

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

PHILIP MORRIS PRODUCTS, S.A.,
Petitioner,

v.

RAI STRATEGIC HOLDINGS, INC.,
Patent Owner.

IPR2020-01602
Patent 9,901,123 B2

Before JO-ANNE M. KOKOSKI, ELIZABETH M. ROESEL,
MICHELLE N. ANKENBRAND, *Administrative Patent Judges*.

KOKOSKI, *Administrative Patent Judge*.

DECISION
Granting Institution of *Inter Partes* Review
35 U.S.C. § 314

I. INTRODUCTION

Philip Morris Products, S.A. (“Petitioner”) filed a Petition to institute an *inter partes* review of claims 1–7, 9, 11–19, 21, and 23–26 (the “challenged claims”) of U.S. Patent No. 9,901,123 B2 (“the ’123 patent,” Ex. 1001). Paper 2 (“Pet.”). RAI Strategic Holdings, Inc. (“Patent Owner”) filed a Preliminary Response. Paper 6 (“Prelim. Resp.”). With Board authorization, Petitioner filed a reply limited to the issue of discretion to deny institution pursuant to *Apple Inc. v. Fintiv, Inc.*¹ (“Reply,” Paper 7), and Patent Owner filed a Sur-reply (“Sur-Reply,” Paper 8).

Institution of an *inter partes* review is authorized by statute when “the information presented in the petition . . . and any response . . . shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” 35 U.S.C. § 314 (2018); *see* 37 C.F.R. § 42.4 (2020). Upon consideration of the Petition, the Preliminary Response, the Reply, the Sur-Reply, and the evidence of record, we determine that Petitioner has established a reasonable likelihood of prevailing with respect to the unpatentability of at least 1 claim of the ’123 patent, and we decline to exercise our discretion to deny institution. Accordingly, for the reasons that follow, we institute an *inter partes* review of claims 1–7, 9, 11–19, 21, and 23–26 of the ’123 patent.

A. *Real Parties-in-Interest*

Petitioner identifies Philip Morris Products, S.A., Philip Morris International, Inc., Altria Client Services LLC, and Philip Morris USA as the real parties-in-interest. Pet. 75. Patent Owner identifies RAI strategic

¹ *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) (precedential) (“Fintiv”).

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Holdings, Inc., R.J. Reynolds Vapor Company, RAI Innovations Company, and R.J. Reynolds Tobacco Company as the real parties-in-interest.

Paper 4, 1.

B. Related Proceedings

The parties indicate that the '123 patent is involved in the following proceedings: (1) *RAI Strategic Holdings, Inc. v. Altria Client Services LLC*, No. 1:20-cv-00393-LO-TCB (E.D. Va.), and (2) *Certain Tobacco Heating Articles and Components Thereof*, U.S. International Trade Commission, Investigation No. 337-TA-1199. Pet. 75–76; Paper 4, 2. The parties further indicate that the '123 patent is the subject of IPR2020-00919 (institution denied on November 16, 2020), also filed by Petitioner. Pet. 76; Paper 4, 1.

C. The '123 Patent

The '123 patent is titled “Tobacco-Containing Smoking Article,” and relates to smoking articles “that produce aerosols incorporating components derived from, or provided by, tobacco,” where the aerosols “are not necessarily produced as a result of burning of tobacco.” Ex. 1001, code (54), 4:45–49. Instead, the smoking articles produce such aerosols “as a result of the application of heat upon tobacco or materials that are in contact with tobacco.” *Id.* at 4:49–52. The '123 patent explains that the smoking articles “produce visible aerosols that are ‘smoke-like’ in nature, and exhibit many of the sensory characteristics associated with those types of smoking articles that burn tobacco.” *Id.* at 4:52–55.

Figure 1 of the '123 patent is reproduced below.

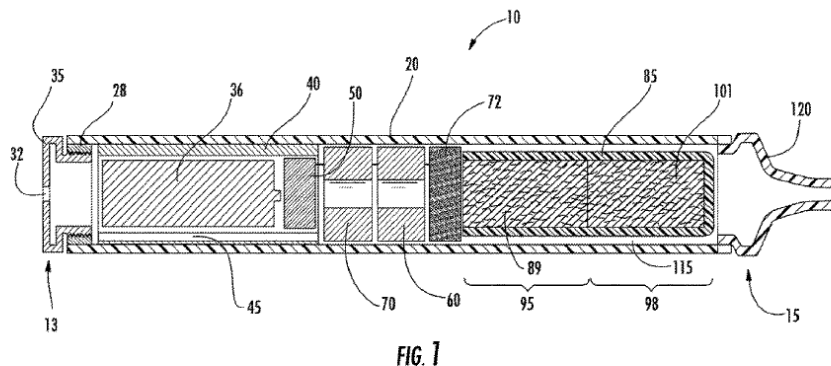


Figure 1 depicts a longitudinal cross-sectional view of one embodiment of an electrically powered, tobacco-containing smoking article. Ex. 1001, 8:31–32. Smoking article 10 includes outer housing 20 that is “generally tubular in shape,” and includes distal end 13 and mouth-end 15. *Id.* at 19:44–49. Control components 50 and sensor 60 are “preferably part of a puff-actuated controller adapted for regulating current flow through one or more of the” heating elements. *Id.* at 20:63–67. Resistance heating elements 70, 72 are powered by electric power source 36, controlled by electrically powered control components 50, and configured to allow airflow therethrough. *Id.* at 21:22–27. Second resistance heating unit 72 “can be formed from relatively high surface area absorbent or wicking-type materials,” or

can be employed in close proximity to an absorbent wicking material such that aerosol-forming material can be wicked or otherwise transferred so as to contact the second resistance element or contact an area in close proximity to the second resistance element (e.g., a region that is exposed to a the [sic] heat produced by the second resistance element).

Id. at 21:31–45. Smoking article 10 also includes cartridge 85 that contains tobacco 89 and an aerosol-forming material “in the form of an intimate mixture or provided in separate regions.” *Id.* at 22:2–6.

The ’123 patent explains that, during use, “[a]ir is drawn through the air passageways or openings 32 in the cap 35 located at the distal end 13 . . . and into the outer container 20.” *Id.* at 24:20–23. The “[d]rawn air passes through air passageway 45 that extends along the length of the power source 36 and the electronic controls components 50,” through an air passageway area within first heating element 70, through air flow sensing region 60, past or through second heating element 72, through an air passageway that extends along the length of cartridge 85, and into mouth-end piece 120. *Id.* at 24:23–30. The heating elements provide surface region temperatures, and have the ability to heat the tobacco and aerosol-forming materials “in surrounding regions in the vicinity of those heating elements.” *Id.* at 24:30–33. Aerosol is formed by the action of the drawn air passing the heated tobacco and aerosol-forming materials in the region of heating element 72. *Id.* at 24:39–41.

D. Illustrative Claim

Petitioner challenges claims 1–7, 9, 11–19, 21, and 23–26 of the ’123 patent. Pet. 1, 3. Claims 1 and 15 are the only independent challenged claims. Claim 1 is illustrative of the claimed subject matter, and is reproduced below.

1. An electrically-powered, aerosol-generating smoking article comprising:

[a] an electrical power source within a tubular outer housing having a mouth-end and an end distal to the mouth end;

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