

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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PHILIP MORRIS PRODUCTS, S.A.,  
Petitioner,

v.

RAI STRATEGIC HOLDINGS, INC.,  
Patent Owner.

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IPR2020-00919  
Patent 9,901,123 B2

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

PER CURIAM

DECISION  
Denying 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 27–30 (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 addressing certain issues raised in the Preliminary Response (“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 exercise our discretion under 35 U.S.C. §314(a) and deny institution of an *inter partes* review.

### A. 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. 5–6; Paper 5, 2.

### 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 the real parties-in-interest. Pet. 5. Patent Owner identifies RAI strategic

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

Paper 5, 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 3 of the '123 patent is reproduced below.

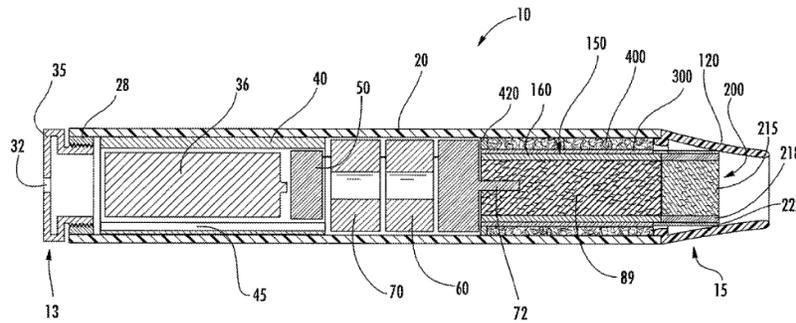


FIG. 3

Figure 3 depicts a longitudinal cross-sectional view of one embodiment of an electrically powered, tobacco-containing smoking article described in the '123 patent. Ex. 1001, 8:31–32. Smoking article 10 includes outer housing 20 that is “generally tubular in shape.” *Id.* at 19:46–49. Outer housing 20 “possesses a distal end 13 and a mouth-end 15,” and “is adapted

to incorporate a type of cigarette 150” that includes tobacco segment 89 and wrapping material 160. *Id.* at 27:36–44. Heating elements 70, 72, and 300 are powered by power source 36 and controlled by electrically powered control components 50. *Id.* at 27:57–66. A portion of heating element 72 is elongated and extends into tobacco segment 89 to “be in close contact with a significant amount of substrate and aerosol-forming material within the tobacco.” *Id.* at 28:36–43. “[S]ensor 60, in concert with certain control circuitry within the controller 50, is preferably part of a puff-actuated controller adapted for regulating current flow through one or more of the resistance heating elements.” *Id.* at 20:63–67.

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 29:2–5. The drawn 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, air flow sensing region 60, second heating element 72, and cigarette 150, and into mouth-end piece 120. *Id.* at 29:5–11. Heat generated by heating elements 70, 72, and 300 acts on the tobacco to volatilize components thereof and cause the components to be entrained in the drawn air. *Id.* at 29:11–14. The ’123 patent teaches that “[t]ypically, during relevant periods of use, those heating elements can provide surface region temperatures of at least about 200° C., and often at least about 300° C. Those temperatures typically do not exceed 600° C., often do not exceed about 500° C., and frequently do not exceed about 400° C.” *Id.* at 29:18–23.

*D. Illustrative Claim*

Petitioner challenges claims 27–30 of the '123 patent. Pet. 1, 7–8. Claim 27 is the only independent claim challenged, is illustrative of the claimed subject matter, and is reproduced below.

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

- an electrical power source in the form of a battery within a tubular outer housing having a mount-end and an end distal to the mouth-end;
- at least one electrical resistance heater powered by said electrical power source, wherein at least a portion of the resistance heating element is elongated and extending downstream toward the mouth-end of the outer housing, the elongated portion of the resistance heating element positioned proximal to the center of the outer housing;
- a controller within the tubular outer housing and adapted for regulating current flow through the electrical resistance heater; and
- a cigarette-type device removably engaged with the mouth-end of the tubular outer housing and comprising a tobacco segment circumscribed by a wrapping material and comprising a tobacco material and an aerosol-forming material, wherein the elongated portion of the resistance heating element extends into the tobacco segment when the cigarette-type device is engaged with the mouth-end of the outer housing, such that during draw, aerosol-forming material can be volatilized to produce a visible mainstream aerosol incorporating tobacco components or tobacco-derived components that can be drawn into the mouth of the user of the smoking article.

Ex. 1001, 34:31–58.

*E. The Asserted Grounds of Unpatentability*

Petitioner asserts that the challenged claims are unpatentable on the following grounds:

Claims Challenged	Statutory Basis	References
27–30	35 U.S.C. § 103	Morgan, <sup>1</sup> Adams, <sup>2</sup> Brooks <sup>3</sup>
27–30	35 U.S.C. § 103	Adams, Morgan, Brooks
27–30	35 U.S.C. § 103	Counts-962, <sup>4</sup> Brooks

Pet. 7–8. Petitioner relies on the Declaration of Dr. Seetharama C. Deevi (“the Deevi Declaration,” Ex. 1003) in support of its contentions.

II. ANALYSIS

*A. Patent Owner’s Request for Discretionary Denial*

Institution of an *inter partes* review under 35 U.S.C. § 314(a) is discretionary. *See* 35 U.S.C. § 314(a) (stating “[t]he Director *may not* authorize an *inter partes* review to be instituted unless the Director determines that the information presented in the petition . . . 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” (emphasis added)); *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016) (“[T]he agency’s decision to deny a petition is a matter committed to the Patent Office’s discretion.”); *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1356 (2018) (“[Section] 314(a) invests the Director with discretion on the question whether to institute review . . . .” (emphasis omitted)); *Harmonic Inc. v. Avid*

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<sup>1</sup> U.S. Patent No. 5,249,586, issued Oct. 5, 1993 (Ex. 1005).

<sup>2</sup> U.S. Patent App. Pub. No. US 2007/0102013 A1, published May 10, 2007 (Ex. 1007).

<sup>3</sup> U.S. Patent No. 4,947,874, issued Aug. 14, 1990 (Ex. 1006).

<sup>4</sup> U.S. Patent No. 5,144,962, issued Sept. 8, 1992 (Ex. 1008).

*Tech., Inc.*, 815 F.3d 1356, 1367 (Fed. Cir. 2016) (“[T]he PTO is permitted, but never compelled, to institute an IPR proceeding.”).

Patent Owner argues that we should exercise our discretion to deny institution in this case under 35 U.S.C. § 314(a) because a pending investigation at the International Trade Commission (“the ITC proceeding”) will address the ’123 patent before a final written decision will issue, and a district court case also is pending. Prelim. Resp. 60–65 (citing *Apple, Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) (precedential))). Patent Owner argues that the ITC proceeding “will address the ’123 patent—and specifically *all* the same grounds Petitioner asserts here” before the deadline for issuing a final written decision in this proceeding, and “a district court case is also pending, and waiting for the ITC’s determination.” *Id.* at 60. According to Patent Owner, “evaluation of each *Fintiv* factor . . . further confirms that denial of institution is warranted.” *Id.* at 62. Petitioner argues that “[a] ‘holistic’ evaluation [of the *Fintiv* factors] reveals that institution furthers the Board’s considerations of ‘efficiency, fairness, and the merits.’” Reply 2 (citing *Fintiv*, Paper 11 at 6).

*Fintiv* identifies the following factors that should be considered and balanced when the patent owner raises an argument for discretionary denial due to an earlier trial date:

1. whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted;
2. proximity of the court’s trial date to the Board’s projected statutory deadline for a final written decision;
3. investment in the parallel proceeding by the court and the parties;

4. overlap between issues raised in the petition and in the parallel proceeding;
5. whether the petitioner and the defendant in the parallel proceeding are the same party; and
6. other circumstances that impact the Board's exercise of discretion, including the merits.

*Fintiv*, Paper 11 at 5–6. According to *Fintiv*, these factors relate to “efficiency, fairness, and the merits” and require the Board to take “a holistic view of whether efficiency and integrity of the system are best served by denying or instituting review.” *Id.* at 6. Our analysis of the *Fintiv* factors is set forth below.

*1. Factor 1: Likelihood of a Stay*

The ITC proceeding is not stayed, and neither party indicates that a stay is likely. The district court, however, has stayed its proceedings as to the '123 patent until the determination in the ITC “becomes final.” Ex. 2030. Although the stay of the proceeding in the district court allays concerns about inefficiency and duplication of efforts as it relates to this proceeding, the possibility exists for duplicative efforts with the ITC proceeding. The record does not reflect that Petitioner requested a stay of the ITC proceeding pending a decision on institution in this proceeding. Thus, this factor neither weighs in favor of or against discretionary denial. We continue our analysis and consider whether the ITC would render a Final Determination before our final written decision in this proceeding (*Fintiv* factor 2), and the degree of overlap of the proceedings (*Fintiv* factor 4). *See Fintiv*, Paper 11 at 6 (explaining there is some overlap among the factors), 8–9 (counseling that “an earlier ITC trial date may favor exercising authority to deny under *NHK* if the ITC is going to decide the same or substantially

similar issues to those presented in the petition,” and to consider “whether the patentability disputes before the ITC will resolve all or substantially all of the patentability disputes between the parties”).

*2. Factor 2: Proximity of Trial Date to the Board’s Projected Statutory Deadline*

In the ITC proceeding, an evidentiary hearing is scheduled to begin on January 25, 2021, with a May 14, 2021 deadline for the Initial Determination and a September 15, 2021 due date for the Final Determination. Prelim. Resp. 63 (citing Ex. 2029, 3–4). If we were to institute an *inter partes* review, then the statutory deadline for our final written decision would be in November, 2021. Patent Owner argues that this timing “strongly favors denial of institution.” *Id.* at 62–63. Petitioner counters that, even though the “final written decision is due after the ITC’s target date,” the final written decision will issue “long before the district court will lift the stay and decide validity.” Reply 7. We agree with Patent Owner that the ITC is likely to reach a final determination ahead of the date of our final written decision. Thus, this factor weighs in favor of exercising discretion to deny institution.

*3. Factor 3: Investment in Proceedings*

Patent Owner argues that “[t]he vast majority of all key ITC pre-hearing events will occur even before the November 18, 2020 institution decision deadline, including completion of: fact discovery, claim construction and the *Markman* hearing, exchange of expert reports, and expert discovery.” Prelim. Resp. 64. Petitioner contends that “summary determination motions are not due until [after the Board’s institution decision], and any investment in claim construction is irrelevant because no

claim terms from the '123 patent are at issue in the ITC.” Reply 6 (citing Ex. 2029, 1–2; Ex. 1038).

*Fintiv* provides the following guidance with respect to factor 3:

[I]f, at the time of the institution decision, the district court has issued substantive orders related to the patent at issue in the petition, this fact favors denial. Likewise, district court claim construction orders may indicate that the court and parties have invested sufficient time in the parallel proceeding to favor denial. If, at the time of the institution decision, the district court has not issued orders related to the patent at issue in the petition, this fact weighs against exercising discretion to deny institution under *NHK*.

*Fintiv*, Paper 11 at 9–10. *Fintiv* explains that “[t]his investment factor is related to the trial date factor, in that more work completed by the parties and the court in the parallel proceeding tends to support the arguments that the parallel proceeding is more advanced, a stay may be less likely, and instituting would lead to duplicative costs.” *Id.* at 10. In this case, although there is no evidence that the ITC has issued any substantive orders related to the '123 patent, the evidence shows that a claim construction hearing will be held in mid-November, and the parties have invested some effort leading up to that hearing. Still, significant effort remains at this stage of the ITC proceeding.

We also find that Petitioner’s diligence in filing the Petition less than one month after Patent Owner filed its complaints in the ITC proceeding and the related district court action weighs against exercising discretion to deny institution. *Fintiv*, Paper 11 at 11 (“If the evidence shows that the petitioner filed the petition expeditiously, such as promptly after becoming aware of the claims being asserted, this fact has weighed against exercising the authority to deny institution under *NHK*.”). Accordingly, *Fintiv* factor 3

weighs against exercising our discretion to deny institution. *Fintiv*, Paper 11 at 10.

4. *Factor 4: Overlap of Issues*

Patent Owner asserts that “Petitioner relies on the *exact same* invalidity grounds in both forums,” and that Patent Owner “has asserted infringement of every claim challenged here.” Prelim. Resp. 64 (citing Ex. 1032, 17–18). Petitioner responds that Patent Owner’s arguments regarding overlap are premised on Petitioner’s preliminary contentions at the ITC, and its final contentions “do not raise the same grounds as the IPR.” Reply 4 (citing Ex. 1036; Ex. 1037). For example, Petitioner states that Counts-962 is not asserted as prior art in the ITC, and Adams “appears in the ITC as a secondary reference, but only with different primary references.” *Id.* Petitioner also argues that “the ITC proceeding will involve different expert testimony and supporting evidence,” and “Petitioner’s diligence makes it difficult, if not impossible, to fairly evaluate the amount of overlap at this early date.” *Id.* at 5. Patent Owner counters that “there is still significant overlap, which would cause duplication of effort.” Sur-Reply 7.

*Fintiv* factor 4 evaluates “concerns of inefficiency and the possibility of conflicting decisions” when substantially identical prior art is submitted in both proceedings. *Fintiv*, Paper 11 at 12. As Petitioner notes, it does not assert Adams as a primary reference, and does not assert Counts-962 at all, in the ITC proceeding. Reply 4; *see also* Sur-Reply 7 (chart comparing the grounds at issue here and in the ITC). This lessens the concerns about duplicative efforts and the possibility of conflicting decisions. *See Fintiv*, Paper 11 at 12. Although there may be some overlap between the prior art challenges asserted before the Board and in the ITC proceeding, the

challenges that do not overlap weigh marginally against exercising discretion to deny institution.

*5. Factor 5: Whether the Petitioner and the Defendant in the Parallel Proceeding are the Same Party*

Petitioner is a party in the ITC proceeding and the stayed district court action. Prelim. Resp. 64. This factor weighs in favor of exercising our discretion to deny institution.

*6. Factor 6: Other Circumstances, Including the Merits*

Patent Owner argues that “the Petition lacks merit for at least one reason for each ground,” and “Section 325(d) and efficiency considerations also favor denial.” Prelim. Resp. 65. Petitioner contends that “[t]he strong merits . . . also favor institution.” Reply 6. Based on our review of the arguments and evidence presented on the preliminary record, we find that the merits do not tip the scale either in favor of or against exercising discretion to deny institution. Accordingly, we find this factor is neutral.

*7. Balancing the Fintiv Factors*

We have considered the circumstances before us in view of the *Fintiv* factors. Because our analysis is fact driven, no single factor is determinative of whether we exercise our discretion to deny institution under § 314(a). Evaluating the *Fintiv* factors with a holistic view of whether the efficiency and integrity of the system are best served by denying or instituting review, we determine that the proximity of the anticipated ITC hearing date, combined with an anticipated final determination from the ITC prior to the Board’s final decision on validity of claims in dispute between the same parties, outweigh the relatively moderate investment to date in the ITC proceeding, the Petitioner’s diligence in filing the Petition less than one

month after Patent Owner filed its complaints in the ITC proceeding and the related district court action, and the lack of complete overlap in the prior art asserted. Thus, we determine that the facts presented weigh in favor of exercising discretion to deny institution in this instance.

### III. CONCLUSION

Taking into consideration the arguments in the Petition, the Preliminary Response, the Reply, the Sur-Reply, and the evidence of record, we exercise our discretion to deny institution under 35 U.S.C. § 314(a).

### IV. ORDER

In consideration of the foregoing, it is hereby

ORDERED that the Petition is *denied* as to all challenged claims, and no trial is instituted.

IPR2020-00919  
Patent 9,901,123 B2

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