

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE OFFICE OF THE UNDER SECRETARY OF COMMERCE  
FOR INTELLECTUAL PROPERTY AND DIRECTOR OF THE  
UNITED STATES PATENT AND TRADEMARK OFFICE

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VOLVO PENTA OF THE AMERICAS, LLC,  
Petitioner,

v.

BRUNSWICK CORPORATION,  
Patent Owner.

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IPR2022-01366 (Patent 7,727,036 B1)  
IPR2022-01367 (Patent 10,324,468 B2)  
IPR2022-01368 (Patent 7,305,928 B2)  
IPR2022-01369 (Patent 10,095,232 B1)  
IPR2022-01424 (Patent 10,671,073 B2)

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Before KATHERINE K. VIDAL, *Under Secretary of Commerce for  
Intellectual Property and Director of the United States Patent and  
Trademark Office.*

DECISION ON DIRECTOR REVIEW  
Granting *Sua Sponte* Director Review,  
Vacating the Decisions Denying Institution, and  
Remanding to the Patent Trial and Appeal Board Panel  
for Further Proceedings

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## I. INTRODUCTION

On February 8, 2023, the Board issued Decisions denying institution of *inter partes* review (“Decision” or “Decisions”) in IPR2022-01366, IPR2022-01367, IPR2022-01368, and IPR2022-01369. Paper 12.<sup>1</sup> On February 16, 2023, the Board issued a Decision denying institution of *inter partes* review in IPR2022-01424. IPR2022-01424, Paper 12.

Prior to issuance of the Decisions, the United States District Court for the Eastern District of Virginia determined that claim 1 in each of the challenged patents was invalid as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Paper 12, 3 (citing Paper 1, 47; Paper 11, 1); Ex. 3001. In its Decision denying institution,<sup>2</sup> the Board explained that it lacked authority to institute trial on claim 1 because “[35 U.S.C.] § 311(b) provides that a petitioner in an IPR ‘may request to cancel as unpatentable 1 or more claims of a patent,’” and, “[w]hen given its ordinary meaning, § 311(b) provides that only claims that are in effect may be annulled.” Paper 12, 6–7 (alteration in original) (emphasis omitted from quotation of § 311(b)) (quoting *Uniloc 2017 LLC v. Hulu, LLC*, 966 F.3d 1295, 1304–1305 (Fed. Cir. 2020) (“*Uniloc*”). Although Patent Owner appealed the district court decision on December 7, 2022, and that appeal remains pending, the Board determined that claim 1 has been “finally adjudicated to

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<sup>1</sup> Unless otherwise noted, citations are to papers and exhibits in IPR2022-01366.

<sup>2</sup> The Board made similar determinations in each captioned proceeding. My reasoning and the determinations made in this Director review decision apply equally to all captioned proceedings.

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be invalid.” Paper 12, 6–7; Ex. 3003. Based on this determination, the Board concluded that it lacked the statutory authority to institute the requested IPR proceedings on claim 1. Dec. 6–9.

The Board further determined that the factor-based analysis provided by *Fintiv* for discretionary denial under 35 U.S.C. § 314(a) is “inapplicable to the circumstances presented here.” Paper 12, 11–13 (interpreting the USPTO Memorandum, Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation (“Guidance Memo”) (June 21, 2022)<sup>3</sup> as providing that the *Fintiv* factors apply “only where the related district court action is proceeding, i.e., ongoing, in parallel with an AIA proceeding”). Nonetheless, addressing principles of inefficiency and gamesmanship that underly *Fintiv*, the Board exercised discretion to deny institution of review in view of the district court decision. *Id.* at 13–14, 19 (citing *Fintiv*, Paper 11 at 6, 9).

Having reviewed the Decisions, the relevant papers, and the relevant exhibits of record in these proceedings, I determine that *sua sponte* Director review of the Board’s Decisions is appropriate. *See Interim process for Director review* § 8 (setting forth scope of Director review); § 10 (issues that may warrant Director review), § 22 (providing for *sua sponte* Director review of institution decisions in AIA proceedings and explaining that “the parties to the proceeding will be given notice” if Director review is initiated

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<sup>3</sup> Available at [www.uspto.gov/sites/default/files/documents/interim\\_proc\\_discretionary\\_denials\\_aia\\_parallel\\_district\\_court\\_litigation\\_memo\\_20220621\\_.pdf](http://www.uspto.gov/sites/default/files/documents/interim_proc_discretionary_denials_aia_parallel_district_court_litigation_memo_20220621_.pdf).

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*sua sponte*). Concurrent with this Order, the POP has dismissed the requests for rehearing and POP review. No additional briefing from the parties is authorized or necessary to resolve the issue presented here. *See Interim process for Director review* §§ 13, 22 (explaining that the Director may give the parties to the proceeding an opportunity for briefing if Director review is initiated *sua sponte*).

For the reasons discussed in further detail below, I respectfully disagree with the Board’s analysis of § 311(b) and with the Board’s determination that *Fintiv* does not apply based on the procedural posture of related district court action. Accordingly, I vacate the Board’s Decisions and remand to the Board to analyze *Fintiv* factors 1–5 in view of the parallel district court proceeding. *CommScope Techs. LLC. v. Dali Wireless, Inc.*, IPR2022-01242, Paper 23 (February 27, 2023) (precedential) (“*CommScope Techs.*”); *AviaGames, Inc. v. Skillz Platform, Inc.*, IPR2022-00530, Paper 14 (March 2, 2023).

On remand, if the Board determines that *Fintiv* factors 1–5 favor exercise of discretion to deny institution, the Board shall consider whether the record prior to institution demonstrates that the merits are compelling, consistent with the Guidance Memo and my precedential decisions in *OpenSky Industries, LLC v. VLSI Technology LLC*, IPR2021-01064, Paper 102, 49–50 (PTAB Oct. 4, 2022) (precedential) (“*OpenSky*”) and *CommScope Techs. CommScope Techs.*, Paper 23 at 6. If the Board reaches the compelling merits question and finds that the record prior to institution presented compelling merits, the Board will order institution; if the Board

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finds the record prior to institution does not rise to this high standard, the Board will exercise discretion to deny institution of *inter partes* review.

## II. ANALYSIS

### A. Analysis under 35 U.S.C. § 311(b)

I vacate the Board’s analysis of § 311(b). *See* Paper 12, 6–10. The Board’s analysis principally relies on its determination that claim 1 is “finally adjudicated to be invalid,” despite the pending Federal Circuit appeal of the district court’s decision. *Id.* at 6–7; Ex. 3003. In finding the district court’s invalidity determination to be a final adjudication, the Board appears to have borrowed from collateral estoppel principles. Paper 12, 7–8 (citing *Pharmacia & Upjohn Co. v. Mylan Pharma., Inc.*, 170 F.3d 1373, 1381 (Fed. Cir. 1999) (quoting *SSIH Equip. S.A. v. U.S. Int’l Trade Comm’n*, 718 F.2d 365, 370 (Fed. Cir. 1983) (“[T]he pendency of an appeal has no effect on the finality or binding effect of a trial court’s holding.”))). The equitable doctrine of collateral estoppel, “also known as issue preclusion, shields a defendant from having to litigate issues that have been fully and fairly tried in a previous action and decided adversely to a party.” *Pharmacia*, 170 F.3d at 1379. That equitable doctrine, and the principles discussed by the cited cases regarding its application to private parties in district court litigation, does not speak to the appropriate interpretation of § 311(b). Further, there is no allegation or determination that Petitioner Volvo Penta of the Americas, LLC should be collaterally estopped from

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pursuing these IPRs in light of the district court's § 101 rulings on claim 1 of the subject patents.

The Board further relied on *Uniloc* to determine that the Board lacks statutory authority to institute trial on claim 1 because, in the Board's view, the district court finally adjudicated claim 1 to be invalid. Paper 12, 6–8. However, *Uniloc* is inapposite. *Uniloc* addressed whether a proposed substitute claim was an existing claim that was subject to the limits of § 311(b), and did not interpret § 311(b) with respect to an issued claim determined to be invalid by a district court. *Uniloc*, 966 F.3d at 1305. Specifically, in *Uniloc*, the Federal Circuit held that “§ 311(b) provides that only claims that are in effect may be annulled,” and “[i]n the case of a substitute claim, there is no such prior ‘force, effectiveness, or validity.’” *Id.* In contrast to the substitute claims considered in *Uniloc*, however, claim 1 here remains in force pending resolution of Patent Owner's appeals. In other words, although the district court held claim 1 invalid in each of the challenged patents, these claims are subject to further judicial review and, therefore, are not finally adjudicated. Ex. 3003.

This determination is consistent with Office policy. For example, 37 C.F.R. § 42.80 requires that the Office issue a trial certificate only “[a]fter the Board issues a final written decision in an inter partes review . . . and the time for appeal has expired or any appeal has terminated.” *Id.* (emphasis added). Similarly, following the completion of an *ex parte* reexamination, the Office issues a certificate “when the time for appeal has expired or any appeal proceeding has terminated.” 35 U.S.C. § 307.

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Likewise, the Office will consider a reissue application or a request for reexamination *before* the Office issues a certificate canceling all claims or *before* the Federal Circuit issues its mandate in relation to a decision finding all claims invalid or unpatentable. 84 FR 16654 (April 22, 2019). In all cases, the Office action occurs only after the conclusion of any further judicial review. It is further consistent with existing policy on the proper application of *Fintiv* to claims subject to a non-final invalidity determination in district court proceedings, as discussed further below. *See, e.g., AviaGames*, Paper 14 at 3–4.

For these reasons, I do not agree that the Board lacks statutory authority under § 311(b) to institute an *inter partes* review of claim 1 in any of the captioned proceedings.<sup>4</sup> Accordingly, I vacate the Board’s analysis of § 311(b).

#### B. Analysis under 35 U.S.C. § 314(a)

In the Decision, the Board interpreted *Fintiv* to be “limited to [the] exercise of discretion in view of an ongoing parallel district court litigation

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<sup>4</sup> Further, the IPR petitions here sought review of more than just claim 1. *See, e.g.,* Dec. 4 (IPR2022-01366 sought review of claims 1–17 of the ’036 patent). Thus, even if the Board’s “statutory authority” holding was correct, it still would not preclude an IPR to address the unpatentability of those claims not subject to the district court’s invalidity determination. While the Board speculated regarding the possible application of collateral estoppel against Patent Owner Brunswick Corporation regarding future § 101 arguments for those other claims in district court (Dec. 17–18), it suffices to say that the issue was not before the Board and not germane to interpreting § 311(b).

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where a final judgment has not yet been entered.” Paper 12, 12 (citing Guidance Memo 1–2). Because the Board did not consider the district court litigation in this case to be ongoing during the pendency of the appeal, the Board did not apply *Fintiv*. *Id.* at 11–12. As discussed above, however, the claims remain subject to further judicial review during the appeal of the district court’s invalidity determination. Accordingly, I vacate the Board’s § 314(a) analysis and remand for the Board to determine whether to exercise discretion to deny institution based on the parallel proceeding under *Fintiv*.

*AviaGames* recognizes that a *Fintiv* analysis should be conducted in scenarios like this, where a district court has rendered a non-final invalidity determination that some or all of the claims challenged in an IPR petition are invalid, even on grounds that cannot be raised in that IPR. *See AviaGames*, Paper 14 at 3 (citing *Fintiv*, Paper 11 at 12–13).

On remand, the Board should evaluate *Fintiv* factors 1–5. If the Board determines that *Fintiv* factors 1–5 favor exercise of discretion to deny institution, the Board shall consider whether the merits are compelling, consistent with the Guidance Memo. Guidance Memo 4; *CommScope Tech.*, Paper 23 at 5. As instructed in the Guidance Memo, compelling meritorious challenges will proceed even if a district court litigation is proceeding in parallel. Guidance Memo 4.

Should trials be instituted here and the district court’s invalidity judgment of claim 1 be upheld on appeal, the Board may consider whether to continue or terminate the parallel IPR proceedings on the remaining claims based on Guidance and precedent existing at that time.



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### III. ORDER

Accordingly, based on the foregoing, it is:

ORDERED that a *sua sponte* Director review of the Board's Decision denying institution in each proceeding is initiated; and

FURTHER ORDERED that the Board's Decision denying institution in each proceeding is vacated; and

FURTHER ORDERED that this matter is remanded to the Board for further proceedings consistent with this Decision.

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