

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

GOOGLE LLC,
Petitioner,

v.

CELLULAR SOUTH, INC.,
Patent Owner.

Case IPR2025-00875
Patent 9,940,972 B2

**PETITIONER'S REQUEST FOR DIRECTOR REVIEW
OF DECISION DENYING INSTITUTION¹**

¹ This IPR is one of two involving challenges to related patents that were denied for substantially the same reason (IPR2025-00875, IPR2025-00876). Similar requests are being filed in both proceedings.

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I. INTRODUCTION

Petitioner Google LLC respectfully requests Director Review of the Board’s decision to discretionarily deny institution of *Inter Partes* Review (“IPR”) of U.S. Patent No. 9,940,972 B2 (“’972 patent”) based entirely on the “settled expectations” rule established by *Dabico Airport Solutions Inc. v. AXA Power ApS*, IPR2025-00408, Paper 21 (Director June 18, 2025). (Paper 10 (“Decision”).) Director Review is warranted for several reasons. *First*, the “settled expectations” rule exceeds the USPTO’s statutory authority and is substantively irreconcilable with the USPTO’s mandate in the America Invents Act (“AIA”). *Second*, the “settled expectations” rule was promulgated without notice and comment, violating both the Administrative Procedure Act (the “APA”) and the AIA. *Third*, retroactive application of the “settled expectations” rule violates the APA and the AIA and deprives Petitioner of due process of law. The Decision allowed one patent to proceed to the Board (the ’853 patent), while summarily denying the Petition as to two others (the ’972 and ’954 patents) for one reason and one reason only: age of the latter patents. This arbitrary rule should be rejected and the Decision overturned.

II. BACKGROUND

This case highlights the problems stemming from the Director’s decision in *Dabico Airport Solutions Inc. v. AXA Power ApS*, IPR2025-00408, Paper 21 (Director June 18, 2025), which was the first time that the USPTO had ever declined

to institute IPR based solely on what it refers to as “settled expectations.” *Dabico* came shortly after the Board’s decision in *iRhythm Technologies, Inc. v. Welch Allyn*, IPR2025-00363, -00374, -00376, -00377, -00378, Paper 10 (P.T.A.B. Jun. 6, 2025), which was the first PTAB decision to mention “settled expectations” at all. Since *Dabico*, the “settled expectations” rule has functionally imposed a statute of limitations on IPR petitions that precludes IPR once a patent is—at most—six years old. In creating the “settled expectations” rule, *Dabico* cited to a March memorandum by then-Acting Director Stewart, which stated that parties were “permitted to address all relevant considerations” regarding discretionary denial, including “[s]ettled expectations of the parties, such as the length of time the claims have been in force[.]” Mem. for Interim Processes for PTAB Workload Management (May 26, 2025) at 2–3, <https://www.uspto.gov/sites/default/files/documents/InterimProcesses-PTABWorkloadMgmt-20250326.pdf>. Since *Dabico*, the USPTO has denied over one hundred IPR petitions based on the age of the patent.

The Decision did not address the merits. The Decision acknowledged that many factors in this case “counsel[ed] against discretionary denial[.]” including that it was “likely that a final written decision in [the] proceeding [would] issue before the district court trial occurs[.]” Decision at 2. Denial was based only on the fact that

the “challenged patents ha[d] been in force for seven and six years, respectively, creating settled expectations for Patent Owner[.]” *Id.*

III. ARGUMENT

A. *The “settled expectations” rule violates the APA, the AIA, and the Equal Protection Clause because it is not supported by statutory or empirical justifications*

The Decision should be reversed because the “settled expectations” rule is substantively groundless. Its application to Petitioner is therefore “arbitrary [and] capricious” and “in excess of statutory jurisdiction, authority, or limitations.” 5 U.S.C. §§ 706(2)(A), (C). Agency action is arbitrary and capricious if the agency “relie[s] on factors which Congress has not intended it to consider, entirely fail[s] to consider an important aspect of the problem, [or] offer[s] an explanation for its decision that runs counter to the evidence before the agency.” *Motor Vehicle Mfrs. Ass’n of the United States, Inc. v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 43 (1983). All are satisfied here: the rule has no relationship to the text of the AIA, intentionally subverts the statutory scheme, and its reasoning cannot bear even the most cursory empirical scrutiny.

The “settled expectations” rule contradicts Congressional intent by imposing a statute of limitations on IPR petitions, which Congress expressly declined to do. Both the AIA and the system that preceded it are replete with time limitations. For example, when Congress created *inter partes* reexamination, it limited that

procedure to applications “filed . . . on or after” November 29, 1999, thus immunizing earlier-filed patents from review. American Inventors Protection Act of 1999, Pub. L. No. 106–113, § 4608, 113 Stat. at 1501A–572. A similar limit applies to Post-Grant Reviews (“PGR”). Leahy-Smith America Invents Act, Pub. L. No. 112–29, § 6(f), 125 Stat. 311 (2011) (PGR limited to effective filing dates on or after March 16, 2013). But there are no such limits on IPR, which is available for “any patent issued *before, on, or after* [September 16, 2012].” *Id.* § 6(a), 125 Stat. 304 (emphasis added).

The list of provisions demonstrating Congress’s attention to timing goes on. PGR is also limited to the first nine months of a patent’s life, 35 U.S.C. § 321(c), and IPR is unavailable until that nine-month period expires, 35 U.S.C. § 311(c)(1). Congress further included a time-limit for IPR petitions tethered to district court litigation, stating that IPR cannot be granted if a petitioner waits “more than 1 year after the date on which the petitioner . . . is served with a complaint alleging infringement of the patent.” 35 U.S.C. § 315(b). But Congress expressly declined to limit IPR by the date a patent issued, which is exactly what the USPTO has done here. Congress’s choice not to include a statute of limitations in the AIA “necessarily reflects a congressional decision” that cannot be subverted. *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 580 U.S. 328, 334-35 (2017).

Nor is the “settled expectations” rule tethered to any other statutory grant of authority in the AIA. The rule certainly bears no relation to the Director’s obligation to deny petitions unless “there is a reasonable likelihood that the petitioner would prevail” on the merits. 35 U.S.C. § 314(a). IPR has routinely been used to successfully challenge patents over six years old, and the likelihood of a petition’s prevailing has had no correlation to the patent’s age. Jonathan DeFosse et al., *Data Undermines USPTO’s ‘Settled Expectations’ Doctrine*, Law360 (Aug. 29, 2025), <https://www.law360.com/articles/2381350> (“DeFosse”).

While the AIA separately directs the Director to “prescribe regulations . . . setting forth the standards for the showing of sufficient grounds to institute” IPR, nothing therein supports the “settled expectations” rule, which has nothing to do with the sufficiency of the grounds on which IPR is sought. 35 U.S.C. § 316(a)(2). Even when the Director properly promulgates regulations pursuant to § 316(a)(2), his discretion in doing so is not unbounded. *Cf. Citizens to Pres. Overton Park, Inc. v. Volpe*, 401 U.S. 402, 413 (1971) (“Plainly, there is ‘law to apply.’”). Most importantly, the Director must “consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.” § 316(b). Far from preserving “the integrity of the patent system,” the “settled expectations” rule directly undermines it, all while imposing hundreds of

millions of dollars in additional litigation costs and inviting a deluge of preemptive challenges to patents that were not in dispute.

The patent system is designed with the express acknowledgement that “questionable patents” are “easily obtained.” H.R. Rep. No. 112–98, pt. 1, at 39-40 (2011). Over 600,000 patent applications are filed every year, and examiners spend only 18 hours on average evaluating each patent. *See* Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 Nw. U. L. Rev. 1495, 1499-1500 (2001). As such, it is unsurprising that the majority of IPR proceedings invalidate at least some of the challenged claims. DeFosse, Law360 (Aug. 29, 2025).

District court litigation is no substitute. For one, it costs five times as much. Brief for *Amicus Curiae* Intellectual Property and Innovation Professors in Support of Petitioners, *In re: Sandisk Techs., Inc.*, No. 25-152, Dkt. No. 9 (Fed. Cir. Sept. 22, 2025) (“IP Profs. Amicus Br.”), at 7-8. For another, with its technical and legal expert administrative patent judges, the PTAB is “institutionally better equipped than the Federal Courts to resolve highly technical disputes regarding patentability.” *Perspectives on Patents: Post-Grant Review Procedures and Other Litigation Reforms*, Hearings Before the Subcomm. on Intellectual Property of the Comm. on the Judiciary, 109th Cong., 2d Sess. 1 (2006) (May 23, 2006) (statement of Sen. Orrin G. Hatch). That is why Congress created IPR to provide “quick and cost effective alternatives to litigation.” H.R. Rep. No. 112–98, pt. 1, at 48 (2011).

Rather than effectuate that Congressional intent, the “settled expectations” rule reaches the exact result Congress legislated to avoid. Congress recognized that “[l]itigation over invalid patents places a substantial burden on U.S. courts and the U.S. economy.” 157 Cong. Rec. S1363 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer). But by rendering IPR unavailable for all patents over six years old—in other words, the “vast majority of patents,” IP Profs. Amicus Br. at 4—the “settled expectations” rule funnels patent challenges back into the very courts Congress was trying to relieve and multiplies the cost of each dispute—on average, a \$1.6 million difference per final resolution. Douglas Crandell, Ph.D., *Throwing Discretion to the Wind: Discretionary Denials in Instituting Inter Partes Review Under the Nhk-Fintiv Framework*, 69 Wash. U. J.L. & Pol’y 341, 367 (2022).

The only way for parties to avoid this suddenly multiplied expense comes with its own astronomical costs. Parties that want to maintain access to the benefits that Congress created in the IPR system—lower cost, quicker resolution, and an efficient process, 35 U.S.C. § 316(e)—will have to scour all existing and newly-issued patents to identify any that they might be accused of infringing in their current *or any future* activity. They will then have to deluge the USPTO with thousands of IPR petitions seeking to invalidate likely irrelevant patents whose validity would otherwise never have been litigated or even noticed. There is simply no logic to a rule that increases

costs for patent owners *and* IPR petitioners five-fold while inundating the USPTO all in service of avoiding IPR of predominantly meritorious patent challenges.

The true rationale for the “settled expectations” rule is no secret. The current USPTO administration has explained on the record its belief that IPR should not exist at all. As the former Acting Director put it, a system that allows challenges to patents with “no window of time that closes to stop [the] challenges” is “contrary to . . . the Article III court protections afforded to patent owners prior to the AIA.” *See* Melissa Ritti, *Acting USPTO Director Talks Settled Expectations, End of Remote Work, and More*, MLex (Sept. 8, 2025), <https://www.mlex.com/mlex/intellectualproperty/articles/2385054/acting-uspto-director-talks-settled-expectations-end-of-remote-work-and-more>. The “settled expectations” rule furthers this end by eliminating most IPRs. But Congress did not enact the AIA to have IPR proceedings rendered a dead letter. And “federal agencies may not ignore statutory mandates . . . merely because of policy disagreement with Congress.” *In re Aiken Cnty.*, 725 F.3d 255, 260 (D.C. Cir. 2013); *see also State Farm*, 463 U.S. at 43 (agency may not act in “rel[iance] on factors which Congress has not intended it to consider”). The lack of any statutory or empirical justification to disfavor IPR petitions concerning older patents contravenes the AIA, *see* 35 U.S.C. § 316(b), 5 U.S.C. § 706(2)(a), and the Equal Protection Clause, *see Nordlinger v. Hahn*, 505 U.S. 1, 11 (1992) (when the “relationship of [a]

classification to its goal is [] so attenuated as to render the distinction arbitrary or irrational,” it violates the Equal Protection Clause).

The “settled expectations” rule is also arbitrary and capricious for another, closely related reason: it represents a dramatic shift in USPTO policy that was unaccompanied by any justification or explanation. IPR was established by Congress over a decade ago, and institution decisions have been governed by established rules and guidance. *See, e.g.*, 35 U.S.C. §§ 314(a), 311(c)(1), 315(b). But the “settled expectations” rule transforms the landscape of IPR availability without “provid[ing] a reasoned explanation for the change, display[ing] awareness that [the USPTO is] changing position, [or] consider[ing] serious reliance interests.” *FDA v. Wages & White Lion Invs., L.L.C.*, 604 U.S. 542, 568 (2025) (cleaned up). In fact, the USPTO has never even acknowledged that it is changing its position. Nothing from the USPTO has ever mentioned the “reliance interests” of IPR petitioners or provided any reasoning to support the conclusion that all patents that reach an age of six years should have a presumption of validity. *Id.* Nor have those sources explained why the USPTO no longer agrees with its long-held position that patent owners receive their patents with the express “expectation . . . that patents are open to PTO reconsideration and possible cancelation if it is determined . . . that the patents should not have issued in the first place.” *Celgene Corp. v. Peter*, 931 F.3d 1342, 1361-62 (Fed. Cir. 2019).

B. *The “settled expectations” rule violates the APA and the AIA because it was promulgated without notice and comment*

Even if the “settled expectations” rule were substantively permissible, it still could not be applied to Petitioner because its promulgation was procedurally improper. The APA “mandates that an agency use notice-and-comment procedures before issuing legislative rules.” *Kisor v. Wilkie*, 588 U.S. 558, 583 (2019); see 5 U.S.C. §§ 553(b), (c). A rule is a “legislative rule” if it “affects individual rights and obligations,” *In re Chestek PLLC*, 92 F.4th 1105, 1109 (Fed. Cir. 2024), and “has the force and effect of law.” *PDR Network, LLC v. Carlton & Harris Chiropractic, Inc.*, 588 U.S. 1, 7 (2019) (internal quotation marks omitted). A rule that “binds private parties or the agency itself” has the force and effect of law. *Gen. Elec. Co. v. E.P.A.*, 290 F.3d 377, 382 (D.C. Cir. 2002).

The “settled expectations” rule is a legislative rule, and because it was not preceded by notice and comment, it is *ultra vires* and therefore a nullity. *Aqua Prods., Inc. v. Matal*, 872 F.3d 1290, 1338 (Fed. Cir. 2017). First, the rule affects individual rights by denying “the benefits of IPRs linked to the concrete interest possessed by an infringement defendant.” *Apple Inc. v. Vidal*, 63 F.4th 1, 17 (Fed. Cir. 2023). Second, the rule is binding. Before *Dabico* and *iRhythm*, no IPR petition had ever been denied based on the age of the patent. But, since then, the “settled expectations” rule has functioned as a six-year statute of limitations. See DeFosse, Law360 (Aug. 29, 2025).

This case perfectly illustrates the dispositive effect the “settled expectations” rule has in practice. As in many other cases, the Board acknowledged while denying the Petition that factors generally counselled in favor of granting it. *See* Decision at 2; *see also, e.g., Google LLC v. VirtaMove, Corp.*, IPR2025-00487, -00488, -00489, -00490, 2025 WL 1913566 (Director July 11, 2025). But the “settled expectations” rule alone was somehow enough to overcome those considerations and require discretionary denial. Even more strikingly, although the Decision denied the petitions concerning the ’972 and ’954 patents, the Decision allowed the ’853 patent to proceed to the Board. The only difference: the ’853 patent was “issued in 2021,” so the “[e]arly challenge[] . . . weigh[ed] against discretionary denial,” while the ’972 and ’954 patents had “been in force for seven and six years,” which conclusively required the opposite result. Decision at 2. There could be no clearer indication of the “settled expectations” rule’s overriding significance than these opposite dispositions in related cases compelled only by patent age.

The fact that the “settled expectations” rule has not been formally labeled as binding changes nothing. “Agencies have never been able to avoid notice and comment simply by mislabeling their substantive pronouncements.” *Azar v. Allina Health Servs.*, 587 U.S. 566, 575 (2019). Instead, whether a rule is legislative turns on whether it “binds private parties or the agency itself with the ‘force of law.’” *Gen. Elec. Co.*, 290 F.3d at 382. And whether a rule is “binding as a practical

matter” turns on whether “it either appears on its face to be binding, or is applied by the agency in a way that indicates it is binding[.]” *Id.* at 383 (citation omitted). Since *Dabico*, the USPTO has invoked “settled expectations” in well over one hundred discretionary denials of IPR. DeFosse, Law360 (Aug. 29, 2025). Even in the tiny fraction of cases where the USPTO has granted an IPR petition for a patent over six years old, the USPTO has made clear that the “settled expectations” rule weighed heavily against institution. *See, e.g., Home Depot U.S.A., Inc. v. H2 Intellect LLC*, IPR2025-00480, Paper 11 at 2 (Director Sept. 4, 2025) (stating that the patent owner’s “strong settled expectations” “favor[ed] exercising discretion to deny institution”); *see also Chestek*, 92 F.4th at 1109 (stating that a rule is binding if it controls the “substantive . . . standards by which [an agency] examines a party’s application”).

Because the “settled expectations” rule is a legislative rule that was promulgated without notice and comment, the APA directs that it must be “set aside.” 5 U.S.C. § 706(2); *see also Matal*, 872 F.3d at 1338 (“Where an agency exceeds its delegated authority by improperly issuing a substantive rule, it acts *ultra vires* and the resulting rule is a nullity.”). Because the Decision relies entirely on “settled expectations” to deny the Petition, the Director should reverse the Decision and allow the Petition to proceed to the Board for determination.

Were there any doubt that the “settled expectations” rule could not be promulgated without notice and comment, it is dispelled by the AIA, which imposes its own requirement of notice-and-comment rulemaking on the Director: the agency “shall prescribe regulations.” § 316(a)(2); *see also* § 312(a)(4) (stating that any additional requirements for IPR petitions be established “by regulation”). When a statute refers to an agency’s obligation to create “regulations,” it means “legislative rules,” which must be issued “pursuant to the [APA’s] notice-and-comment requirements.” *U.S. Telecom Ass’n v. FCC*, 400 F.3d 29, 38, 40 (D.C. Cir. 2005). The Decision therefore contravenes both the APA and AIA by attempting to impose the “settled expectations” rule on Petitioner.

C. *The Decision violates the APA, the AIA, and the Due Process Clause because it retroactively applies the “settled expectations” rule to Petitioner*

Even if the “settled expectations” rule were permissibly promulgated and substantively justified, the Decision still could not stand because it impermissibly applies the rule retroactively. *Dabico* created a statute of limitations that essentially precludes IPR petitions once a patent reaches six years of age. *See, e.g., Kahoot! AS v. Interstellar Inc.*, No. IPR2025-00696, 2025 WL 2176613, at *1 (P.T.A.B. July 31, 2025) (patent that had “been in force for over six years[] creat[ed] strong settled expectations” even if the patent owner “did not previously assert the challenged patent against Petitioner”). But the Petition was filed well before *Dabico* established any such rule. Agencies lack “power to promulgate retroactive rules unless that

power is conveyed by Congress in express terms.” *Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204, 208 (1988). Which does not exist here.

Even if the AIA purported to give the USPTO the power to promulgate retroactive regulations, the Decision would still violate Petitioner’s due process rights. Put simply, “[r]etroactivity is not favored in the law.” *Princess Cruises, Inc. v. United States*, 397 F.3d 1358, 1362 (Fed. Cir. 2005) (citation omitted). “The Due Process Clause limits the Government’s authority to retroactively alter the legal consequences of an entity’s or person’s past conduct.” *Mexichem Fluor, Inc. v. EPA*, 866 F.3d 451, 462 (D.C. Cir. 2017). Thus, a “new rule concerning the filing of complaints would not govern an action in which the complaint had already been properly filed under the old regime.” *Landgraf v. USI Film Prods.*, 511 U.S. 244, 275 & n.29 (1994); *see also Durr v. Nicholson*, 400 F.3d 1375, 1380 (Fed. Cir. 2005) (same for rule governing notices of appeal). Petitioner is not arguing that the USPTO is required to adhere to previous, discretionary standards that it has applied in the past to IPR petitions. *Compare In re Motorola Sols., Inc.*, No. 2025-134, -- F.4th --, 2025 WL 3096514, at *4 (Fed. Cir. Nov. 6, 2025) (“Motorola was . . . on notice that the interim guidance . . . could be modified at any time.”). Rather, Petitioner is arguing that it is a constitutionally impermissible “unfair surprise,” *id.*, to categorically preclude IPR petitions based only on age.

Taken at face value, the “settled expectations” rule doomed Petitioner’s IPR

petitions when they were filed based solely on the age of the patents. By applying this time bar to Petitioner, the Decision therefore deprived Petitioner of the time, effort, filing fees, and legal fees that are now the sunk costs of those petitions. The fact that Petitioner is not entitled to have IPR instituted is irrelevant—Petitioner is entitled to have the Petition resolved on the merits based on the rules in place when the Petition was filed. *See, e.g., Cemex Inc. v. Dep’t of the Interior*, 560 F. Supp. 3d 268, 281 (D.D.C. 2021) (“When an agency’s prior policy engendered serious reliance interests, due process considerations of fair notice and fundamental fairness demand a reasonable explanation for the agency’s change in position.” (cleaned up)). Under those standards, the Director should reverse the Decision.

IV. CONCLUSION

For the reasons above and in the Petition, Petitioner respectfully requests Director Review of the Decision, and for an order reversing the Decision and directing the Board to evaluate the merits of the Petition.

Dated: November 17, 2025

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify, pursuant to 37 C.F.R. § 42.6(e), that a complete copy of the attached **PETITIONER'S REQUEST FOR DIRECTOR REVIEW OF DECISION DENYING INSTITUTION** and related documents were served on November 17, 2025, upon the parties via electronic mail:

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