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To:	Precedential_Opinion_Panel_Request
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Subject:	Precedential Opinion Panel Request: IPR2020-00919 (USP 9,901,123)
Date:	Thursday, July 21, 2022 11:07:17 AM
Attachments:	2022.07.21 [012] 123 Petitioner"s Request for Rehearing (-00919).pdf

Dear Honorable Board,

I write on behalf of Petitioner Philip Morris Products, S.A. ("PMP") to request Precedential Opinion Panel ("POP") Review of the Board's decision in *Philip Morris Products v. RAI Strategic Holdings*, IPR2020-00919, Paper 9 (Nov. 16, 2020) ("Panel Decision").

Pursuant to PTAB Standard Operating Procedure 2 (Rev. 10), lead counsel for Petitioner also makes the following certifications:

- Based on my professional judgment, I believe the Board panel decision is contrary to the following constitutional provision, statute, or regulation: Administrative Procedure Act, 5 U.S.C. § 706.

- Based on my professional judgment, I believe the Panel Decision is contrary to the following decision(s) of the Supreme Court of the United States, the United States Court of Appeals for the Federal Circuit, or the precedent(s) of the Board:

  - *Immigration and Naturalization Service v. Yang*, 519 U.S. 26, (1996) (Even if "the agency's discretion is unfettered at the outset, if it announces and follows —by rule or by settled course of adjudication—a general policy by which its exercise of discretion will be governed, an irrational departure from that policy (as opposed to an avowed alteration of it) could constitute action that must be overturned as 'arbitrary, capricious, [or] an abuse of discretion" within the meaning of the Administrative Procedure Act.'"); *McCarthy v. Merit Sys. Prot. Bd.*, 809 F.3d 1365, 1372 (Fed. Cir. 2016) (quoting *Yang*).

  - *Motor Vehicle Mfrs. Ass'n v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 57 (1983) (If an agency changes course, it "must supply a reasoned analysis" establishing that prior policies and standards are being deliberately changed.).

  - *Henry v. INS*, 74 F.3d 1, 6 (1st Cir. 1996) ("[A]dministrative agencies must apply the same basic rules to all similarly situated supplicants. An agency cannot merely flit serendipitously from case to case, like a bee buzzing from flower to flower, making up the rules as it goes along.").

  - *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 at 5 (Mar. 20, 2020) (precedential)

- Katherine K. Vidal, *Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Procedures*, USPTO, at 2-3, 6 (June 21, 2022) ("Director Memo").

PMP's attached Request for Rehearing ("Request") fully sets forth the basis of its request and the above certifications. Given the rare circumstances here, and for the fully explained reasons in the attached Request, good cause and the interests of justice warrant considering, and granting, PMP's request for POP review.

Briefly, PMP filed its IPR Petition less than a month after being sued. PMP followed the guidance in the precedential *Fintiv* opinion regarding a parallel district court case. And PMP went beyond *Fintiv* (in an abundance of caution) by unconditionally dropping invalidity defenses at the ITC to ensure an immediate and substantial reduction of duplicative work. The Board panel, however, impermissibly deviated from binding precedent set forth in *Fintiv* and its previous long-standing and settled practice, and denied institution based on the parallel ITC litigation.

Regarding the Board's previously settled course of adjudication, the Board had granted institution in thirty-five of thirty-six instances where there was parallel ITC litigation, including a half-dozen proceedings issued after *Fintiv* was designated precedential. Then, without any warning or justification, the Board changed its approach and issued a string of twenty denials—including the Petition at issue here—based on the existence of a co-pending ITC matter. And with respect to the *Fintiv* application to ITC cases, the Director's Memo recently confirmed that ***the* Fintiv *factors do not apply, and have never applied***, to parallel ITC cases.

The adverse ramifications of the Board panel's abuse of discretion have been severe. Not only did the Board's misapprehension of *Fintiv* deprive PMP of proper administrative process, it adversely affected important public health initiatives to reduce smoking rates. The '123 patent is the ***only*** not-yet-invalidated patent preventing PMP from supplying over thirty million American smokers with IQOS, an alternative to combustible cigarettes the U.S. Food and Drug Administration has deemed beneficial to public health.

Granting PMP's rehearing request and instituting review will not "open the floodgates" and disturb all improper institution denials based on parallel ITC actions and *Fintiv* misinterpretation. Rather, the Board should reconsider denials only under limited circumstances where: (i) the petitioner dropped overlapping invalidity theories from a parallel ITC matter; (ii) the ITC found that the petitioner infringed the patent covered in the denied IPR; (iii) the petitioner is subject to ITC remedial orders based on that infringement; and (iv) those orders ban products beneficial to public health. To PMP's knowledge, its case is the only one that meets these criteria.

Thus, for the reasons fully set forth in the attached Request, Petitioner PMP respectfully requests POP review, vacatur of the decision denying institution, and consideration of its Petition on the merits.

Very Respectfully,

Jonathan Strang
Counsel for Petitioner

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