

UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE PATENT TRIAL AND APPEAL BOARD

Mercedes-Benz Group AG,
Petitioner,

v.

The Phelan Group, LLC,
Patent Owner.

Case IPR2025-00413
U.S. Patent No. 9,045,101

**PATENT OWNER THE PHELAN GROUP, LLC'S PRELIMINARY
RESPONSE UNDER 37 C.F.R. § 42.107**

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EXHIBIT LIST
Previously Filed (Petitioner)

Ex.	Description
1001	U.S. Patent No. 9,045,101 (“’101 Patent”)
1002	File History for the ’101 Patent
1003	U.S. Patent No. 8,417,415 (“’415 Patent”)
1004	Declaration of Dr. Mark Ehsani
1005	<i>Curriculum Vitae of Dr. Mark Ehsani</i>
1006	<i>U.S. Patent No. 6,225,890 to Murphy (“Murphy”)</i>
1007	<i>German Patent Application Publication No. DE 10,323,723 A1 to Schanz (“Schanz”)</i>
1008	English Translation of Schanz
1009	U.S. Patent Application Publication No. 2007/0168125 A1 (“Petric”)
1010	U.S. Patent Application Publication No. 2008/0136611A1 (“Benco”)
1011	FMVSS No. 126: Electronic Stability Control Systems (March 2007)
1012	U File History for U.S. Patent Reexamination Proceeding No. 90/015,287

Currently Filed (Patent Owner)

Ex.	Description
2001	Federal District Caseload Statistics, Table C-5 (March 2024)
2002	Summons in <i>Phelan Group, LLC v. Mercedes-Benz Group AG</i> , 2:23-cv-00607
2003	Certificate of Service through the Hague Convention in <i>Phelan Group, LLC v. Mercedes-Benz Group AG</i> , 2:23-cv-00607
2004	Scheduling Order in <i>Phelan Group, LLC v. Mercedes-Benz Group AG</i> , 2:23-cv-00607

I. INTRODUCTION

Patent Owner Phelan Group, LLC (“Patent Owner” or “Phelan”) respectfully submits this Patent Owner Preliminary Response under 35 U.S.C. § 313 and 37 C.F.R. § 42.107(a). It is being timely filed on or before April 28, 2025, in accordance with The Notice Extending Deadline for Discretion Briefing. Paper 7 at 2-3. Pursuant to 35 U.S.C. § 314(a), Patent Owner respectfully requests that the Board deny institution of a trial with respect to all claims of United States Patent No. 9,045,101 (“‘101 Patent”).

“The Director may not authorize an *inter partes* review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 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). Here, the *Fintiv* factors favor denial of institution under 35 U.S.C. § 314(a).

A. STATEMENT OF RELIEF REQUESTED

Pursuant to 35 U.S.C. § 314(a), Patent Owner respectfully requests that the Board deny institution of a trial with respect to all claims of the ‘101 Patent.

B. OVERVIEW OF THE ‘101 PATENT

The ‘101 Patent is “generally related to techniques for use in ensuring motor vehicle operation safety.” ‘101 Patent at 1:19-20. More specifically, it relates “to

systems and methods for monitoring and controlling vehicle usage by high-risk drivers.” *Id.* at 1:21-22. “A proprietary and centralized database comprising a software application can be accessed by an authorized user via a network utilizing a remote computer in order to configure a desired operating profile that matches requirements of the high-risk driver.” *Id.* at 2:24-28. The ‘101 Patent explains:

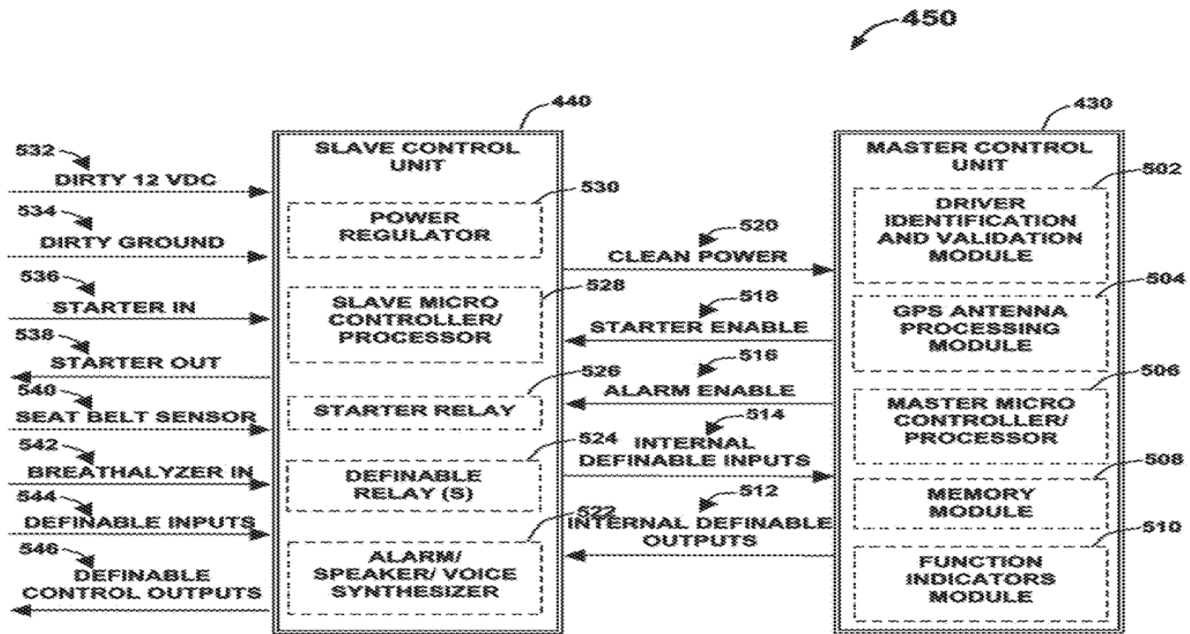
The operating profile can be loaded to a driver identification and data logging module in conjunction with the remote computer. A master control unit can receive a unique identification code from the data logging device to authenticate the high-risk driver and to operate the vehicle within the desired operating profile. A slave control unit receives commands from the master control unit and generates a real time alarm signal if the driver violates the preprogrammed operating profile unique to the driver. The alarm signal generated by the slave control unit can remain until the driver corrects the operating condition and brings the vehicle within the desired operating profile.

Id. at 2:28-39.

As detailed in the specification of the ‘101 Patent:

The system **450** generally includes a master control unit **430** and a slave control unit **440** that can be accessed and programmed via the software application module **260** stored in the proprietary and centralized database **370**.

Id. at 5:48-51.



Id. at Fig. 6.

C. LEVEL OF ORDINARY SKILL IN THE ART

“The person of ordinary skill in the art is a hypothetical person who is presumed to have known the relevant art at the time of the invention.” Manual of Patent Examining Procedure (“MPEP”) 2141.II.C. Factors that may be considered in determining the level of ordinary skill in the art may include: (1) type of problems encountered in the art; (2) prior art solutions to those problems; (3) rapidity with which innovations are made; (4) sophistication of the technology; and (5) educational level of active workers in the field. *In re GPAC*, 57 F.3d 1573, 1579 (Fed. Cir. 1995).

Petitioner asserts that “[a] POSITA at the time of the invention would have at least a bachelor’s degree in electrical engineering, computer engineering, computer

science, or similar disciplines, and at least two years of professional experience in the automotive industry with research, design, and/or development of automotive electrical and control systems or an equivalent level of skill knowledge, and experience...[t]he more education one has, the less experience needed to attain an ordinary level of skill...[s]imilarly, more experience in the field may serve as a substitute for formal education.” Paper 9 (Corrected Petition) at 5-6. Patent Owner does not take issue with Petitioner’s proposed definition of a person of ordinary skill in the art at this time but reserves the right to challenge Petitioner’s definition should it become necessary if a trial is instituted.

D. CLAIM CONSTRUCTION

In an *inter partes* review (“IPR”) filed on or after November 13, 2018, the Board construes claim terms based on their ordinary and customary meaning in accordance with *Phillips v. AWH Corporation*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc). The specification is the “best source for understanding a technical term,” to be supplemented, “as needed, by the prosecution history.” *Id.* at 1315.

Patent Owner does not believe any terms need to be construed at this time since this Preliminary Response is predicated on procedural considerations but reserves the right to present claim constructions for any and all terms of the ‘101 Patent should trial be instituted.

E. SUMMARY OF PATENT OWNER’S ARGUMENTS

Petitioner bears the burden of demonstrating a reasonable likelihood that it would prevail in showing unpatentability on the grounds asserted in the Petition. 37 C.F.R. § 42.108(c). While it is not required to file a preliminary response, Patent Owner takes this opportunity to explain the reasons the Board should not institute trial. 37 C.F.R. § 42.107(a).

Due to the proximity of the institution decision, and ultimately any final written decision, to the likely disposition of the parallel litigation, investment in the parallel litigation, overlap of validity issues in the parallel litigation and unlikelihood of a stay pending IPR in the litigation, the Board should exercise its discretion under the *Fintiv* factors to deny institution.

Patent Owner does not attempt to fully address the myriad of other deficiencies of the underdeveloped grounds asserted in the Petition. *See Travelocity.com L.P. et al. v. Cronos Technologies, LLC*, CBM 2014-00082, Paper 12 at 10 (PTAB Oct. 16, 2014) (“nothing may be gleaned from the Patent Owner’s challenge or failure to challenge the grounds of unpatentability for any particular reason”). However, the deficiencies addressed herein are dispositive and preclude trial on any asserted ground.

II. THE PTAB SHOULD EXERCISE ITS DISCRETION UNDER 35 U.S.C. § 314(A) TO DENY INSTITUTION

The Board regularly exercises its discretion to deny institution under 35 U.S.C. § 314(a) especially when related litigation has advanced to the point that an

IPR proceeding becomes an inefficient use of the Board's and parties' resources. For example, the Board has denied institution when a district court litigation involving the same prior art and arguments was nearing its final stages and trial was set to take place months before any final written decision would issue in an IPR proceeding on the same patent. *NHK Spring Co., Ltd. V. Intri-Plex Techs. Inc.*, IPR2018-00752, Paper 8 at 20 (PTAB Sept. 12, 2018) (precedential). The Board reasoned that “[a] trial before us on the same asserted prior art will not conclude until” after the district court trial and “[i]nstitution of an *inter partes* review under these circumstances would not be consistent with ‘an objective of the AIA...to provide an effective and efficient alternative to district court litigation.’” *Id.* at 20. As discussed herein, the same reasoning applies in this proceeding.

In *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) (precedential), the Board identified factors to be considered in determining whether to discretionarily deny institution of an IPR. These factors include: (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. *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) at 6.

A. THE LITIGATION INVOLVING THE ‘101 PATENT IS UNLIKELY TO BE STAYED

Petitioner Mercedes-Benz Group AG (“Mercedes”) filed this IPR and is also party to the pending Northern District of Georgia litigation (*Phelan Group, LLC v. Mercedes-Benz Group AG*, 1:25-cv-01399-SEG). To date, neither party to the pending Northern District of Georgia litigation has sought a stay nor indicated they would seek a stay pending the results of this IPR.

According to the Federal District Caseload Statistics, the median time to disposition in the Northern District of Georgia is five (5) months, and the median time to trial in the Northern District of Georgia is 30.8 months. Exhibit 2001 (Federal District Caseload Statistics, Table C-5 (December 2024)) at 2. The pending district court litigation was transferred to the Northern District of Georgia on February 14, 2025, meaning there is a reasonable likelihood of disposition of the case this calendar year according to the median statistics. While the median time to trial could potentially be later according to the statistics, it is worth noting how few cases reach that stage. Only 38 of 6,088 cases reached trial (around .6%) in the Northern District of Georgia during the time period considered in the Federal District Caseload Statistics. Exhibit 2001 (Federal District Caseload Statistics, Table C-5 (December 2024)) at 2. These factors create an extremely high degree of likelihood

that the district court litigation will be resolved far in advance of a final written decision in this IPR. This factor weighs in favor of denial of institution.

B. THE PROGRESSION OF THE LITIGATION WEIGHS HEAVILY IN FAVOR OF DENIAL

Mercedes was not diligent in filing this IPR. Phelan Group filed a complaint in the Eastern District of Texas (*Phelan Group, LLC v. Mercedes-Benz Group AG*, 2:23-cv-00607) on December 15, 2023. Exhibit 2002 (Summons) at 1. Rather than waive service, Mercedes's counsel, which was in possession of the Complaint, insisted on service through the Hague Convention, which was completed on May 13, 2024. Exhibit 2003 (Service) at 2. As a result of this delay, this litigation has progressed considerably during the sixteen (16) months since the filing of the complaint. A motion to dismiss has been fully briefed related to indirect infringement, willful infringement and pre-suit damages; two amended complaints have been filed; infringement contentions have been served; a contested consolidation has occurred with respect to the Eastern District of Texas litigations; initial disclosures have been exchanged, a schedule has been issued in the Eastern District of Texas litigations, and a motion to transfer venue to the Northern District of Georgia has been briefed (with extensive discovery conducted) and decided. Given the five (5) month median time to disposition in the Northern District of Georgia, the district court litigation is likely to conclude prior to a final written decision in this IPR. Consequently, this factor also weighs heavily in favor of denial

of institution because institution would be inconsistent with “an objective of the AIA...to provide an effective and efficient alternative to district court litigation.” *NHK*, Paper 8 at 20; *see also ZTE (USA) Inc. v. Fractus, S.A.*, IPR2018-01451, Paper 12 at 20 (PTAB Feb. 19, 2019) (institution denied where the district court proceeding “appeare[d] likely to conclude before the completion of an *inter partes* review of the contested [] claims.”).

C. THE DISTRICT COURT AND THE PARTIES HAVE INVESTED AND WILL CONTINUE TO INVEST A SIGNIFICANT AMOUNT OF RESOURCES

Petitioner argues that as of the date of filing of the Petition, “[t]he case is in the early stages: fact discovery is in infancy; no claim construction proceedings have taken place.” Paper 1 (Petition) at 79. However, which events have occurred as of the filing date of the Petition is not the proper inquiry to determine whether the Board should discretionarily deny institution of the IPR. Instead, the PTAB must consider how much work has been performed prior to an institution decision and how much work will be performed prior to a final written decision if the IPR is instituted. The parties to the litigation involving the ‘101 Patent have performed and will continue to perform a considerable amount of work in preparation for trial. The parties have already expended significant resources in preparation for trial as discussed in Section II.B *supra*.

Furthermore, before this IPR proceeding could be resolved in a final written

decision, many additional impactful deadlines will be reached in district court. Using the scheduling order from the Eastern District of Texas as a guide and assuming the Northern District of Georgia will issue a scheduling order in relatively short order with similar timing of deadlines, the following will likely occur prior to a final written decision in this IPR: service of invalidity contentions; filing of claim construction briefing; and completion of fact and expert discovery. Exhibit 2004 (Scheduling Order) at 3-7. Because institution of the IPR would be an inefficient use of Board and party resources, this factor also weighs in favor of denial of institution.

D. THE ISSUES RAISED IN THE PETITION WILL BE RESOLVED BY THE DISTRICT COURT LITIGATION

As is customary in patent litigation, Defendant Mercedes will also challenge the validity of the '101 Patent in the parallel district court proceeding. Consequently, there will likely be complete overlap between the prior art at issue in this proceeding and the prior art listed in the defendant's invalidity contentions in the district court.

Mercedes has also not offered a *Sotera* stipulation, indicating that if the Board institutes IPR of the challenged claims in this Petition, it will not pursue invalidity of the challenged claims in district court on the same grounds at issue in this Petition or any grounds that could have been raised in this Petition. Paper 1 (Petition) at 79.

Even if Mercedes filed a *Sotera* stipulation, it would still not cure the issues related to overlapping invalidity challenges in IPR and district court. Determining

what constitutes the same grounds used in the Petition or any grounds that could have been raised is a difficult question and subject to evolving precedent in the Federal Circuit. If defendant uses the same prior art references from this IPR at trial but includes another piece of prior art in combination with these references, the defendant might argue that constitutes a different ground of rejection that could not have been raised in the IPR. In particular, defendant could simply apply system art not eligible for IPR purposes to one trivial limitation and then apply the same prior art references from this IPR to the remaining limitations of the claims and assert that ground of rejection could not have been raised in IPR. This would create the potential for duplicative efforts and potentially conflicting decisions that the Board attempts to avoid through discretionary denial. This factor also weighs heavily in favor of denial of institution.

E. THE PETITIONER AND DEFENDANT IN THE PARALLEL DISTRICT COURT PROCEEDING ARE THE SAME

Patent Owner is the plaintiff, and Petitioner is the defendant in the parallel litigation in the Northern District of Georgia (*Phelan Group, LLC v. Mercedes-Benz Group AG*, 1:25-cv-01399-SEG). “[B]ecause the petitioner and the defendant in the parallel proceeding are the same party, this factor weighs in favor of discretionary denial.” *Samsung Elecs. Co. v. Clear Imaging Research, LLC*, IPR2020-01401, Paper 12 at 21-22 (P.T.A.B. Feb. 17, 2021) (quoting *Fintiv*, IPR2020-00019, Paper 15 at 15). This factor also weighs in favor of denying institution.

F. THE MERITS OF THE PETITION DO NOT OUTWEIGH THE OTHER *FINTIV* FACTORS

Patent Owner respectfully submits that the Petition does not present a compelling case on the merits. While Patent Owner reserves all rights to fully address the grounds of unpatentability should trial be instituted, the current record does not support a finding that the Petition’s merits outweigh the significant factors favoring discretionary denial under § 314(a). In such circumstances, the Board has found that it “need not decide whether the merits of Petitioner’s asserted grounds are particularly strong because it would not impact [the] ultimate determination under Section 314(a)” and “the merits do not outweigh the other *Fintiv* factors.” *NXP USA, Inc. v. Impinj, Inc.*, PGR2022-00552, Paper 18 at 12-13 (P.T.A.B. May 2, 2022) (finding that where factor 1 was neutral and factors 2-5 favored or slightly favored denial, factor 6 was neutral because it “would not impact [the] ultimate determination”); *Samsung Electronics Co., Ltd. v. Clear Imaging Research, LLC*, IPR2020-01401, Paper 12 at 23-25 (P.T.A.B. Feb. 17, 2021) (finding that where factors 1 and 4 slightly favored denial, factors 2 and 3 strongly favored denial, and factor 5 weighed in favor of denial, those factors outweighed any merits of the case considered in factor 6); *Apcon, Inc. v. Gigamon Inc.*, IPR2020-01579, Paper 9 at 26 (P.T.A.B. Mar. 16, 2021) (finding that the merits of the petitioner’s grounds do not outweigh the other factors in light of the strength of factor 2); *see also Fintiv*, IPR2020-00019, Paper 11 at 15 (“if the merits of the grounds raised in the petition

are a close[] call, then that fact has favored denying institution when other factors favoring denial are present”). In view of the Board’s analysis as reaffirmed in the USPTO’s March 2025 guidance, the merits do not tip the balance in favor of institution.

III. CONCLUSION

Patent Owner has shown that the above-captioned Petition should not be instituted pursuant to the *Fintiv* discretionary denial factors.

Date: April 28, 2025

Respectfully submitted,

/s/ Gregory S. Donahue

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CERTIFICATE OF WORD COUNT UNDER 37 C.F.R. § 42.24(b)(1)

I, the undersigned, do hereby certify that the foregoing Patent Owner Preliminary Response, including footnotes, contains 3,419 words, as measured by the Word Count function of Word 2007. This is less than the limit of 14,000 words as specified by 37 C.F.R. § 42.24(b)(1).

/s/ Gregory S. Donahue
Gregory S. Donahue

CERTIFICATE OF SERVICE

I hereby certify that on this 28th day of April 2025, a true and correct copy of the foregoing PATENT OWNER THE PHELAN GROUP LLC'S PRELIMINARY RESPONSE UNDER 37 C.F.R. § 42.107 was served by electronic mail upon the following counsel of record for Mercedes-Benz Group AG:

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