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Sent: Thursday, February 18, 2021 10:02 AM
To: Precedential_Opinion_Panel_Request@uspto.gov
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Subject: Precedential Opinion Panel Request: IPR2020-01097 (USP 9,839,238)
Attachments: 2021.02.18 [010] 238 Petitioner's Request for Rehearing (-01097).pdf

Dear Honorable Board,

I write on behalf of Petitioner Philip Morris Products, S.A., to request Precedential Opinion Panel (“POP”) Review of the Board’s decision in *Philip Morris Products v. RAI Strategic Holdings*, IPR2020-01097, Paper 9 (January 19, 2020) (“Panel Decision”). Petitioner’s Request for Rehearing (“RFR”) is attached.

Pursuant to PTAB Standard Operating Procedure 2 (Rev. 10), lead counsel for Petitioner provides 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 Board 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: *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 at 5 (Mar. 20, 2020) (precedential).
- Based on my professional judgment, I believe this case requires an answer to one or more precedent-setting questions of exceptional importance:
 - Whether *Apple v. Fintiv*, IPR2020-00019, Paper 11 (March 20, 2020) (precedential) should apply to IPR proceedings involving parallel ITC investigations.
 - Whether a parallel ITC case precludes institution of an IPR.
 - If a parallel ITC does not rule out institution, whether ITC respondents in the typical circumstances are required to drop all grounds that were raised, or reasonably could have been raised, in the IPR (“IPR-eligible defenses”) from the ITC proceeding as a necessary, but not sufficient, condition to obtain institution, and whether they are required to do so unconditionally or if a *Sotera*-style stipulation will suffice.

POP review is warranted in view of the Board’s record of 21 straight denials of institution under *Fintiv*. ITC respondents need to know exactly what is required beyond diligently filing a meritorious petition, as Petitioner did here. The Panel Decision impermissibly denied institution based solely on a pending ITC case, apparently applying a *de facto* rule that IPR is unavailable to ITC respondents absent drastic action to remove any possible overlap, such as a *Sotera*-style stipulation or unconditionally dropping all IPR-eligible defenses from the ITC case. RFR at 1-5. It is unclear, however, whether any future panel will apply the same *de facto* rule, as the Panel Decision here (and two others involving the same parties, namely IPR2020-00919 and -01094) are not

designated Precedential. Such uncertainty is intolerable, especially in the early stages of an ITC proceeding while facing the concomitant risk of an exclusion order.

To be clear, drastic action to eliminate any possible overlap is a *de facto* requirement under the Panel Decision for practically all ITC respondents because ITC cases are typically similar in the relevant respects. As the Board is well aware, the *Fintiv* factors under the Panel Decision's analysis will almost always be the same, or worse, for other ITC respondent/petitioners:

- **Factor 1, stay:** There will not be a stay of a parallel ITC proceeding because the ITC does not stay pending IPR. That was true in this case, and will be true in all foreseeable ITC cases.
- **Factor 2, proximity to trial:** Per the ITC's usual 16-month schedule, the evidentiary hearing is usually 9-10 months after the complaint is filed. Despite Petitioner's exceptional diligence in this case (filing multiple IPRs within two months after the complaint was filed), the ITC's hearing was about the same date as the institution decision. The Board cannot reasonably expect more from other petitioners.
- **Factor 3, investment at institution:** The investment here was "moderate" only because of Petitioner's exceptional diligence. The investment will be higher for petitioners that file in more reasonable time frames due to the ITC's fast-paced schedule.
- **Factor 5, same parties:** The parties are always the same when an ITC respondent is the petitioner.
- **Factor 6, other:** Here, the merits were strong, but that combined with Petitioner's diligence did not outweigh the other factors.

The only remaining factor is **Factor 4**, overlap, and the Board now apparently requires a *Sotera*-style stipulation or more, even if the petition is strong on the merits and filed with exceptional diligence. RFR at 2-5 (also noting that unconditionally dropping over two-thirds of the IPR grounds was not enough in the '919 Decision). This was not true before mid-October 2020, when the Board uniformly granted institution despite a co-pending ITC case. RFR at 10-12 (noting the Board granted institution over *NHK/Fintiv* despite a parallel ITC case in 35 of 36 cases before mid-October, and only once in 22 cases after then).

Prospective petitioners, as well as prospective plaintiff patent owners, are entitled to fair notice of how the Board will treat parallel ITC cases. If a *Sotera*-style stipulation (or more) is **not** truly a *de facto* requirement in the typical situation involving a parallel ITC case, the POP should state or re-iterate exactly how panels should treat parallel ITC cases. For example, if *Fintiv* correctly set forth the proper analysis, the POP should vacate the Panel Decision and re-iterate that *Fintiv* meant what it said: where *Fintiv* said "district court," it meant "district court," and where it said "ITC," it meant "ITC." And under a proper *Fintiv* analysis on these facts, the Board should have instituted review. RFR at 12-15.

But if it is indeed the Board's new *de facto* rule that ITC respondents that diligently file a meritorious IPR petition must give up all IPR-eligible grounds, the POP should say so in a Precedential decision and provide the reason(s) for its departure from the PTAB's well-established past practice.

Further, the POP should vacate the Panel Decision because it is contrary to law. As explained at length in the RFR, Congress did not grant the Director the authority to deny institution based solely on a parallel ITC proceeding, and certainly did not authorize the Director to treat the courts (which can invalidate claims) and the ITC (which cannot invalidate claims) in the same manner. RFR 5-10. Congress instead carefully balanced competing interests, requiring petitioners to file their IPRs within one year of being served with a district court complaint for infringement. 35 U.S.C. § 315(b). In contrast, Congress placed **no limit** on institution in view of concurrent ITC proceedings RFR 6-9; *see also Robert Bosch Tool Corp. v SD3, LLC*, IPR2016-01751, Paper 15 at 11-14 (March 22, 2017) (explaining that § 315(b) does not apply to ITC complaints).

The Board's unannounced and unexplained departure from its well-established practice could not have been any more abrupt and absolute. Up until mid-October of 2020, the Board granted institution despite *NHK/Fintiv* arguments in 35 of 36 cases involving a parallel ITC case. Since that time, the Board has granted institution only once in 21 such cases. RFR 1, 10-12. Even if the Director's "discretion [was] unfettered at the outset," the Board violated the Administrative Procedure Act by irrationally and without notice departing from its past practice. *McCarthy v. MSPB*, 809 F.3d 1365, 1372 (Fed. Cir. 2016); *Id.*

Fintiv does not justify this drastic change in the Board's record—from 35-1 to 1-21—in institution decisions applying *NHK/Fintiv* to parallel ITC cases. First, *Fintiv* did not purport to change the Board's practice, and certainly does not require petitioners to take such drastic action as unconditionally dropping all IPR-eligible defenses from the ITC case. Rather, *Fintiv* purports to catalog the Board's current practices, and carefully circumscribes the Board's treatment of co-pending ITC cases. RFR 12-15. Yet the Board required such drastic action in its sole decision instituting review since October 2020. See IPR2020-01094, Paper 9 at 22 (Jan. 25, 2021) ("'1094 Decision").

Second, *Fintiv* was decided in March and made precedential on May 5, 2020, well before the Board's October 2020 departure from its well-established practice. Indeed, the first half-dozen institution decisions applying *Fintiv* to ITC proceedings granted institution without a *Sotera*-style stipulation. See *Samsung Elecs. Co. v. Dynamics*, IPR2020-00499, Paper 41 at 11-16 (Aug. 12, 2020) *reh'g denied* Paper 46 (October 5, 2020) ("Samsung"); see also IPR2020-00223, -00502, -00504, -00505.

In any event, the Panel Decision did not follow *Fintiv*, which as a precedential decision, should have bound the panel. Where *Fintiv* directs the Board to consider district court facts, such as "whether there is a parallel district court case that is ongoing or stayed" in Factor 1 (*Fintiv* 8-9), the Panel Decision instead considered ITC facts, such as whether the ITC proceeding is stayed. RFR 12-15. The Panel Decision did not recognize, much less justify, its departure from *Fintiv*. *Id.*

In addition to being contrary to *Fintiv*'s express guidance, the Panel Decision's methodology makes no sense. Continuing the Factor 1 analysis, for example, *Fintiv* does **not** direct the Board to evaluate whether the ITC has or is likely to stay the case because the ITC has not and will not stay pending IPR. RFR 13; Reply 2; *Certain Laser-driven Light Sources, Subsystems Containing Laser-driven Light Sources, and Products Containing Same*, Inv. No. 337-TA-983, Order No. 8 at 4, 8 (Mar. 3, 2016) ("The Commission has reversed a stay granted by an [ALJ] when there was no final judgment in the parallel proceeding.") (Ex. 1033). Rather, *Fintiv* directs the Board to analyze whether the district court has issued a stay. RFR 13; Reply 2.

Further, the Board now seems to require petitioners sued in the ITC to submit a *Sotera*-style stipulation to achieve institution. RFR 2-5 (discussing the '1094 Decision, the sole exception to the Board's new practice of denying institution of all IPRs with a co-pending ITC cases). Such a rule, however, would increase inefficiency and duplication of effort. Even if a petition is filed just two or three months after the ITC complaint, the Board's institution decision will almost always fall about the time of the hearing and while post-trial briefing is on-going or complete. *Id.* Despite the stipulation, whether the IPR is instituted or not, the parties would therefore fully brief and argue at the ITC the IPR grounds in addition to backup grounds. *Id.*

Taking such drastic action as dropping IPR-eligible art from the ITC action (via stipulation or unconditionally as in the '1094 Decision) is too much to ask ITC respondents in typical cases. RFR at 2-5. And without certainty as to whether even that is sufficient, many if not all ITC respondents will simply forgo IPR rather than drop their best art from the ITC case on the chance they will draw a sympathetic panel.

For all of the above reasons, the POP should address exactly how concurrent ITC proceedings are to be treated going forward. It is unfair to subject the public to such wide swings in Board policy and rules without warning

or justification. It is doubly unfair to impose unwritten *de facto* rules that require parties to guess what is required to obtain institution beyond diligently filing a meritorious petition.

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For the above reasons and in the RFR, Petitioner seeks POP review and requests the Board reconsider the Panel Decision and institute this IPR.

Respectfully submitted,

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