

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

IPR2023-00133
Patent 7,421,032

PETITIONER'S REQUEST FOR REHEARING

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I. INTRODUCTION

Petitioner Samsung Electronics Co., Ltd. (“Samsung”) respectfully requests rehearing of the Patent Trial and Appeal Board’s Decision of May 4, 2023 (Paper 10, “Dec.”), which denied institution of *inter partes* review for claims 1-8 and 10-22 (“the challenged claims”) of U.S. Patent No. 7,421,032 (“the ’032 patent”).¹

Samsung’s petition (Paper 1, “Pet.”) presented three grounds of unpatentability for the challenged claims primarily based on the Kobayashi reference. Pet. at 3-4. Invoking *NHK Spring Co. v. Intrix-Plex Techs., Inc.*, IPR2018-00752, Paper 8 (P.T.A.B. Sept. 12, 2018), and *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (P.T.A.B. Mar. 20, 2020), the Board denied institution under 35 U.S.C. § 314(a) because of a parallel district court proceeding. Dec. at 11-13.

The Board should grant reconsideration. *First*, rehearing is warranted because the Board erred in its overall balancing of the *Fintiv* factors. The Board

¹ The Board should grant reconsideration and set this case for rehearing before the Precedential Opinion Panel (“POP”), for reasons stated in Petitioner’s contemporaneously filed request for POP review.

misconstrued Director Vidal’s interim guidance on discretionary denials² regarding the compelling merits analysis with respect to *Fintiv* factor six to mean that if a finding of compelling merits is not reached, then factor six cannot weigh against discretionary denial. But Director Vidal’s *Interim Guidance* instructed only that, when the merits are compelling, that automatically outweighs all the other *Fintiv* factors, and requires institution. The *Interim Guidance* did not require the same heightened compelling merits showing as part of the ordinary *Fintiv* balancing inquiry, where an unpatentability challenge that is strong but not necessarily compelling may (in combination with other factors) outweigh the factors that favor denial. The Board (by a Precedential Opinion Panel (“POP”) if necessary) should reconsider its erroneous analysis under *Fintiv*’s sixth factor, which infected the overall multi-factor balancing assessment.

Second, if the Board nevertheless does not believe institution is warranted under *Fintiv*, it should hold Samsung’s rehearing request until the resolution of a pending Administrative Procedure Act (“APA”) challenge to the validity of the *Fintiv* rule. If *Fintiv* is procedurally invalid, it cannot be relied upon to deny

² Katherine K. Vidal, Memorandum, *Interim Procedure for Discretionary Denials in AIA Post Grant Proceedings with Parallel District Court Litigation* (U.S.P.T.O. June 21, 2022) (hereinafter, “*Interim Guidance*”).

institution of Samsung's petition on the basis of a parallel district court litigation. Awaiting the resolution of an ongoing challenge to *Fintiv*'s legality would conserve agency resources and serve the interests of fairness.

II. LEGAL STANDARD

"A party dissatisfied with a decision may file a single request for rehearing." 37 C.F.R. § 42.71(d). "The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, a reply, or a sur-reply." *Id.*

Institution decisions are reviewed on rehearing for an abuse of discretion. *See* 37 C.F.R. § 42.71(c). An abuse of discretion occurs when a "decision [i]s based on an erroneous conclusion of law or clearly erroneous factual findings, or . . . a clear error of judgment." *Apple Inc. v. DSS Tech. Mgmt., Inc.*, IPR2015-00369, Paper No. 14 at 3 (Aug. 12, 2015) (citing *PPG Indus. Inc. v. Celanese Polymer Specialties Co.*, 840 F.2d 1565, 1567 (Fed. Cir. 1988)).

III. STATEMENT OF REASONS FOR RELIEF REQUESTED

A. The Board Should Reconsider Its Assessment of the Merits of Samsung's Petition Under *Fintiv*'s Multi-Factor Analysis

The sixth *Fintiv* factor requires the Board to consider, as part of its multi-factor analysis, other "relevant circumstances in the case, including the merits." *Fintiv*, Paper No. 11 at 14. In considering the merits of Samsung's petition under *Fintiv*'s sixth factor, the Board asked whether Samsung's petition "presents a

challenge with *compelling* merits.” Dec. at 18 (emphasis added). The Board then concluded that, because Samsung’s “showing of unpatentability is *not compelling*,” the merits consideration “is neutral” as to whether review should be instituted. Dec. at 19, 29 (emphasis added). In the course of its analysis, the Board repeatedly stated that, even if it were to find that Samsung has “show[n] a reasonably likelihood of success” on the merits, the Board must “apply a higher compelling merits standard for purposes of determining whether to exercise [its] discretion to deny institution.” Dec. at 30; *see also* Dec. at 32.

That, however, is not the correct default standard under *Fintiv*’s sixth factor. The Board’s insistence on this higher showing as part of its merits assessment misunderstands both *Fintiv* and Director Vidal’s *Interim Guidance*. The *Interim Guidance* instructs the Board to institute review when the Board finds that the petition “presents a compelling unpatentability challenge,” even if the other *Fintiv* factors point toward denial. *Interim Guidance* at 4-5. But that means that a finding of compelling merits under the sixth factor automatically outweighs all the other *Fintiv* factors, and “*alone* demonstrates that the PTAB should not discretionarily deny institution under *Fintiv*.” *Id.* at 5 (footnote omitted) (emphasis added). It does not mean—as the Board here mistakenly believed—that the strength of a petition’s merits is relevant to *Fintiv*’s multi-factor analysis only when such merits rise to the level of “compelling.”

The Board’s mistaken approach is squarely contrary to *Fintiv*. *Fintiv* instructs that the Board must engage in a “‘balanced assessment of all relevant circumstances of the case, including the merits.’” *Fintiv*, Paper No. 11 at 5 (quoting Consolidated Trial Practice Guide (“TPG”) (Nov. 2019) at 58). In particular, the Board must “balance[]” the six factors enumerated in *Fintiv*, “tak[ing] a holistic view of whether efficiency and integrity of the system are best served by denying or instituting review.” *Fintiv*, Paper No. 11 at 6 (citing TPG at 58). If, however, the merits assessment under the sixth factor were to come into play only when these merits rise to the level of “compelling” (which is an exceedingly demanding showing, *see* Dec. at 18-19), it would never effectively be part of the balancing exercise because it would either outweigh all the other *Fintiv* factors (if the merits were compelling) or be irrelevant (if the merits were less than compelling).

That is demonstrably not what *Fintiv* envisioned. *Fintiv* emphasized that the merits consideration may ask “if the merits of a ground raised in the petition seem particularly strong” (but not necessarily compelling)—a fact that would “favor[] institution” (but not necessarily require it). *Fintiv*, Paper No. 11 at 14-15 (citations omitted). Conversely, where “the merits of the ground raised in the petition are a closer call,” that fact would “favor[] denying institution when other factors favoring denial are present.” *Id.* at 15 (citation omitted). As *Fintiv* concluded, “there may be *strengths or weaknesses* regarding the merits that the Board considers as part of its

balanced assessment.” *Id.* (citation omitted) (emphasis added). *Fintiv*’s insistence on a balanced multi-factor analysis—one that considers both strengths and weaknesses of the merits, and then balances them against the other five factors—is contrary to the Board’s mechanical approach, where only a finding of “compelling merits” could counterbalance the other factors.³

³ Those factors, moreover, did not uniformly favor denial of institution. As the Board observed, the fourth factor, which examines overlap of issues between the petition and the parallel proceeding, weighed against a discretionary denial. Dec. at 17-18. As part of its holistic balancing approach under *Fintiv*, the Board often weighs the fourth factor more heavily relative to some of the other factors (e.g., instituting when a petitioner enters a *Sotera* stipulation irrespective of where the other factors stand). This makes sense given the fourth factor, when weighing against discretionary denial (as here), directly mitigates one of the main concerns animating *Fintiv*—duplication of issues and risk of inconsistent adjudications between the parallel litigation and the IPR. *Interim Guidance* at 5 (“the *Fintiv* factors seek to avoid duplicative efforts between the PTAB and federal district courts”), 7 (explaining that a *Sotera* stipulation “mitigates concerns of potentially conflicting decisions and duplicative efforts between the district court and the PTAB”).

Director Vidal’s *Interim Guidance* does not require a different result. The *Interim Guidance* expressly reaffirmed *Fintiv*’s multi-factor balancing approach, and sought only to “clarify[y]” its application. *Interim Guidance* at 1-2. As part of that clarification, Director Vidal instructed the Board not to exercise its discretionary denial authority “where a petition presents compelling evidence of unpatentability.” *Id.* at 2. Given the heightened evidentiary showing required to find such compelling merits, that determination “alone” outweighs all other *Fintiv* factors. *Id.* at 5; *see also CommScope Techs. LLC v. Dali Wireless, Inc.*, IPR2022-01242, Paper 23 at 3-4 (P.T.A.B. Feb. 27, 2023). But that does not mean that, as part of *Fintiv*’s overall balancing approach, an unpatentability challenge that is strong but not necessarily compelling cannot (in combination with other factors) outweigh the factors that favor denial, depending on the factors’ relative strength. In fact, the one instance when Director Vidal affirmatively required the Board to find the merits to be compelling is when she *sanctioned* petitioner for abuse of the IPR process. *See OpenSky Indus., LLC v. VLSI Tech. LLC*, IPR2021-01064, Paper 102 at 47-49 (PTAB Oct. 4, 2022). The Board misconstrued Director Vidal’s *Interim Guidance* by requiring the same heightened showing as part of the ordinary *Fintiv* balancing inquiry.

This understanding of *Fintiv* is confirmed by other Board panels that, both before and after Director Vidal’s *Interim Guidance*, have taken into consideration

the strong merits of a petition (even if found not to be compelling) under *Fintiv*'s sixth factor when applying *Fintiv*'s multi-factor balancing approach. For example, prior to the *Interim Guidance*, the Board has found the *Fintiv* factors weigh against discretionary denial where the petitioner set forth a "strong case for the obviousness of the challenged claims" under *Fintiv* factor six. *See, e.g., VMware, Inc. v. Intellectual Ventures I LLC*, Paper 13 at 21-22 (P.T.A.B. Aug. 18, 2020); *see also Fintiv*, Paper No. 11 at 14-15 n.29 (citing cases); *Interim Guidance* at 5 n.6 (citing cases). In *VMware*, petitioner had made a stipulation under *Fintiv*'s factor four similar to Samsung's factor four stipulation in this case, and the Board similarly found that the fourth factor weighs against discretionary denial. *Id.* at 19-20; *see also* n.3. While the Board found that some *Fintiv* factors weighed in favor of exercising its discretion to deny institution, *VMware*, Paper 13 at 17-18 (factor two), 20 (factor five), and others were neutral, *id.* at 16-17 (factor one), 18-19 (factor three), the Board's holistic review of the *Fintiv* factors led to conclude that the overall balance-of-factors weighed in favor of institution in light of the factor four stipulation (similar to the one made by Samsung here) and the strong merits of the petition. *Id.* at 22.

Subsequent to Director Vidal's *Interim Guidance*, Board panels have applied *Fintiv*'s multi-factor balancing approach and instituted IPRs despite not finding the unpatentability challenges to be particularly strong. *See, e.g., Google LLC v.*

Jawbone Innovations, LLC, IPR2022-01059, Paper 12 at 19-20 (P.T.A.B. Dec. 7, 2022) (instituting review even though the Board was “unable to discern whether the merits [of the petition] are ‘particularly strong’”); *Uber Tech., Inc. v. LBT IP II LLC*, IPR2022-00880, Paper 8 at 14 (P.T.A.B. Dec. 7, 2022) (instituting review even though *Fintiv*’s sixth factor, including a merits assessment, was “neutral”).

Regarding a strong merits showing in this case, even though the Board did not find the merits to be compelling, they are nevertheless strong. Samsung presented three grounds primarily, based on Kobayashi, demonstrating unpatentability of the challenged claims primarily based on Kobayashi. The challenges showed that Kobayashi alone discloses or suggests all the limitations of the majority of the challenged claims. *See* Pet. at 8-42. The Board’s basis for finding that the merits of Samsung’s unpatentability challenges were not compelling centered on the application of the agreed-upon construction of the “repeat” term in the challenged claims. Dec. at 29-32. The Board recognized that Patent Owner does not dispute Samsung’s proposed construction of the “repeat” term. *Id.* at 23-24. But the Board found that Samsung’s application of this construction to its analysis of Kobayashi “rests tenuously upon apparent logical leaps.” *Id.* at 29.

The Board’s finding was based purely on Patent Owner’s attorney arguments. Dec. at 29-32. While having an opportunity to do so, Patent Owner did not submit an expert declaration. Thus, the opinions of Samsung’s expert, Dr. Valenti, remain

unrebutted. This is particularly important here, where the challenged claims involve complex technology as Patent Owner itself explained in prior IPRs involving this patent family. *See, e.g., Apple -219 IPR*, Paper 76 at 15 (Dec. 27, 2018) (the Board noting Patent Owner’s explanation that ““there was nothing simple about developing improved error-correcting codes, and many advancements in the field were the product of laborious experimentation and surprising, unexpected and unpredictable results””) (citation omitted). Thus, without evidence to the contrary, and given Patent Owner does not dispute the claim construction of the subject “repeat” term, the merits of Samsung’s petition were strong, even if not compelling.⁴

⁴ The Board found that the sixth factor slightly favors discretionary denial also because of its prior expenditure of resources involving the prior IPRs and the outcomes of those IPRs. Dec. at 19-20. But it was Patent Owner that chose to serially litigate its patents resulting in the staggered IPRs, and thus Samsung had no control over conserving the Board’s resources in this regard. Pet. at 71. And regarding the outcome of the prior IPRs, the Board failed to address Samsung’s argument that, unlike the prior IPRs filed by other petitioners where Patent Owner argued that the references being asserted did not qualify as prior art, lacked key claim features, or were premised on combinations that are unpredictable, Samsung’s petition showed that Kobayashi alone discloses or suggests all the limitations of the

To the extent Patent Owner attempts to disavow the broad claim construction of “repeat” that it advocated for at the Federal Circuit (Paper 7 (POPR), 3-5) and denies that Kobayashi’s generator matrix discloses matrix multiplication to generate bits (*id.*, 5-8), those are issues better suited for trial given the claim construction is undisputed and Samsung’s un rebutted evidence regarding unpatentability.

The Board’s erroneous analysis under *Fintiv*’s sixth factor, which discounted the merits of Samsung’s petition, in turn infected the overall holistic multi-factor balancing assessment. For these reasons, the Board should grant rehearing and reconsider its decision to deny institution under the proper application of *Fintiv*’s multi-factor analysis.⁵

B. The Board Should Hold this Petition Pending the Resolution of an Ongoing Challenge to *Fintiv*’s Validity.

The *Fintiv* rule is currently subject of an ongoing Administrative Procedure Act (“APA”) challenge to its validity. That challenge has been brought in the U.S.

majority of the challenged claims. *See* Pet. at 65-66; Paper 8 (Samsung’s Reply to POPR) at 3; Dec. at 19-20.

⁵ As part of its merits consideration, the Board should also accord very limited—if any—weight to the prior proceedings where it upheld the challenged patent claims over different prior art. *See* Dec. at 19-20. The focus of the unpatentability inquiry should be on the present challenge and the presently asserted prior art.

District Court for the Northern District of California. *See Apple Inc. v. Vidal*, No. 5:20-cv-06128-EJD (N.D. Cal.). The district court initially dismissed that lawsuit as barred by 35 U.S.C. § 314(d)—the non-reviewability provision of the IPR statute. The U.S. Court of Appeals for the Federal Circuit, however, reversed that dismissal with respect to the claim that, in promulgating the *Fintiv* rule, the Director failed to comply with the notice-and-comment rulemaking requirements. The Federal Circuit held that the procedural claim is reviewable under the APA. *Apple Inc. v. Vidal*, 63 F.4th 1, 14-15 (Fed. Cir. 2023). The lawsuit is currently pending on remand before the Northern District of California, with the procedural challenge to *Fintiv* poised to be decided on summary judgment.

In the interests of efficiency, the Board should hold Samsung’s rehearing request until this procedural challenge to *Fintiv* is resolved.⁶ Although it is beyond the Board’s authority to determine whether the Director was required to follow the notice-and-comment rulemaking procedures when promulgating *Fintiv*, the challenge is meritorious. The APA “mandates that an agency use notice-and-

⁶ The *Apple* lawsuit challenges *Fintiv* as applied to IPRs. A similar challenge to *Fintiv* with respect to post-grant reviews is pending before the U.S. District Court for the Eastern District of Virginia in *Daiichi Sankyo, Inc. v. Vidal*, No. 1:21-cv-00899 (LMB/JFA) (E.D. Va.).

comment procedures before issuing legislative rules.” *Kisor v. Wilkie*, 139 S. Ct. 2400, 2420 (2019) (citing 5 U.S.C. § 553(b), (c)). The America Invents Act (“the AIA”) likewise permits the Director to adopt rules only by prescribing “regulations,” 35 U.S.C. §§ 2(b)(2), 316(a)—*i.e.*, “rules” issued “pursuant to the notice-and-comment requirements of [the] APA,” *U.S. Telecom Ass’n v. FCC*, 400 F.3d 29, 38, 40 (D.C. Cir. 2005); *see also* 35 U.S.C. § 2(b)(2)(B) (requiring use of APA’s notice-and-comment procedures).

Fintiv establishes a substantive, or “legislative,” rule, not merely a general statement of policy or procedure. *Fintiv* is “an agency statement of general or particular applicability and future effect.” 5 U.S.C. § 551(4). Unlike a general statement of policy, *Fintiv* leaves the Board no “discretion to follow, or not to follow” it in a particular case. *Mada-Luna v. Fitzpatrick*, 813 F.2d 1006, 1013 (9th Cir. 1987). Further, the *NHK-Fintiv* rule is legislative—not procedural—because the rule “alter[s] the rights or interests of parties” by defining circumstances under which IPR may be denied. *JEM Broad. Co. v. FCC*, 22 F.3d 320, 326 (D.C. Cir. 1994).

The rule cannot be defended as one adopted through adjudication because it was not adopted as binding through adjudication. That occurred only through the Director’s decision to designate *NHK* and *Fintiv* as precedential. Moreover, adjudication is a “permissible mode of law-making and policymaking” “only” where

agencies are “unitary”—*i.e.*, where “rulemaking, enforcement, and adjudicative powers are combined in a single administrative authority.” *Martin v. Occupational Safety & Health Review Comm’n*, 499 U.S. 144, 151, 154 (1991). Congress “divided the delegation of rulemaking and adjudicatory powers between the Director and the Board.” *Facebook, Inc. v. Windy City Innovations, LLC*, 973 F.3d 1321, 1351 (Fed. Cir. 2020) (additional views of Prost, C.J., Plager & O’Malley, JJ.). To the Board, Congress delegated only power to conduct PGRs. 35 U.S.C. § 326(c). That “is not a delegation of authority to issue adjudicative decisions interpreting” the AIA, let alone to issue regulations. *Facebook*, 973 F.3d at 1350. In contrast, Congress gave the Director power to make rules by issuing regulations, *see* 35 U.S.C. §§ 2, 326(a), but no adjudicative power. *Facebook*, 973 F.3d at 1349-50.

If the Board determines that *Fintiv*’s multi-factor analysis does not weigh in favor of institution, considerations of efficiency and fairness would counsel awaiting the conclusion of the APA challenge to *Fintiv* before resolving this rehearing petition.⁷ If *Fintiv* is procedurally invalid, it cannot be relied upon to deny institution

⁷ The Board (or the Director) has authority to stay a case pending resolution of a similar issue in other litigation. *See, e.g., General Order in Cases Remanded Under Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019) (P.T.A.B. May 1, 2020) (Chief Administrative Patent Judge exercising “discretion” to impose

of Samsung's petition on the basis of a parallel district court litigation. The delay in resolution of Samsung's rehearing request should not be overly long. The parties in the *Apple* litigation have jointly proposed by the renewed summary judgment briefing be conducted by November 2, 2023, with oral argument to be held shortly thereafter. *See* Joint Status Report, *Apple Inc. v. Vidal*, No. 5:20-cv-06128-EJD, ECF No. 145 at 1 (N.D. Cal. June 2, 2023). Nor would the delay prejudice the Patent Owner, since the district court in the parallel litigation refused to stay the case before it pending the resolution of Samsung's IPR petition.

IV. CONCLUSION

For all of the above reasons, Samsung respectfully requests that the Board reconsider its Decision and institute *inter partes* review.

Dated: June 5, 2023

Respectfully submitted,

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an administrative stay in certain cases); *see also* TPG at 89-90 (discussing the Board's authority to stay proceedings on a case-by-case basis, in the context of remand).

CERTIFICATE OF COMPLIANCE

Pursuant to 37 C.F.R. § 42.24(d), the undersigned certifies that the foregoing Request for Rehearing complies with the page limit.

Dated: June 5, 2023

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing document was served on June 5, 2023 via electronic mail directed to counsel of record for the Patent Owner at the following:

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