

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

R.J. REYNOLDS VAPOR COMPANY,
Petitioner,

v.

FONTEM HOLDINGS 1 B.V.,
Patent Owner.

Case IPR2017-01319
Patent 9,326,549 B2

Before JO-ANNE M. KOKOSKI, KRISTINA M. KALAN, and
KIMBERLY McGRAW, *Administrative Patent Judges*.

KALAN, *Administrative Patent Judge*.

DECISION
Denying *Inter Partes* Review
37 C.F.R. § 42.108

I. INTRODUCTION

R.J. Reynolds Vapor Company (“Petitioner”) filed a Petition requesting *inter partes* review of claims 12, 13, 17–19, and 21 of U.S. Patent No. 9,326,549 B2 (Ex. 1001, “the ’549 patent”). Paper 2 (“Pet.”). Fontem Holdings 1 B.V. (“Patent Owner”) filed a Preliminary Response. Paper 6 (“Prelim. Resp.”).

We have jurisdiction under 35 U.S.C. § 314, 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.” Upon considering the Petition, the Patent Owner Preliminary Response, and the evidence of record, we determine that Petitioner has not shown a reasonable likelihood that it would prevail in showing the unpatentability of at least one of the claims challenged in the Petition. Accordingly, we deny the Petition and do not institute *inter partes* review.

A. *Related Proceedings*

The parties indicate that the ’549 patent is asserted in a number of cases captioned *Fontem Ventures B.V. v. R.J. Reynolds Vapor Co.*, Case Nos. 1:16-cv-01255, 1:16-cv-01257, 1:16-cv-01258, and 1:17-cv-00175 (M.D.N.C.). Pet. 2–3; Paper 4, 2–3.

Petitioner previously challenged the ’549 patent in IPR2016-01859 (“the 1859 IPR”) in which institution was denied, and also is challenging the ’549 patent in concurrently-filed IPR2017-01318 (“the 1318 IPR”). Pet. 6, 11; Paper 4, 10–11. The parties identify an additional *inter partes* review proceeding concerning the ’549 patent, IPR2016-01664 (“the 1664 IPR”), filed by a different petitioner, which settled prior to a determination by the

Board whether to institute *inter partes* review. Pet. 6; Paper 4, 9; Prelim. Resp. 18.

B. The '549 Patent

The '549 patent, titled "Electronic Cigarette," is directed to an electronic atomization cigarette that functions as a cigarette substitute. Ex. 1001, 1:63–64. Figures 1 and 11 of the '549 patent are reproduced below.

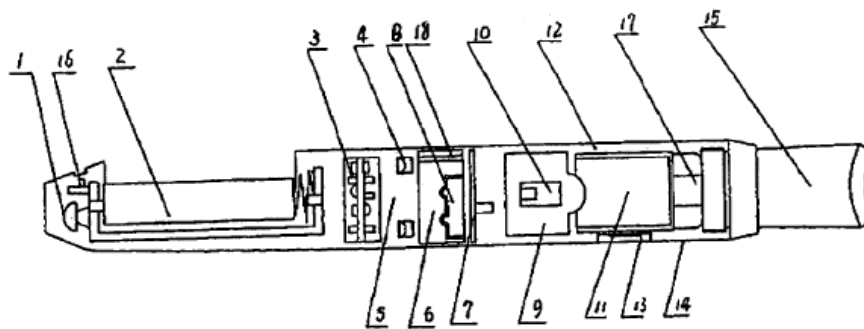


Fig. 1

Figure 1, shown above, depicts a schematic diagram of an embodiment of the electronic cigarette. *Id.* at 2:7. The electronic cigarette includes shell 14, as well as air inlet 4, LED 1, cell (battery) 2, electronic circuit board 3, normal pressure cavity 5, sensor 6, vapor-liquid separator 7, atomizer 9, liquid-supplying bottle 11, and mouthpiece 15, sequentially provided within shell 14. *Id.* at 2:29–35, 3:11–13.

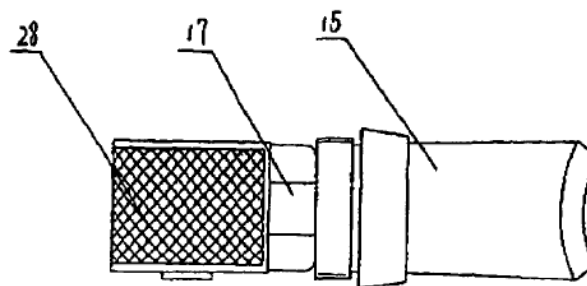


Fig. 11

Figure 11, shown above, depicts a structural diagram of the connection of a liquid-supplying bottle and a mouthpiece. *Id.* at 2:21–22. In Figure 11, “the solution storage porous body 28 is provided in the liquid-supplying bottle, and can be filled with polypropylene fiber, terylene fiber or nylon fiber.” *Id.* at 3:4–6. As described in the ’549 patent, “[t]he solution storage porous body 28 in the liquid-supplying bottle 11 is in contact with the bulge 36 on the atomizer 9, thereby achieving the capillary infiltration liquid-supplying.” *Id.* at 3:58–61.

C. Challenged Claims

Petitioner challenges claims 12, 13, 17–19, and 21 of the ’549 patent. Of challenged claims 12, 13, 17–19, and 21, claims 12 and 17 are independent. Claims 13 depends from claim 12. Claims 18, 19, and 21 depend, directly or indirectly, from claim 17.

Claim 12 is representative, and is reproduced below:

12. An electronic vaporizing device comprising:
a cylindrical housing having a longitudinal axis, a first end and a second end;
an LED at a first end of the cylindrical housing;
an outlet at the second end of the cylindrical housing;
an air inlet for allowing air to flow into the cylindrical housing;
a battery, an electronic circuit board, a sensor, an atomizer, and a liquid-supply within the cylindrical housing, wherein the liquid-supply includes a liquid and a fiber material, with the liquid containing propylene glycol, and wherein the liquid supply is cylindrical and parallel to the longitudinal axis of the cylindrical housing;
the atomizer comprises a porous component, a hollow cylindrical chamber and a heating wire;
the porous component is in physical contact with the liquid in the liquid supply;
the hollow cylindrical chamber is co-axial with the cylindrical housing;

the heating wire extending across the cylindrical chamber of the atomizer perpendicular to the longitudinal axis of the cylindrical housing; and
an air stream passage from the inlet through the cylindrical chamber of the atomizer to the outlet, and the heating wire positioned in the air stream passage.

Ex. 1001, 5:51–6:8.

D. The Asserted Ground of Unpatentability

Petitioner challenges the patentability of claims 12, 13, 17–19, and 21 of the '549 patent under 35 U.S.C. § 103 as being obvious over a combination of Hongbin,¹ Whittemore,² and Brooks.³ Pet. 21–78.

II. ANALYSIS

A. Discretionary Non-Institution

Patent Owner argues that the Petition prejudices Patent Owner and should be denied as an “attempted IPR do-over on the '549 patent that burdens Patent Owner, reflects gamesmanship by Petitioner, and encourages serial IPR petitions unnecessarily increasing the Board’s workload.” Prelim. Resp. 19; *see id.* at 18–26. As Patent Owner states, “[t]hree previous IPR petitions have already been filed relating to the '549 patent, including one prior petition filed by Petitioner in September 2016 and another filed by Petitioner at about the same time as this Petition.” *Id.* at 18. Patent Owner further points out that, “[d]espite those prior challenges, every claim of the '549 patent remains in force.” *Id.* Petitioner acknowledges that the '549 patent has been challenged three times, that it previously challenged claims

¹ Chinese Patent Application Publication CN 1233436A (Ex. 1003, 1004 (certified translation)).

² U.S. Pat. No. 2,057,353, issued Oct. 13, 1936 (Ex. 1005).

³ U.S. Pat. No. 4,947,874, issued Aug. 14, 1990 (Ex. 1006).

of the '549 patent in the 1859 IPR, and that it concurrently is challenging the claims of the '549 patent in the 1318 IPR. Pet. 5–6. Petitioner contends that “[t]his IPR petition is not redundant because it relies on a prior art combination which has not previously been considered or presented to the PTAB in an IPR petition or considered during prosecution.” *Id.* at 9.

Institution of *inter partes* review is discretionary. *See* 35 U.S.C. § 314(a) (authorizing institution of an *inter partes* review under particular circumstances, but not requiring institution under any circumstances); 37 C.F.R. § 42.108(a) (“the Board *may* authorize the review to proceed”) (emphasis added); *Harmonic Inc. v. Avid Tech., Inc.*, 815 F.3d 1356, 1367 (Fed. Cir. 2016) (explaining that under § 314(a), “the PTO is permitted, but never compelled, to institute an IPR proceeding”). Our concern here is the potential inequity imposed on Patent Owner by Petitioner filing multiple attacks and modifying its asserted art and argument based on Patent Owner’s contentions, the Board’s decision on institution in the 1859 IPR, and contentions in a petition challenging claims of the '549 patent filed by another petitioner.

In assessing the equities of allowing Petitioner’s multiple challenges to the claims of the '549 patent, multiple factors, as discussed below, weigh in favor of denying institution of the present Petition under § 314(a) in light of the specific facts of this case. *See Gen. Plastic Indus. Co. v. Canon Kabushiki Kaisha*, Case IPR2016-01357, slip op. at 15–16 (PTAB Sept. 6, 2017) (Paper 19) (precedential) (Decision Denying Petitioner’s Requests for Rehearing holding that applying factors to evaluate the equities of permitting a follow-on petition is a proper exercise of our discretion under 35 U.S.C. § 314(a)).

1. Petitioner Previously Filed a Petition Challenging All of the Claims Presently Challenged

Petitioner previously challenged claims 1–27 of the '549 patent in the 1859 IPR. Ex. 2010, 13 (1859 IPR Petition). Patent Owner filed a preliminary response in that case. Ex. 2011 (1859 IPR Patent Owner Preliminary Response). We denied institution of the 1859 IPR Petition, determining that Petitioner had not established a reasonable likelihood that it would prevail in showing that an asserted reference, the '031 publication, was prior art to the '549 patent. Ex. 2002, 17 (1859 IPR Decision on Institution). Petitioner also challenges claims 1–27 of the '549 patent in the 1318 IPR. IPR2017-01318, Paper 2. In a decision that is issued concurrently with this Decision, we also deny institution of *inter partes* review in that proceeding.

In the present Petition, Petitioner challenges claims 12, 13, 17–19, and 21, which are a subset of the claims challenged in the 1859 IPR and the 1318 IPR. Because Petitioner previously attempted to show that all claims of the '549 patent were unpatentable, but failed, that failure encompasses the claims challenged in the present Petition.

2. Petitioner Knew or Should Have Known of the Asserted Prior Art When Filing the Previous Petition

In determining whether to institute review based on subsequent petitions challenging the same claims of the same patent, we look to whether the petitioner knew, or should have known, of the prior art asserted in its later petition when it filed the earlier one. *See Conopco, Inc. v. Proctor & Gamble Co.*, Case IPR2014-00506, slip op. at 4–5 (PTAB Dec. 10, 2014) (Paper 25) (informative). The ground in the present Petition asserts three references—Hongbin, Whittemore, and Brooks. Petitioner knew, or should

have known, of each asserted reference when filing its petition in the 1859 IPR.

Petitioner knew, or should have known about Hongbin because the '549 patent lists Hongbin on the face of the patent. Ex. 1001, at [56]. Moreover, the 1859 IPR petition indicates that Petitioner was aware of other, related IPR proceedings that cited Hongbin as an exhibit. Ex. 2010, 20–21 (identifying IPR2016-01297, IPR2016-01285, IPR2016-01299, IPR2014-01289, and IPR2014-01300); *see also* Ex. 2021, 9 (IPR2016-01297 petition identifying Hongbin as Ex. 1030), Ex. 2022, 7 (IPR2016-01285 petition identifying Hongbin as Ex. 1030), Ex. 2023, 8 (IPR2016-01299 petition identifying Hongbin as Ex. 1030), Ex. 2024, 4 (IPR2014-01289 petition identifying Hongbin as Ex. 1022), Ex. 2025, 4 (IPR2014-01300 petition identifying Hongbin as Ex. 1022).⁴

Petitioner knew, or should have known, about Whittemore because the '549 patent lists Whittemore on the face of the patent. Ex. 1001, at [56]. Moreover, on August 3, 2016, Petitioner filed a petition relying on Whittemore in IPR2016-01527. Ex. 2003. Whittemore also has been the basis of numerous petitions for *inter partes* review in the family of cases involving patents owned by Patent Owner and related to the '549 patent or involving technology related to the subject matter of the '549 patent, for example: (1) IPR2016-01268 (concerning U.S. Patent No. 8,365,742 B2), filed by Petitioner; (2) IPR2016-01297 (concerning U.S. Patent No. 8,893,726 B2); (3) IPR2016-01303 (concerning U.S. Patent

⁴ When citing to Patent Owner's exhibits, we generally refer to the page numbers added by Patent Owner on the bottom right side of each page instead of the native numbering on the bottom center of each page. *See* 37 C.F.R. § 42.63(d)(2)(i).

No. 8,365,742 B2); (4) IPR2016-01307 (concerning U.S. Patent No. 8,375,957 B2); (5) IPR2016-01309 (concerning U.S. Patent No. 8,863,752 B2); (6) IPR2016-01527 (concerning U.S. Patent No. 8,490,628 B2), filed by Petitioner; and (7) IPR2016-01692 (concerning U.S. Patent No. 9,326,548 B2), filed by Petitioner.

Petitioner knew, or should have known, about Brooks because the '549 patent lists Brooks on the face of the patent. Ex. 1001, at [56]. Moreover, on July 2, 2016, Petitioner filed a petition relying on Brooks in IPR2016-01270. Ex. 2026. Additionally, Petitioner knew or should have known about Brooks when filing its 1859 IPR petition because Brooks is assigned to R.J. Reynolds Tobacco Company, Petitioner's sister company that manufactures its products. Ex. 1006 at [73]; Ex. 2041. Finally, Petitioner identified R.J. Reynolds Tobacco Company as a real party-in-interest in both the present proceeding and in the 1859 IPR. Pet. 2; Ex. 2010, 15. Through its ties to R.J. Reynolds Tobacco Company, and given the circumstances here, it is a reasonable inference that Petitioner either knew about patents assigned to R.J. Reynolds Tobacco Company, such as Brooks, or at least should have known about Brooks, when it filed its 1859 IPR petition.

That Petitioner knew, or should have known, of the three references asserted in the present Petition when it filed its 1859 IPR petition weighs against institution.

3. Petitioner Had the Benefit of Patent Owner's Preliminary Response and the Board's Decision on Institution in the 1859 IPR When Filing the Present Petition

Importantly, Petitioner had the benefit of knowing and learning from the arguments made by Patent Owner in the 1859 IPR when it filed the

present Petition. Patent Owner filed its preliminary response in the 1859 IPR on December 19, 2016. *See* Ex. 2011 (1859 IPR Patent Owner Preliminary Response). We issued our Decision Denying Institution of *Inter Partes* Review in the 1859 IPR on March 13, 2017. Ex. 2002, 1 (1859 IPR Decision on Institution); 1859 IPR, Paper 8. Thus, when Petitioner filed the present Petition on May 3, 2017, Petitioner had access to both Patent Owner's preliminary response in the 1859 IPR and the Board's decision denying institution of an *inter partes* review in the 1859 IPR.

The elapsed time between when Petitioner had Patent Owner's Preliminary Response and the Board's Decision on Institution addressing the 1859 IPR petition and when Petitioner filed the present Petition provided Petitioner sufficient time to take advantage of Patent Owner's and the Board's responses to the 1859 IPR petition. When Petitioner filed the present Petition on May 3, 2017, it had Patent Owner's preliminary response to the 1859 IPR petition for over four months, and our institution decision addressing the 1859 IPR petition for nearly two months. *See* Ex. 2011 (showing December 19, 2016 filing date for Patent Owner's preliminary response); Ex. 2002, 1 (showing March 13, 2017 mailing date for our Decision on Institution).

Furthermore, when it filed the instant Petition, Petitioner also had access to another analysis relating to the '549 patent, namely, Patent Owner's preliminary response in IPR2016-01664 (filed November 22, 2016). Ex. 2013, 1 (IPR2016-01664 Patent Owner Preliminary Response).

Thus, Petitioner not only had relevant information from Patent Owner and the Board when it filed the present Petition, but had ample time to take advantage of that information in drafting the present Petition.

4. Petitioner Has Not Provided an Adequate Reason Why We Should Permit Another Attack on the Claims of the '549 Patent

Weighed against the factors outlined above, which favor non-institution, we further consider any non-strategic reasons Petitioner may offer for the delay in filing the Petition, or any other justification for allowing the Petition to be considered on the merits. Here, Petitioner merely asserts that the Petition “is not redundant because it relies on a prior art combination which has not previously been considered or presented to the PTAB in an IPR petition or considered during prosecution,” but presents no other argument. Pet. 9.

The distinction identified by Petitioner, however, does not justify permitting Petitioner to gain an unfair advantage by waiting to file the present Petition so that it could learn and benefit from our Decision on Institution in the 1859 IPR, even though it knew, or should have known, about the asserted references when filing the 1859 IPR. Petitioner’s strategy of seemingly withholding additional challenges until receiving and reviewing the Board’s feedback in order to modify those challenges prejudices Patent Owner. As Patent Owner aptly asserts, “[i]t forces the Board and Patent Owner to address yet another challenge to the ’549 patent while allowing Petitioner to game the IPR process by waiting for and responding to Patent Owner’s and the Board’s positions in the initial IPR petition.” Prelim. Resp. 25. Having Patent Owner’s preliminary response and the Board’s Decision on Institution in the 1859 IPR, and ample time to take advantage of those materials, Petitioner substantively modified its position in the present Petition. In particular, in the 1859 IPR, we were not sufficiently persuaded by Petitioner’s argument that the ’031 publication was prior art that would anticipate claims 1–27 of the ’549 patent. In the present

Petition, Petitioner does not assert the '031 publication, but rather modifies its position to omit the '031 publication as a reference and instead rely on a combination of previously-known references that allegedly render obvious claims 12, 13, 17–19, and 21. Pet. 8, 21–78. Petitioner's strategy of modifying its challenges over multiple petitions based on the Board's feedback imposes inequities on Patent Owner.

B. Summary

In sum, the factors discussed above support denying institution of the Petition, and we determine that none of the other factors discussed in *General Plastics* favor institution. Given the circumstances present in this case, we determine that Petitioner's strategy of using Patent Owner's preliminary response and our previous decision denying institution in the 1859 IPR as a "roadmap" to modify the grounds asserted, and the arguments made, in the Petition is unfair to Patent Owner, and is an inefficient use of the Board's and the parties' time and resources. We, thus, exercise our discretion to deny institution of the Petition.

III. CONCLUSION

For all of the reasons discussed above, we exercise our discretion under 35 U.S.C. § 314(a) and 37 C.F.R. § 42.108(a) not to institute review of claims 12, 13, 17–19, and 21 of the '549 patent.

IV. ORDER

In consideration of the foregoing, it is hereby:

ORDERED that the Petition is *denied*.

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