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Paper 8
Date: May 9, 2022

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

THE HILLMAN GROUP, INC.,
Petitioner,

v.

HY-KO PRODUCTS CO. LLC,
Patent Owner.

IPR2022-00169
Patent 10,421,133 B2

Before ERIC C. JESCHKE, RICHARD H. MARSCHALL, and FREDERICK C. LANEY, *Administrative Patent Judges*.

MARSCHALL, *Administrative Patent Judge*.

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

Petitioner, The Hillman Group, Inc., filed a Petition to institute *inter partes* review of claims 1–6, 9–16, 18, 20, 21, 23, and 24 (the "challenged claims") of U.S. Patent No. 10,421,133 B2 (Ex. 1001, "the '133 patent"). Paper 2 ("Pet."). Hy-Ko Products Company LLC ("Patent Owner") filed a Preliminary Response. Paper 6 ("Prelim. Resp.").

We have authority to determine whether to institute *inter partes* review. *See* 35 U.S.C. § 314 (2018); 37 C.F.R. § 42.4(a) (2021). *Inter partes* review may not be instituted "unless . . . 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." 35 U.S.C. § 314(a). Upon consideration of the evidence and arguments in the record, for the reasons below and based on the particular facts of this case, we exercise our discretion under 35 U.S.C. § 314(a), and decline to institute *inter partes review* of the '133 patent.

BACKGROUND

A. Related Proceedings

The parties identify a proceeding in the U.S. District Court for the Eastern District of Texas ("the Texas District Court") involving the '133 patent: *Hy-Ko Products Company LLC v. The Hillman Group, Inc.*, No. 2:21-cv-00197-JRG (E.D. Tex.) (the "Texas Litigation"). Pet. 44; Paper 4 (Patent Owner Mandatory Notice) at 2. The Texas Litigation also involves U.S. Patent No. 9,687,920 B2 ("the '920 patent"), U.S. Patent No. 10,421,133 B2 ("the '133 patent") and U.S. Patent No. 9,682,432 B2 ("the '432 patent"). *See, e.g.*, Ex. 2005 (Amended Complaint in the Texas Litigation) at 26–39.

Petitioner also filed petitions for *inter partes* review of (1) claims 1–6, 9–16, 18, 20, 21, 23, and 24 of the '133 patent in IPR2022-00169; (2) claims 1, 2, 4–7, 9–12, 14, 15, 17–20, and 22–25 of the '920 patent in IPR2022-00174; and (3) claims 1–3, 6–13, 15–20, and 22–27 of the '432 patent in IPR2022-00175. Concurrently with the issuance of this Decision, we deny institution in all three of these related proceedings.

B. The '133 Patent

The '133 patent "relates generally to apparatus and methods for duplicating keys, and more specifically . . . to apparatus and methods for cutting duplicate keys based on a captured image of a master key." Ex. 1001, 1:24–27. Figure 1 is reproduced below:

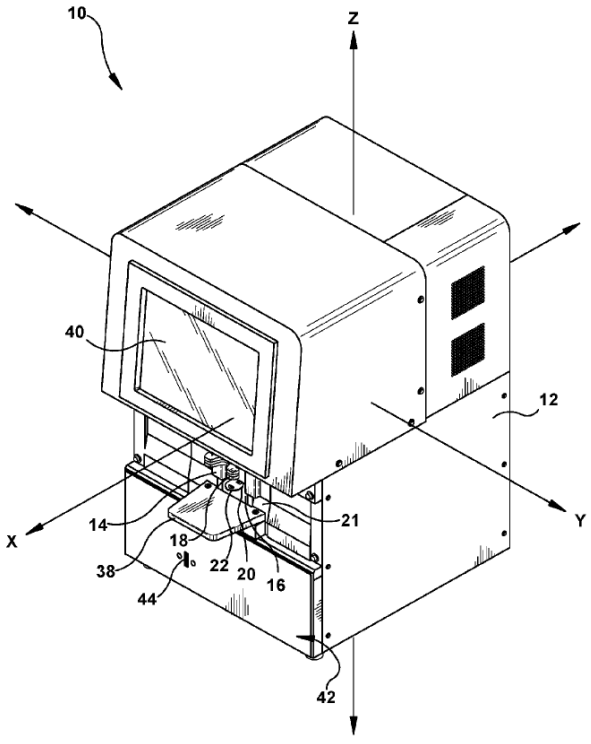

Figure 1

Figure 1 depicts a perspective view of a key duplication machine. Ex. 1001, 3:19–21. Specifically, key duplication machine 10 in Figure 1 includes outer shell 12 as well as door clamp 14, which "may be biased against the

base 16 by any biasing member such as, for example, an extension or compression coil spring, a torsion spring, a counterweight, or the like." *Id.* at 6:8–11. The '133 patent discloses that "[t]he combination of the door clamp 14, base 16, handle 18, and biasing member forms a retention mechanism 19 for retaining or securing a master key 22 or key blank 24." *Id.* at 6:13–15. In addition, "door clamp 14 and the base 16 form a slot 20 that may be utilized to retain or secure a master key 22 or key blank 24 such that the blade 32 of the key 22 and 24 is located within the machine 10" to allow an image of blade 32 to be captured for duplication purposes. *Id*. at 6:16–26.

Figure 6 is reproduced below:

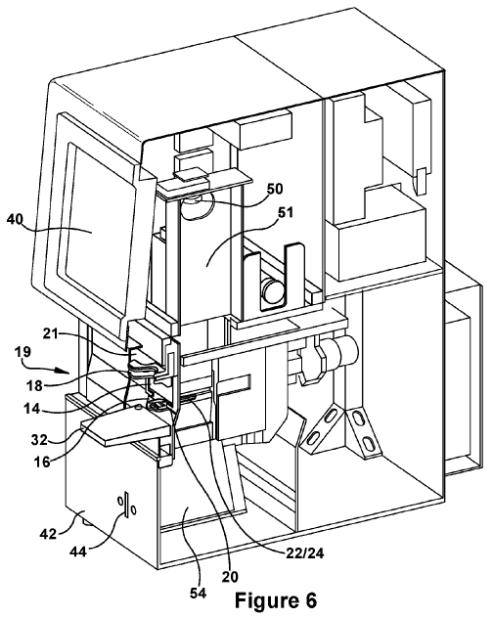

Figure 6

Figure 6 depicts a partial perspective view of the interior of the key duplication machine shown in Figure 1. Ex. 1001, 3:30–31. As to the imaging process, the '133 patent discloses that "master key 22 or key blank 24 may be placed and retained in the slot 20 in the retention mechanism panel 21 such that the blade 32 is positioned within the machine 10 and in

the imaging zone" and that "optical imaging device 50 is mounted within the machine 10 and positioned such that it captures an optical image of a key 22 and 24 secured in the slot 20." *Id.* at 7:55–61.

C. Challenged Claims

Petitioner challenges claims 1–6, 9–16, 18, 20, 21, 23, and 24, of which claims 1, 11, and 24 are independent. Independent claim 1 is reproduced below:

> 1. An integrated key duplication machine, comprising:
>
> an optical key blank identification system to identify keys including a housing and an imaging device wherein said imaging device is positioned within said housing such that a portion of said key is positioned outside said housing when a blade of said key is positioned within an imaging zone of said housing; and
>
> a key cutting system for cutting keys, wherein the key cutting system includes a retention mechanism panel and at least one cutting member, wherein the retention mechanism panel includes a slot to receive a blade of a key to be retained by the retention mechanism panel and cut by said at least one cutting member;
>
> wherein the optical key blank identification system is configured to operate individually from the key cutting system wherein the optical key blank identification system and the key cutting system may interact and share information.

Ex. 1001, 17:33–50.

D. Asserted Grounds of Unpatentability

Petitioner challenges claims 1–6, 9–16, 18, 20, 21, 23, and 24 on the following grounds:

Claim(s) Challenged	35 U.S.C. §[1]	Reference(s)/Basis
1–6, 9–16, 18, 20, 21, 23, 24	102(a)/102(b)	Wills[2]
1–6, 9–16, 18, 20, 21, 23, 24	103(a)	Wills, Speedypik Article[3]
1–6, 11–16, 18, 24	103(a)	Marchal,[4] Speedypik Article
9, 10, 20, 21	103(a)	Marchal, Speedypik Article, Wills

Petitioner supports its challenges with a declaration from Mr. George L. Heredia. Ex. 1017. Patent Owner relies on the Declaration of Dr. Wyatt S. Newman. Ex. 2001.

DISCUSSION

A. Legal Framework Under 35 U.S.C. § 314(a)

In deciding whether to exercise discretion under § 314(a), the Board may consider "events in other proceedings related to the same patent, either at the Office, in district courts, or the ITC." Consolidated Trial Practice Guide 58 (Nov. 2019), https://www.uspto.gov/TrialPracticeGuide

[1] The Leahy-Smith America Invents Act ("AIA") included revisions to 35 U.S.C. §§ 102, 103 that became effective on March 16, 2013. Pub. L. No. 112-29, §§ 3(b)–3(c), 3(n)(1), 125 Stat. 284, 285–87, 293 (2011). Because there is no dispute that the challenged claims of the '133 patent have an effective filing date before March 16, 2013, we apply the pre-AIA versions of these statutes.

[2] US 6,064,747, issued May 16, 2000 (Ex. 1003, "Wills").

[3] Sal Dulcamaro, CML, *Speedypik*, 71 The Nat'l Locksmith, 52–54 (July 2000) (Ex. 1011, "Speedypik Article").

[4] US 4,666,351, issued May 19, 1987 (Ex. 1005, "Marchal").

Consolidated ("TPG"). The precedential order in *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020), identifies factors to consider when a patent owner raises an argument for discretionary denial due to the advanced state of a parallel proceeding:

> 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. "These factors relate to whether efficiency, fairness, and the merits support the exercise of authority to deny institution in view of an earlier trial date in the parallel proceeding." *Id.* at 6. There is some overlap among these factors and some facts may be relevant to more than one factor. *Id.* In evaluating the factors, the Board takes a holistic view of whether efficiency and integrity of the system are best served by denying or instituting review. *Id.*

B. Analysis

Patent Owner argues that we should exercise our discretion to deny institution under 35 U.S.C. § 314(a) based on the Texas Litigation. Prelim. Resp. 17–26. Petitioner opposes. *See* Pet. 60–62. For the reasons below, we are persuaded that we should exercise discretion to deny institution under

35 U.S.C. § 314(a) based on the Texas Litigation. We discuss each *Fintiv* factor in turn below.

1. Factor 1: whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted

The first *Fintiv* factor requires consideration of whether the district court has stayed or may stay the proceeding pending *inter partes* review. "A district court stay of the litigation pending resolution of the PTAB trial allays concerns about inefficiency and duplication of efforts." *See Fintiv*, Paper 11 at 6.

Petitioner argues that, if *inter partes* review were instituted here, Petitioner "will seek a stay and the District Court is likely to grant it." Pet. 60. Patent Owner responds by surmising that, if a stay was requested, the Texas District Court would deny. *See* Prelim. Resp. 18–19.

We will not attempt to predict, based on the facts in allegedly similar prior situations, how the Texas District Court would rule should a stay be requested in the Texas Litigation. *See Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 15 at 12 (PTAB May 13, 2020) (informative) ("A judge determines whether to grant a stay based on the facts of each specific case as presented in the briefs by the parties. We decline to infer, based on actions taken in different cases with different facts, how the District Court would rule should a stay be requested by the parties in the parallel case here."). We view this factor as neutral because neither of the parties in the Texas Litigation has requested a stay thus far. *See id.* at 12 (determining that Factor 1 is neutral when neither party has requested a stay and the issue has not been ruled on by the district court).

2. Factor 2: proximity of the court's trial date to the Board's projected statutory deadline for a final written decision

Under the second *Fintiv* factor, "[i]f the [district] court's trial date is earlier than the projected statutory deadline, the Board generally has weighed this fact in favor of exercising authority to deny institution." *See Fintiv*, Paper 11 at 9.

As noted by Patent Owner, jury selection in the Texas Litigation is currently scheduled to begin on July 11, 2022. *See* Prelim. Resp. 19; Ex. 2006 (First Amended Docket Control Order in the Texas Litigation) at 1. Based on the date of issuance of this Decision, the beginning of the jury trial in the Texas Litigation is nearly ten months before any final decision would have been due had *inter partes* review been instituted. This factor weighs strongly in favor of denial.

3. Factor 3: investment in the parallel proceeding by the court and the parties

The third *Fintiv* factor considers "the amount and type of work already completed in the parallel litigation by the [district] court and the parties at the time of the institution decision. Specifically, if 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." *See Fintiv*, Paper 11 at 9–10. Thus, the more advanced the parallel proceeding, the less likely we are to institute *inter partes* review. *Id.* at 10.

We agree with Patent Owner that, as of the issuance of this Decision, the investment in the Texas Litigation by the District Court and parties favors denial. *See* Prelim. Resp. 20. As noted by Patent Owner, the Texas District Court held a claim construction hearing on February 17, 2022, fact discovery closed on March 9, 2022, and expert discovery closed on April 22,

2022. *See* Ex. 2006 at 3; Prelim. Resp. 20. Dispositive motions and *Daubert* motions were due on April 25, 2022. Ex. 2006 at 2–3.

Further, the District Court issued a claim construction order that addresses all four patents involved in the Texas Litigation, including the '133 patent. *See* Claim Construction Order, *Hy-Ko Prods. Co. LLC v. The Hillman Grp., Inc.*, No. 2:21-cv-00197-JRG (E.D. Tex. Mar. 10, 2022), ECF No. 104; *see also* Prelim. Resp. 20 (stating that "[b]y the deadline for an institution decision, it is highly likely that the District Court will have issued a claim construction order"). In summary, completing standard motions briefing is the bulk of the effort that remains prior to trial. *See* Ex. 2006 at 1–2.

We turn now to the timing of the filing of the Petition, which is also addressed under this factor. "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* [*Spring Co. v. Intri-Plex Techs. Inc.*, IPR2018-00752, Paper 8 (PTAB Sept. 12, 2018) (precedential)]." *Fintiv*, Paper 11 at 11.

Petitioner argues that it "filed this Petition as expeditiously as possible, nearly seven months before the statutory 12-month deadline" and that Patent Owner's "infringement contentions—which identified the 67 claims [Patent Owner] is asserting against [Petitioner]—were served just eight weeks" prior to the filing of the Petition. Pet. 61. Patent Owner does not address this issue.

We agree with Petitioner that the record shows expeditious filing after notification of the asserted claims, and, additionally, shows Petitioner

simultaneously prepared petitions in these four related Board proceedings. *See Fintiv*, Paper 11 at 11 ("The Board recognizes . . . that it is often reasonable for a petitioner to wait to file its petition until it learns which claims are being asserted against it in the parallel proceeding."); *Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020-01019, Paper 12 at 17 (PTAB Dec. 1, 2020) (precedential) ("[W]e find that Petitioner's explanation for the timing of the Petition is reasonable, notwithstanding the closeness to the statutory deadline, particularly in view of the large number of patents and claims challenged in this and Petitioner's other related petitions for *inter partes* review . . . ."). Despite the lack of delay, we view the advanced state of the Texas Litigation as tipping this factor overall slightly in favor of denial.

4. Factor 4: overlap between issues raised in the petition and in the parallel proceeding

The fourth *Fintiv* factor requires consideration of "inefficiency and the possibility of conflicting decisions." *See Fintiv*, Paper 11 at 12. Therefore, "if the petition includes the same or substantially the same claims, grounds, arguments, and evidence as presented in the parallel proceeding, this fact has favored denial." *Id.* The *Fintiv* panel stated that "the degree of overlap is highly fact dependent" and encouraged the parties to "indicate whether all or some of the claims challenged in the petition are also at issue in district court." *Id.* at 13. For the reasons below, we view this factor overall as marginally against denial.

We first address the degree of overlap in issues based on the *prior art* at issue in each proceeding. *See Fintiv*, Paper 11 at 12–13 (discussing how, "if the petition includes materially different grounds, arguments, and/or evidence than those presented in the district court, this fact has tended to

weigh against exercising discretion to deny institution"). As argued by Patent Owner, the current record indicates that *every ground* in the Petition is included in the Amended Preliminary Invalidity Contentions in the Texas Litigation. Prelim. Resp. 20–21 (citing Ex. 2010, 22 (asserting anticipation by Wills), 32–34 (asserting obviousness based on Wills and Speedypik Article as well as combinations including Marchal, Speedypik Article, and Wills)).

Petitioner, however, "stipulates that it will not pursue, in District Court, invalidity based on any instituted IPR ground." Pet. 61; *see* Ex. 1020 (stipulation sent to Patent Owner). In the context of the stipulation, Petitioner defines "grounds" as "the specific obviousness combinations and anticipation challenges" in the Petition and Petitioner expressly "reserves its rights to assert other obviousness combinations that may involve these *or related references*, or to assert anticipation challenges *on related references*." Pet. 61 n.2 (emphasis added). Patent Owner responds that the stipulation "does nothing to prevent overlap of the arguments in the District Court litigation and here before the Board" because the definition of "grounds" would allow Petitioner to assert in the Texas Litigation several *related* references with substantially overlapping disclosures even if *inter partes* review were instituted on the references in this proceeding. *See* Prelim. Resp. 21.

Although *some* of the references in the Texas Litigation are not in the record in this proceeding (and thus we are unable to assess the degree of overlap in disclosure), we are persuaded that the availability and possible assertion of "related references" in the District Court in place of the specific references asserted in this proceeding weaken the *Sand Revolution*-type

stipulation on the particular facts here, and increase the possibility of overlap if both proceedings were to move forward. *See* Ex. 2010 at 21–24, 32–34; *Sand Revolution II, LLC v. Continental Intermodal Group-Trucking LLC*, IPR2019-01393, Paper 24 at 12 n.5 (PTAB June 16, 2020) (informative) (discussing Petitioner's stipulation that "it will not pursue, in district court, the 'same grounds' presented in the Petition"). We find this aspect of the fourth *Fintiv* factor weighs slightly against denial. *See Sand Revolution II*, Paper 24 at 12.

We next address the degree of overlapping issues based on the *claims* at issue in each proceeding. *See Fintiv*, Paper 11 at 13 ("The existence of non-overlapping claim challenges will weigh for or against exercising discretion to deny institution under *NHK* depending on the similarity of the claims challenged in the petition to those at issue in the district court."). Petitioner challenges claims 1–6, 9–16, 18, 20, 21, 23, and 24 of the '133 patent in this proceeding. Pet. 2. As noted by Petitioner, in the Texas Litigation, Patent Owner has asserted all of those claims, except claim 23. *See* Ex. 2005 at 36 (¶ 136); Pet. 61–62. Patent Owner states, "[b]y Court order, in an effort to simplify issues as trial nears, Patent Owner has submitted its finally elected the claims of the '133 patent that it will continue to assert in the parallel litigation: claims 1, 4, and 8." Prelim. Resp. 22.

We view the overlap in claims as weighing slightly in favor of discretionary denial. Regardless of any narrowing of claims required by the Texas District Court for efficiency reasons at trial, the claims in the Petition will include all of the claims originally asserted in the Texas Litigation. *Compare* Pet. 2, *with* Ex. 2005 at 36 (¶ 136). Additionally, because the

subject matter of the claims overlaps, even with narrowing and the additional claim, substantially similar issues are likely to arise.

Based on the foregoing, we view the degree of overlap in issues based on the *prior art* at issue in each proceeding as weighing slightly against denial and the overlap in claims as weighing slightly in favor of discretionary denial. Overall, we view this factor as marginally against denial.

5. Factor 5: whether the petitioner and the defendant in the parallel proceeding are the same party

Under the fifth *Fintiv* factor, "[i]f a petitioner is unrelated to a defendant in an earlier [district] court proceeding, the Board has weighed this fact against exercising discretion to deny institution." *See Fintiv*, Paper 11 at 13–14. Petitioner here is the same party as the defendant in the Texas Litigation. *See* Pet. 62; Prelim. Resp. 22–23. This factor weighs in favor of discretionary denial. *See Fintiv*, Paper 15 at 15.

6. Factor 6: other circumstances that impact the Board's exercise of discretion, including the merits

In an analysis based on district court litigation, "all . . . relevant circumstances," including the merits, are considered in assessing whether to exercise discretion to deny institution of *inter partes* review. *Fintiv*, Paper 11 at 14. Petitioner argues that Patent Owner "dump[ed]" prior art and "overwhelmed" the Examiner into allowing the challenged claims. Pet. 62. In addition, Petitioner states that this is the only proceeding challenging claims in the '133 patent and that there is "significant public interest" in allowing challenges to "bad patents." *Id.* (citing *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1374 (2020)). As to Petitioner's arguments, the first is more appropriately addressed under § 325(d) and the second would

apply in almost every situation. Overall, we view the sixth *Fintiv* factor as neutral.

C. Conclusion

After weighing all of the factors and taking a holistic view of the relevant circumstances of this proceeding, we determine that we should exercise our discretion to deny institution under § 314(a).

CONCLUSION

For the reasons above, we exercise our discretion under 35 U.S.C. § 314(a) to deny institution of *inter partes* review.

ORDER

Accordingly, it is hereby:

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

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