EXHIBIT 1

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Paper 13
Date: August 5, 2021

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.

IPR2020-00921
Patent 9,814,268 B2

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

ROESEL, *Administrative Patent Judge*.

DECISION
Granting Request For Rehearing and
Granting Institution of *Inter Partes* Review
35 U.S.C. § 314; 37 C.F.R. § 42.71(d)

I. INTRODUCTION

A. Status of the Proceeding

Philip Morris Products, S.A. ("Petitioner") filed a Petition seeking *inter partes* review of claims 16 and 17 of U.S. Patent No. 9,814,268 B2 (Ex. 1001, "the '268 Patent"). Paper 2 ("Pet."). RAI Strategic Holdings, Inc. ("Patent Owner") filed a Preliminary Response. Paper 6 ("Prelim. Resp."). With the Board's prior authorization, the parties filed additional briefs limited to the issue of discretion to institute pursuant to *NHK*[1]/*Fintiv*[2] and 35 U.S.C. § 325(d). Paper 7 ("Pet. Reply"); Paper 8 ("PO Sur-reply").

We denied institution under § 314(a) in view of the district court's anticipated trial date eight to nine months before the projected statutory deadline for issuing a final decision and the other *Fintiv* factors. Paper 9 ("Denial Decision" or "Denial Dec."). Petitioner timely filed a request for rehearing, along with copies of the district court's stay orders. Paper 10 ("Reh'g Req." or "Request"); Exs. 1041, 1043. Concurrently therewith, Petitioner requested that the Board's Precedential Opinion Panel ("POP") reconsider the Denial Decision. Paper 11; Ex. 3002 ("POP Request"). The POP declined to review the issue raised in Petitioner's POP Request. Paper 12. Thus, we proceed to the rehearing.

Shortly after the Denial Decision, the district court stayed the parallel action. As discussed further below, we conclude that, in light of the district court's stay order, a weighing of the *Fintiv* factors does not warrant exercise of our discretion to deny institution under 35 U.S.C. § 314(a).

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[1] *NHK Spring Co. v. Intri-Plex Technologies, Inc.*, IPR2018-00752, Paper 8 (PTAB Sept. 12, 2018) (precedential).

[2] *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) (precedential).

Under 37 C.F.R. § 42.4(a), we have authority to determine whether to institute an *inter partes* review. The standard is set forth in 35 U.S.C. § 314(a), which provides that an *inter partes* review may not be instituted "unless . . . there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." After considering the information presented in the Petition and the Preliminary Response, we determine that Petitioner has shown a reasonable likelihood that it will prevail with respect to at least one claim challenged in the Petition. After considering Patent Owner's arguments, we do not deny the Petition under 35 U.S.C. § 312(a)(3) for lack of particularity or under 35 U.S.C. § 325(d) due to the same or substantially the same art or arguments having previously been considered by the Office. Therefore, we grant institution of an *inter partes* review.

B. Real Parties in Interest

Petitioner identifies Philip Morris Products, S.A.; Philip Morris International, Inc.; Altria Client Services LLC; and Philip Morris USA as real parties in interest. Pet. 5. Petitioner additionally states that Altria Group, Inc. is not a real party in interest but nevertheless agrees to be bound by any final written decision in this proceeding. *Id.* (citing 35 U.S.C. § 315(e)).

Patent Owner identifies RAI Strategic Holdings, Inc.; R.J. Reynolds Vapor Company; RAI Innovations Company; and R.J. Reynolds Tobacco Company as real parties in interest. Paper 5, 1 (Mandatory Notice).

C. Related Matters

The parties identify the following district court action in which Patent Owner is asserting the '268 Patent against Petitioner: *RAI Strategic*

Holdings, Inc. v. Altria Client Services LLC, No. 1:20-cv-393 (E.D. Va. filed Apr. 9, 2020). Pet. 5; Paper 5, 2.

The parties also identify IPR2020-00919 involving U.S. Patent No. 9,901,123 ("the '123 Patent"), which is related to the '268 Patent.[3] Pet. 5–6; Paper 5, 2.

II. REQUEST FOR REHEARING AND BOARD'S DISCRETION TO DENY INSTITUTION UNDER 35 U.S.C. § 314(a)

A. Standard of Review and Fintiv Factors

A party requesting rehearing of a Board decision has the burden to show that the decision should be modified. Pursuant to 37 C.F.R. § 42.71(d), the rehearing request must identify, specifically, all matters the party believes the Board misapprehended or overlooked and the place where each matter was previously addressed in a motion, an opposition, or a reply. When rehearing a decision on a petition, we review the decision for an abuse of discretion. 37 C.F.R. § 42.71(c) (2019). An abuse of discretion may arise if a decision is based on an erroneous interpretation of law, if a factual finding is not supported by substantial evidence, or if an unreasonable judgment is made in weighing relevant factors. *In re Gartside*, 203 F.3d 1305, 1315–16 (Fed. Cir. 2000)

The Board's precedential *Fintiv* order identifies the following factors that should be considered and balanced when the patent owner raises an argument for discretionary denial under *NHK*:

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[3] The '268 Patent and the '123 Patent both claim the benefit of Application No. 11/550,634, filed October 18, 2006, through a series of continuation and/or division applications. The Board denied institution of an *inter partes* review in IPR2020-00919.

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