

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SAMSUNG ELECTRONICS CO., LTD.,
Petitioner,

v.

CALIFORNIA INSTITUTE OF TECHNOLOGY,
Patent Owner.

IPR2023-00131
Patent 7,916,781 B2

Before KEN B. BARRETT, JOHN A. HUDALLA, and AMBER L. HAGY,
Administrative Patent Judges.

HUDALLA, *Administrative Patent Judge.*

DECISION

Denying Petitioner's Request on Rehearing of
Decision Denying Institution of *Inter Partes* Review
37 C.F.R. § 42.71(d)

Samsung Electronics Co., Ltd. ("Petitioner") filed a Petition (Paper 1, "Pet.") requesting an *inter partes* review (IPR) of claims 3–18 and 22 ("the challenged claims") of U.S. Patent No. 7,916,781 B2 (Ex. 1001, "the '781 patent"). California Institute of Technology ("Patent Owner") filed a Preliminary Response (Paper 7, "Prelim. Resp."). With our authorization, Petitioner also filed a Preliminary Reply (Paper 8, "Pet. Reply") and Patent

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Owner filed a Preliminary Sur-reply (Paper 9, “PO Sur-reply”) addressing whether we should exercise our discretion to deny institution under 35 U.S.C. § 314(a).

On May 4, 2023, we entered a Decision (Paper 10, “Dec.”) denying institution of *inter partes* review. As part of the Decision, we considered Patent Owner’s arguments (Prelim. Resp. 31–46; PO Sur-reply 1–3) that we should exercise our discretion to deny institution under 35 U.S.C. § 314(a) based on the advanced posture of the related case styled *California Institute of Technology v. Samsung Electronics Co.*, No. 2-21-cv-00446 (E.D. Tex. filed Dec. 3, 2021) (“the underlying litigation”). Dec. 2, 12–24. We based our discretionary denial analysis on the Board’s precedential decision in *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) (precedential) (“*Fintiv*”) and the USPTO Director’s Memorandum issued on June 21, 2022, titled “Interim Procedure for Discretionary Denials in AIA Post Grant Proceedings with Parallel District Court Litigation” (“Interim Procedure”).¹ After weighing the factors identified in *Fintiv*, we exercised our discretion under 35 U.S.C. § 314(a) to deny institution of *inter partes* review. Dec. 24.

Petitioner filed a Request for Rehearing (Paper 11, “Req. Reh’g”) asking us to reconsider our analysis of the sixth *Fintiv* factor and our decision to exercise discretion to deny institution.² For the reasons stated below, we *deny* the Request for Rehearing.

¹ Available at https://www.uspto.gov/sites/default/files/documents/interim_proc_discretionary_denials_aia_parallel_district_court_litigation_memo_20220621.pdf

² Petitioner also requested rehearing by the Precedential Opinion Panel (“POP”) to clarify “[w]hether *Fintiv*’s multi-factor balancing analysis and

I. ANALYSIS

When reconsidering a decision on institution, we review the decision for an abuse of discretion. *See* 37 C.F.R. § 42.71(c) (2022). An abuse of discretion may be determined if a decision is based on an erroneous interpretation of law, if a factual finding is not supported by substantial evidence, or if the decision represents an unreasonable judgment in weighing relevant factors. *See Star Fruits S.N.C. v. United States*, 393 F.3d 1277, 1281 (Fed. Cir. 2005); *Arnold P’ship v. Dudas*, 362 F.3d 1338, 1340 (Fed. Cir. 2004); *In re Gartside*, 203 F.3d 1305, 1315–16 (Fed. Cir. 2000). The party requesting rehearing has the burden of showing the decision should be modified, which includes specifically identifying all matters the party believes we misapprehended or overlooked. *See* 37 C.F.R. § 42.71(d) (2022).

Petitioner contends that we “erred in [our] overall balancing of the *Fintiv* factors” insofar as we interpreted the Interim Procedure for the sixth *Fintiv* factor “to mean that if a finding of compelling merits is not reached, then factor six cannot weigh against discretionary denial.” Req. Reh’g 1–2. According to Petitioner, our “erroneous analysis under *Fintiv*’s sixth factor . . . infected the overall multi-factor balancing assessment.” *Id.* at 2. Petitioner also asks us to hold its Request for Rehearing in abeyance “until the resolution of a pending Administrative Procedure Act (‘APA’) challenge

Director Vidal’s Interim Procedure . . . require a compelling merits showing under *Fintiv*’s sixth factor where an unpatentability challenge may be strong even if found not to reach the compelling standard.” Ex. 3001. POP denied Petitioner’s request for review. Paper 13. Notwithstanding, we consider Petitioner’s arguments regarding *Fintiv* Factor 6 below.

to the validity of the *Fintiv* rule.” *Id.* We now consider Petitioner’s arguments about these two issues.

A. Petitioner’s Arguments Regarding the Sixth Fintiv Factor

Petitioner contests the manner in which we evaluated the merits of its unpatentability challenges as part of our consideration of the sixth *Fintiv* factor. Dec. 3–11. Petitioner contends that we wrongly considered only whether the merits were “compelling” as prescribed by certain guidance in the Interim Procedure. Req. Reh’g 4 (citing Interim Procedure 4–5). Petitioner further contends that we did not properly consider whether the merits “seem[ed] particularly strong” in accordance with *Fintiv* factor 6. *Id.* at 5 (quoting *Fintiv*, Paper 11 at 14–15). Petitioner also argues that we did not properly consider the testimony of its declarant, Dr. Valenti, which Petitioner notes is unrebutted in the preliminary record. *Id.* at 9–10.

We do not agree with Petitioner’s arguments. As recognized by Petitioner (Req. Reh’g 5–6), our analysis of the merits for *Fintiv* factor 6 may consider “strengths or weaknesses regarding the merits . . . as part of [our] balanced assessment.” *Fintiv*, Paper 11 at 15–16. For example, *Fintiv* discusses merits that “seem particularly strong” and merits that might be “a closer call.” *Id.* at 14–15. Further, we do not understand the Interim Procedure to have changed this calculus. The Director herself noted that the Interim Procedure “affirms the PTAB’s current approach of declining to deny institution under *Fintiv* where the evidence of record so far in the case would plainly lead to a conclusion that one or more claims are unpatentable.” Interim Procedure 5 n.6. The Director also acknowledged a potential range of merits, from those that are “merely sufficient to meet the

statutory institution threshold” to merits that “present a compelling unpatentability challenge.” *Id.* at 4–5. Thus, regardless of the descriptors employed to characterize the relative merits, the *Fintiv* factor 6 analysis ultimately involves an assessment of the merits along a spectrum of outcomes.

Accordingly, our Decision addressed certain weaknesses in Petitioner’s unpatentability challenges. We focused on Petitioner’s analysis of Kobayashi’s teachings relative to the recited “second encoding operation producing at least a portion of a codeword” in claim 1. Dec. 20–23. We noted that “Petitioner’s contentions hinge on its assertion that an ordinarily skilled artisan ‘would have understood that this encoded sequence I_4 is a codeword because the output of an encoder such as Kobayashi’s precoder is a codeword.’” *Id.* at 22 (quoting Pet. 15). Having considered the preliminary record, we agreed with Patent Owner’s arguments that “Petitioner’s analysis appears to (1) rely on circular reasoning; and (2) run counter to Kobayashi’s disclosure of the inner encoder in Figure 8 [of Kobayashi] as comprising both the precoder and duobinary signaling blocks.” *Id.* (citing Ex. 1005, 7:9–11, Fig. 8). We found that Patent Owner’s arguments “call[ed] into question whether Petitioner would ultimately succeed with its unpatentability challenges relative to its analysis for the recited ‘codeword.’” *Id.* We also stated that Petitioner’s case would have left “significant open questions for resolution at trial.” *Id.* at 23.

Petitioner now suggests that we only considered whether the merits were “compelling” and did not consider whether they were “strong.” Req. Reh’g 9 (“[E]ven though the Board did not find the merits to be compelling, they are nevertheless strong.”). We disagree. Although we did consider the

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