



UNITED STATES PATENT AND TRADEMARK OFFICE

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

COMMSCOPE TECHNOLOGIES LLC,
Petitioner,

v.

DALI WIRELESS, INC.,
Patent Owner.

IPR2022-01242
Patent 11,026,232 B2

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

DECISION

Ordering Rehearing, Vacating the Decision on Institution, and Remanding to
the Patent Trial and Appeal Board Panel for Further Proceedings

I. INTRODUCTION

On February 7, 2023, the Patent Trial and Appeal Board (“PTAB” or “Board”) issued a Decision Granting Institution of *Inter Partes* Review. Paper 21 (“Decision” or “Dec.”). As is relevant to this Order, the Board declined to exercise its discretion to deny institution under 35 U.S.C. § 314(a), in view of *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) (precedential) (“*Fintiv*”) and the USPTO Memorandum, Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation (“Guidance Memo”) (June 21, 2022).¹ Dec. 49–50. In its Decision, the Board explained that it declined to exercise its delegated discretion under 35 U.S.C. § 314(a) because Petitioner presented compelling unpatentability challenges. *Id.* (citing Guidance Memo 4; *OpenSky Indus., LLC v. VLSI Tech. LLC*, IPR2021-01064, Paper 102, 49–50 (PTAB Oct. 4, 2022) (precedential) (“*OpenSky*”).

I have considered the Board’s Decision and I initiate *sua sponte* Director review of that Decision to address the Board’s conclusion that the Petition presented a compelling, meritorious challenge. *See Interim process for Director review* §§ 13, 22 (providing for *sua sponte* Director review and explaining that “the parties to the proceeding will be given notice” if Director review is initiated *sua sponte*).²

¹ Available at https://www.uspto.gov/sites/default/files/documents/interim_proc_discretionary_denials_aia_parallel_district_court_litigation_memo_20220621_.pdf.

² Available at <https://www.uspto.gov/patents/patent-trial-and-appeal-board/interim-process-director-review>.

II. DISCUSSION

As explained in the Guidance Memo, the AIA’s post-grant proceedings “improve and ensure patent quality by providing ‘quick and cost-effective alternatives to litigation’ for challenging issued patents.” Guidance Memo 3. To achieve this goal, the Guidance Memo makes clear that where the Board “determines that the information presented at the institution stage presents a compelling unpatentability challenge, that determination alone demonstrates that the PTAB should not discretionarily deny institution under *Fintiv*.” Guidance Memo at 4–5; *see Fintiv* at 5–6 (articulating nonexclusive factors the PTAB considers in determining whether to institute an AIA proceeding when there is parallel district court litigation). As such, when determining whether there is a compelling unpatentability challenge, the Board evaluates whether the Petition presents challenges “in which the evidence, if unrebutted in trial, would plainly lead to a conclusion that one or more claims are unpatentable by a preponderance of the evidence.” Guidance Memo at 4.

As the Guidance Memo and my precedential decision in *OpenSky* make clear, the compelling merits standard is a higher standard than the standard for institution set by statute.³ *Id.* at 4–5; *OpenSky* at 49. As I stated in *OpenSky*, “[a] challenge can only ‘plainly lead to a conclusion that one or

³ *See* 35 U.S.C. § 314(a) (2018) (authorizing institution of an IPR only 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”); § 324(a) (authorizing institution of a PGR, including a CBM, only when “the information presented in the petition . . . , if such information is not rebutted, would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable”).

more claims are unpatentable' if it is highly likely that the petitioner would prevail with respect to at least one challenged claim.” *OpenSky* at 49 (also recognizing that a determination of compelling merits does not dictate the ultimate conclusion after trial, during which additional evidence may be adduced). Importantly, I also instructed that “the Board *shall* provide its reasoning in determining whether the merits are compelling.” *Id.* at 50 (emphasis added).

The compelling merits test seeks to strike a balance among the competing concerns of avoiding potentially conflicting outcomes, avoiding wasteful parallel proceedings, protecting against patent owner harassment, and strengthening the patent system by allowing the review of patents challenged with a sufficiently strong initial merits showing of unpatentability. The patent system and the public benefit from instituting challenges where there is a showing of unpatentability by compelling merits, but it is only a finding under this higher standard that would compel the Board to review claims for the public benefit when other considerations favor discretionary denial.

In this case, the Board assessed compelling merits without first determining that the other *Fintiv* factors favor discretionary denial. My Guidance Memo (Guidance Memo at 5) states that “the PTAB will not deny institution based on *Fintiv* if there is compelling evidence of unpatentability.” Although I now recognize that this instruction could be read to allow for a compelling merits determination as a substitute for a *Fintiv* analysis, that was not my intent. By that instruction, I intended for PTAB panels to only consider compelling merits if they first determined that *Fintiv* factors 1–5 favored a discretionary denial. Thus, in circumstances

where the Board determines that the other *Fintiv* factors 1–5 do not favor discretionary denial, the Board shall decline to discretionarily deny under *Fintiv* without reaching the compelling merits analysis. In circumstances where, however, the Board’s analysis of *Fintiv* factors 1–5 favors denial of institution, the Board shall then assess compelling merits. In doing so, the Board must provide reasoning sufficient to allow the parties to challenge that finding and sufficient to allow for review of the Board’s decision.

As to the Board’s compelling merits reasoning, I determine that the Board did not provide sufficient reasoning to support its conclusion that the merits are compelling. The Board concludes that “Petitioner presents compelling unpatentability challenges,” and points to its analysis under the lower § 314 institution standard. Dec. 49 (citing §§ II and III); *see also id.* at 7–48 (Sections II and III, discussing level of skill in the art, claim construction, and the merits of the obviousness grounds presented in the Petition without reference to the higher standard required for compelling merits); *id.* at 2 (“We have authority to institute an *inter partes* review under 35 U.S.C. § 314 if ‘there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.’”).

Although the Board finds “that the evidence, if unrebutted in trial, demonstrates that ‘it is highly likely that the [P]etitioner would prevail with respect to at least one challenged claim,’” the Board does not provide sufficient analysis explaining why or how it reached this conclusion. *Id.* at 49 (citing §§ II and III). Merely pointing to its analysis under the lower institution standard is insufficient to demonstrate that the Petition presents a compelling unpatentability challenge. As I note above, to find compelling merits, the Board must provide reasoning to explain and support its

determination as to compelling merits sufficient to allow the parties to challenge that finding and sufficient to allow for review of that decision. *See, e.g., OpenSky Indus., LLC v. VLSI Tech. LLC*, IPR2021-01064, Paper 107 at 4–11 (PTAB Oct. 14, 2022) (providing a compelling merits analysis with sufficient reasoning); *Patent Quality Assurance, LLC v. VLSI Tech.*, IPR2021-01229, Paper 102 at 59–63 (Decision of Director) (Dec. 22, 2022) (same).

Accordingly, I vacate the Board’s Decision and remand this proceeding to the Board to revisit its *Fintiv* analysis in view of this Decision. The Board should first assess *Fintiv* factors 1–5; if that analysis supports discretionary denial, the Board should engage the compelling merits question. If the Board reaches the compelling merits analysis and finds compelling merits, it shall provide reasoning to explain its determination. By issuing this Order, I express no opinion on whether the Board need reach the compelling merits analysis, nor whether the record as it existed before institution meets the compelling merits standard; I leave these case-specific issues to the sound discretion of the Board.

No additional briefing from the parties is authorized. *See Interim process for Director review* § 13 (explaining that the Director may give the parties an opportunity for briefing if Director review is initiated *sua sponte*).

III. ORDER

Accordingly, based on the foregoing, it is:

ORDERED that *sua sponte* Director review of the Board’s Decision Granting Institution is initiated;

FURTHER ORDERED that the Decision Granting Institution of *Inter Partes* Review (Paper 21) is *vacated*; and

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FURTHER ORDERED that the case is remanded to the panel for further proceedings consistent with this Decision within 3 weeks.

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