There has been no change in the law.

The petition does not assert that a change in law or judicial precedent warrants revisiting the patentability of the '518 Patent. Indeed, there have been no new changes in the law or new judicial precedent issued since the issuance of the '518 Patent in 2021 that could affect patentability. The petition cites to only a handful of Federal Circuit cases—so few that the petition does not include a table of authorities.

7. Equity favors denial.

According to its word-count certificate, the petition is 46 words under the 14,000-word limit. *See* Pet. at 115. However, the certificate does not indicate whether words added as annotations to drawings are included. To KAIFI's count, there are 70 words annotated on drawings reproduced in the petition. Additionally, the petition is full of non-standard abbreviations, spacings, and formatting that have the effect of reducing the word count. For example, every one of the 532 citations to an exhibit in the petition uses non-standard formatting to reduce the word count by at least one (*e.g.*, "Ex.1001" rather than "Ex. 1001" or "Exhibit 1001"). Additionally, every instance of the paragraph symbol (¶) and the section symbol (§) in the petition omits a following space so as to reduce the word count. That occurs 216 and 28 times, respectively, in the petition.

The petition does so despite the Board's repeated admonitions that it expects papers filed by the parties to comply with Blue Book formatting. *See, e.g., Axon Enter., Inc. v. Digital Ally, Inc.*, IPR2017-00375, Paper 9 at 2 n.2 (June 6, 2017) ("Petitioner . . . fails to use normal spacing in the Petition for numerous citations in order to reduce the word count. For example, Petitioner did not place spaces in many of its citations such as in '(Ex.1008, ¶22).' The Board expects the use of ordinary spacing in phrases and citations in submitted documents." (citing Blue Book, 20th Ed., Rule 3.3)). *See also Google Inc. v. Makor Issues & Rights Ltd.*, IPR2017-00815, Paper 8 at 5-6 (Aug. 23, 2017) ("The parties shall comply with 37 C.F.R. § 42.24 and be familiar with Board interpretations of that regulation. . . . Cutting and pasting text into a document as an image is unreasonable unless the text is ancillary to an existing image or the text comprises pre-existing labels as part of a figure, or unless any added text is included manually in the final word count."); *see also* Consol. Trial Practice Guide at 40 (Nov. 2019) (same).

The petition's annotations add 70 words, and the petition's formatting practices have reduced the word count by at least 776 words. Thus, with complete counting and proper formatting and spacing, the petition would be at least 800 words over the limit. This is another factor that the Director should consider when exercising her discretion to deny this petition. Equity does not favor those with unclean hands. *See, e.g., Shockley v. Arcan, Inc.*, 248 F.3d 1349, 1361 (Fed. Cir.

2001). This also shows that this IPR, if instituted, will stretch the Board's resources beyond the limits designed to make IPRs manageable for the Board and the parties within the statutory deadlines. That fact, too, favors discretionary denial of this petition.

The Director should take this opportunity to reiterate that the word-count gamesmanship specifically identified in the cases and Trial Practice Guide cited above and yet undertaken by the petition in this case will not be tolerated. The Board has unfortunately become lax and selective about enforcement of its word-count rules. *See, e.g., Abbott Labs. v. Miracor Med. SA*, IPR2025-00096, Paper 15 at 8-9 (May 19, 2025) (accepting petition more than 1000 words over limit due to undercounting and improper citation formatting); *Avanos Med. Inc. v. Stratus Med., LLC*, IPR2024-01209, Ex. 3001 (email from Board dated May 15, 2025) ("We have reviewed the petitions in light of Patent Owner's concerns, but do not find that the added annotations in the graphics are excessive or that the abbreviated citations are problematic. Patent Owner is free to employ the same conventions in further briefing in these cases."). The result is that IPR trials are more expansive and costly than they should be, usually strategically benefiting the petitioner, especially a well-heeled petitioner as here. "The Board is not free to disregard its own regulations. Nor can it mandate compliance by only some parties." *Perfect Surgical Techniques, Inc. v. Olympus Am., Inc.*, 841 F.3d 1004, 1006 (Fed. Cir. 2016). Yet, that is exactly

what often happens. It is time for the Director to put an end to this inefficient and unfair practice of allowing petitioners to openly defy the Board's word-count rules.

V. CONCLUSION

Institution of *inter partes* review should be denied under 35 U.S.C. § 314(a) based on the totality of the circumstances presented in this case. All six *Fintiv* factors weigh against institution, especially the advanced stage of the Parallel Litigation, the scheduled trial date occurring seven months before the projected FWD, and the parties' substantial investment in the Parallel Litigation. These and other factors raise serious concerns about duplicative proceedings, inefficiency, prejudice, and the risk of conflicting outcomes. Each of these issues independently supports discretionary denial. Considered together, they present a compelling case for the Director to exercise her discretion and deny institution of this petition in accordance with 35 U.S.C. § 314(a).

Respectfully submitted.

2025 June 11

/ M.C. Phillips /
Matthew C. Phillips
Registration No. 43,403

WORD-COUNT CERTIFICATE

The undersigned certifies that the foregoing REQUEST FOR DISCRETIONARY DENIAL contains 8,341 words excluding those portions exempted by the rule, including 80 words in diagrams created or as annotations added by KAIFI to images in this document. KAIFI has relied on the word count feature of the word processing system used to create this paper in making this certification.

/ M.C. Phillips /
Matthew C. Phillips
Registration No. 43,403

CERTIFICATE OF SERVICE

I hereby certify that on June 11, 2025, copies of the foregoing REQUEST FOR DISCRETIONARY DENIAL and all documents filed with it were served via electronic mail, as consented to by counsel, upon the following counsel for the petitioner:

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