

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Sand Revolution II, LLC
Petitioner

v.

Continental Intermodal Group-Trucking LLC
Patent Owner

Case IPR2019-01393
Patent 8,944,740

SUPPLEMENTAL BRIEF

Respectfully submitted,
LATHROP GPM LLP

/Anna M. Quinn/

Anna M. Quinn, Reg. No. 72,744
A. Justin Poplin, Reg. No. 53,476
2345 Grand Blvd., Ste. 2400
Kansas City, Missouri 64108
Phone: 913-451-5100

TABLE OF CONTENTS

	Page
I. INTRODUCTION	1
II. ARGUMENT.....	2
A. There is very little potential for a district court stay.	2
B. The district court’s trial date is months before any final decision.....	6
C. The district court’s and parties’ investment in the parallel litigation is substantial.....	7
D. This proceeding and the parallel litigation involve common issues.....	8
E. Petitioner is a defendant in the parallel action.	8
F. No other circumstances warrant upsetting the Denial Decision.	8
III. CONCLUSION.....	10

TABLE OF AUTHORITIES

	Page(s)
Cases	
<i>Apple, Inc. v. Fintiv, Inc.</i> , IPR2020-00019, Paper 11 (P.T.A.B. Mar. 20, 2020).....	<i>passim</i>
<i>Arthrex, Inc. v. Smith & Nephew, Inc.</i> , 941 F.3d 1320 (Fed. Cir. 2019)	8
<i>E-One, Inc. v. Oshkosh Corp.</i> , IPR2019-00161, Paper 16 (P.T.A.B. May 15, 2019)	8, 10
<i>Ford Motor Co. v. Mass. Inst. of Tech.</i> , IPR2020-00012, Paper 10 (P.T.A.B. Mar. 26, 2020).....	2, 10
<i>General Plastic Industrial Co. v. Canon Kabushiki Kaisha</i> , IPR2016-01357, Paper 19 (P.T.A.B. Sept. 6, 2017).....	10
<i>Intuitive Surgical, Inc. v. Ethicon LLC</i> , IPR2018-01703, Paper 7 (P.T.A.B. Feb. 19, 2019).....	9
<i>Motion Games, LLC v. Nintendo Co.</i> , 2014 WL 11678661 (E.D. Tex. Sept. 23, 2014).....	4, 5
<i>Multimedia Content Mgmt. v. Dish Network</i> , No. 6:18-cv-00201 (W.D. Tex. May 30, 2019) (Ex. 2024).....	5
<i>MV3 Partners, LLC v. Roku, LLC</i> , No. 18-cv-308 (W.D. Tex. July 19, 2019) (Ex. 2023).....	5
<i>Nat’l Oilwell Varco, L.P. v. Omron Oilfield & Marine, Inc.</i> , 2013 WL 6097571 (W.D. Tex. June 10, 2013)	4
<i>NHK Spring Co., Ltd. v. Intri-Plex Techs., Inc.</i> , IPR2018-00752, Paper 8 (P.T.A.B. Sept. 12, 2018).....	<i>passim</i>
<i>Precision Planting, LLC v. Deere & Co.</i> , IPR2019-01044, Paper 17 (P.T.A.B. Dec. 2, 2019)	8
<i>Signal IP, Inc. v. Volkswagen Grp. of Am., Inc.</i> , 2015 WL 5764831 (C.D. Cal. May 26, 2015).....	2

TC Heartland LLC v. Kraft Foods Grp. Brands LLC,
137 S. Ct. 1514 (2017).....10

Telemac Corp. v. Teledigital, Inc.,
450 F. Supp. 2d 1107 (N.D. Cal. 2006).....5

Universal Elecs., Inc. v. Universal Remote Control, Inc., 943 F. Supp.
2d 1028, 1030–31 (C.D. Cal. 2013).....4

Statutes

35 U.S.C. § 314(a)1, 9, 10

35 U.S.C. § 315(b)9

Other Authorities

PTAB Standard Operating Procedure 2.....9

PTAB Consolidated Trial Practice Guide (Nov. 2019).....10

I. INTRODUCTION

Patent Owner Continental Intermodal Group-Trucking LLC (“CIG”) respectfully submits this supplemental brief pursuant to the Board’s April 7, 2020 Order (Paper 19), directing the parties to address the application of six factors relating to discretionary denial under *NHK Spring Co., Ltd. v. Intri-Plex Techs., Inc.*, IPR2018-00752, Paper 8 (P.T.A.B. Sept. 12, 2018) (precedential).

For the reasons explained in CIG’s preliminary response (Paper 8), and elaborated upon below, every single factor supports discretionary denial. This proceeding involves the same parties, same patent, same claims, same invalidity references, and nearly identical invalidity arguments as the parallel district court action. The district court trial is scheduled to occur on November 9, 2020, at least five months before any final written decision by the Board.

Moreover, due to the advanced stage of the district court action, the parties and the district court have expended significant resources in that forum. The district court issued its *Markman* order ten months ago—rejecting the same claim constructions advanced by Petitioner here, and rejected again in the Board’s February 5, 2020 decision denying review (Paper 12) (“Denial Decision”). And in the past eighteen months, CIG has served initial and final infringement contentions, Petitioner has served initial and final invalidity contentions (and multiple sets of amended contentions), the parties have engaged in extensive written discovery and third-party discovery, produced over 30,000 documents, taken eight fact depositions, and prepared opening expert reports.

The Board therefore did *not* abuse its discretion in denying review under 35

U.S.C. § 314(a). The Board’s denial rightly conserves the Board’s finite resources and promotes efficiency and fairness. To disturb that Order would burden the Office’s already limited resources, and would be contrary to Congress’s intent to “establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.” *Ford Motor Co. v. Mass. Inst. of Tech.*, IPR2020-00012, Paper 10 at 20 (P.T.A.B. Mar. 26, 2020) (quotation omitted).

II. ARGUMENT

All of the *NHK* factors support discretionary denial, as detailed below.

A. There is very little potential for a district court stay.

Petitioner asserts that courts “frequently stay proceedings before them when the Board institutes IPR review,” but it is speculation to assume that the district court would grant a stay here. In fact, given the advanced stage of the litigation, a stay is very unlikely, which is perhaps why Petitioner has not sought a stay.

The district court action commenced in August 2018—a year and eighth months ago, which is *more* than “an amount of time that courts have considered indicative of an advanced stage in the proceedings that weighs against entry of a stay.” *Signal IP, Inc. v. Volkswagen Grp. of Am., Inc.*, 2015 WL 5764831, at *3 (C.D. Cal. May 26, 2015) (denying stay in case pending “for over a year”) (citing cases); Ex. 2009.¹ Moreover, CIG sent notices of infringement even earlier, in April, May, and June 2018. Exs. 2010–2012.

¹ A list of CIG’s exhibits is provided as Exhibit 2008, per Rule 42.63(e).

The parties and the district court have expended significant effort and resources during the nearly two-year pendency of the district court action. The parties briefed Petitioner’s motion to dismiss in September and October 2018, and the court denied that motion in April 2019. Ex. 2009. The parties served initial infringement and invalidity contentions in November and December 2018, respectively. Exs. 2013–2014. CIG filed a motion to compel Petitioner to sufficiently identify its invalidity contentions and bases on April 5, 2019, and in response Petitioner served amended initial invalidity contentions on April 19, 2019. Exs. 2009, 2015. The parties completed *Markman* briefing in April 2019, and in June 2019 the district court held a *Markman* hearing and issued a *Markman* order construing the claims at issue—the same claims at issue in this proceeding. Ex. 1011. Since then, the parties have exchanged final infringement and invalidity contentions, and have twice briefed motions by Petitioner to serve amended final invalidity contentions—one of which remains pending. Exs. 2005–2006, 2009, 2016.

In addition, since October 2018, the parties have served and responded to eight sets of interrogatories, nine sets of requests for production, and two sets of requests for admission, and have served dozens of third-party subpoenas for documents and deposition testimony. Exs. 2017–2019. And they have produced (and reviewed) more than 30,000 documents, taken eight fact depositions, and prepared opening expert reports. Ex. 2020.

Further, although the district court recently extended the case schedule (discussed in Section II.B, *infra*), the bulk of fact discovery had already been

completed, with only a handful of fact depositions remaining. And as the schedule currently stands, fact discovery will conclude on May 1, 2020, expert discovery will conclude on July 17, 2020, dispositive motions will be fully briefed by September 25, 2020, and trial will begin on November 9, 2020. Ex. 2021.

If the Office were to grant Petitioner’s Request for Rehearing, and institute review, a final written decision would not be expected to issue until April 2021 at the earliest—five months after trial in the district court action. And that is assuming that the Office issues a decision on Petitioner’s Request within the next two weeks. In all likelihood, this proceeding will not be resolved until May or even June 2021—six or seven months after trial in the parallel action—without taking into account any extensions of the Office’s statutory deadline.

District courts routinely deny stays in cases as advanced, or even less advanced, than the district court action here—particularly where, as here, claim construction is complete. *See, e.g., Motion Games, LLC v. Nintendo Co.*, 2014 WL 11678661, at *3 (E.D. Tex. Sept. 23, 2014) (denying stay, even though IPR had been instituted, where case was twenty months old, court had held *Markman* hearing, and trial was scheduled for one year later), *adopted*, 2014 WL 11709443 (E.D. Tex. Oct. 30, 2014); *Nat’l Oilwell Varco, L.P. v. Omron Oilfield & Marine, Inc.*, 2013 WL 6097571, at *1 (W.D. Tex. June 10, 2013) (denying stay pending IPR during *Markman* briefing because “[i]t would be a waste of judicial resources to stay the case now, when the matter is so close to issuance of a *Markman* order” (citing *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, 943 F. Supp. 2d 1028, 1030–31 (C.D. Cal. 2013))).

Such courts recognize that a patent owner has “an interest in the timely enforcement of its patent rights,” and that staying litigation is unfairly prejudicial to the extent it delays a patent owner’s opportunity to enforce its patent rights against competitors. *Motion Games*, 2014 WL 11678661, at *3; *Universal*, 943 F. Supp. 2d at 1033–34. Given that the district court trial is set to occur months in advance of any final decision here, a stay would undoubtedly prejudice CIG’s interest in timely enforcement. *Id.*

A stay is also unlikely to significantly simplify the issues in dispute, given that the district court is already familiar with the ‘740 Patent and already construed the claims at issue. *See, e.g., Telemac Corp. v. Teledigital, Inc.*, 450 F. Supp. 2d 1107, 1111 (N.D. Cal. 2006) (denying stay pending reexamination where court was “already familiar with some of Telemac’s patents”).

A stay is made even less likely given that Judge Alan Albright—who presides over the district court action—generally does not stay litigation in favor of PTAB proceedings, based on patentees’ “constitutional right to assert their patent.” Ex. 2022. Indeed, Judge Albright has denied motions to stay under circumstances similar to those here. *See, e.g., MV3 Partners, LLC v. Roku, LLC*, No. 18-cv-308 (W.D. Tex. July 19, 2019) (denying stay at *Markman* hearing, *after* IPR had been instituted) (Ex. 2023); *Multimedia Content Mgmt. v. Dish Network*, No. 6:18-cv-00201 (W.D. Tex. May 30, 2019) (denying stay one month after *Markman* hearing) (Ex. 2024). In one such case, Judge Albright noted that the defendant’s nine-month delay in filing its IPR petition was “a factor” in the denial. Ex. 2024 at 3. Here, Petitioner waited *eleven* months to file its Petition—after it had served

initial and amended invalidity contentions, after the court had construed the claims, and after a trial date had been set. This factor weighs heavily in favor of discretionary denial.

B. The district court’s trial date is months before any final decision.

As shown above, the district court trial is scheduled to occur on November 9, 2020, at least five months (and more realistically six to seven months) before any final decision from the Board would be due. “If the 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 under *NHK*.” *Apple, Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 at 9 (P.T.A.B. Mar. 20, 2020).

That the district court schedule, including the trial date, has twice been extended since the Denial Decision does not warrant departure from this general rule. First and foremost, as shown above, the proximity of the district court trial to the Board’s statutory deadline—five months—remains unchanged since the Denial Decision.

Second, *Petitioner* initially proposed these extensions, first to accommodate “client and attorney schedules” and then to “postpone attorney and witness travel for depositions” in light of the COVID-19 pandemic. Exs. 2025–2026. *Petitioner’s* proposals to extend the district court schedule should not afford it grounds for reconsideration of the Denial Decision, and CIG should not be prejudiced by accommodating these proposals. Granting *Petitioner’s* Request for Rehearing on this basis would incentivize petitioners unhappy with a denial of institution to simply manufacture grounds for reconsideration by forcing some delay in parallel

litigation. Requests for rehearing should not be mechanisms for such gamesmanship and opportunism, nor should they afford litigants an opportunity to simply “update” arguments that were already unsuccessful.

Third, there is no reason to believe that the COVID-19 pandemic will further delay trial, let alone by more than five months. Trials set on or after May 1, 2020 have not been continued, and Judge Albright has made clear he will not continue hearings but rather will hold them telephonically. Ex. 2027. Judge Albright has also announced that he is “pretty certain” that a trial scheduled in another patent case before him “is going to go forward” in July 2020. Ex. 2022. This factor, too, favors discretionary denial.

C. The district court’s and parties’ investment in the parallel litigation is substantial.

As shown above, the district court issued its *Markman* order ten months ago, which alone “indicate[s] that the court and parties have invested sufficient time in the parallel proceeding to favor denial.” *Apple*, Paper 11, at 10. In addition, the parties have exchanged initial and final infringement and invalidity contentions; briefed motions relating to Petitioner’s amended invalidity contentions; engaged in extensive written and document discovery, and third-party discovery; taken eight fact depositions; and prepared opening expert reports. Moreover, Petitioner did not file its Petition expeditiously, but “wait[ed] until the district court trial ha[d] progressed significantly,” thereby imposing “unfair costs” on CIG. *Id.* at 11. This factor favors discretionary denial, as well.

D. This proceeding and the parallel litigation involve common issues.

As shown in CIG’s preliminary response, and just as in *NHK*, this proceeding involves the same patent, same claims, same invalidity references, and nearly identical invalidity arguments as the district court action. And the terms Petitioner proposes for construction here have been construed by the district court. Thus, as the Denial Decision recognized, “[t]he issues, evidence, and argument presented in the Petition essentially duplicate what has been and continues to be litigated in the Parallel District Court Case.” *E-One, Inc. v. Oshkosh Corp.*, IPR2019-00161, Paper 16 at 7 (P.T.A.B. May 15, 2019); *see Apple*, Paper 11, at 12; Denial Decision at 17–18. This factor also favors discretionary denial.

E. Petitioner is a defendant in the parallel action.

This factor unquestionably supports discretionary denial because Petitioner is also a defendant in the district court action.

F. No other circumstances warrant upsetting the Denial Decision.

Petitioner’s Request for Rehearing does not address the *NHK* factors, but rather argues that *NHK* was “wrongly decided” and that discretionary denial cannot be based solely on parallel litigation. These arguments cannot properly be considered here. *NHK* is a precedential Board decision, as of May 7, 2019, and therefore is “binding on all future panels of the Board.”² *Arthrex, Inc. v. Smith &*

² Notably, Petitioner cites only one Board decision dated after *NHK* was designated as precedential—*Precision Planting, LLC v. Deere & Co.*, IPR2019-01044, Paper 17 (P.T.A.B. Dec. 2, 2019). And in one decision cited by Petitioner,

Nephew, Inc., 941 F.3d 1320, 1330 (Fed. Cir. 2019); *see also* PTAB Standard Operating Procedure 2, at 11. Authority lies exclusively with the Precedential Opinion Panel to consider these arguments, and that Panel has declined review (Paper 18). The Office should therefore decline to consider these arguments.

Yet even if the Office were to consider these arguments, they are meritless. First, Petitioner’s argument that discretionary denial in view of parallel litigation negates the one-year filing period under 35 U.S.C. § 315(b) ignores that discretionary denial under § 314(a) *necessarily* means denial of a timely-filed petition, based on a “balanced assessment of all relevant circumstances of the case”—i.e., the *NHK* Factors. *Apple*, Paper 11, at 5. Petitioner’s argument focuses myopically on one factor—factor two, relating to the timing of trial relative to the timing of a final written decision—while ignoring all others.

Second, Petitioner erroneously assumes that discretionary denial based on parallel litigation equates to denial on “grounds that are entirely outside of a petitioner’s control.” On the contrary, each of the *NHK* factors turn on developments that are at least partially within the petitioner’s control—e.g., the timing of the petition, investment in the parallel litigation, and overlap in issues.

the panel suggested that its decision might have been different had it been obliged to follow *NHK* as binding authority, but at that time *NHK* “ha[d] not been designated as either precedential or informative under Patent Trial and Appeal Board Standard Operating Procedure 2.” *Intuitive Surgical, Inc. v. Ethicon LLC*, IPR2018-01703, Paper 7 at 12 n.7 (P.T.A.B. Feb. 19, 2019).

Third, Petitioner’s argument that *NHK* encourages forum shopping is misplaced in light of *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514 (2017), which limits proper venue to the defendant’s place of incorporation or regular and established place of business. Petitioner admits that it is a Texas limited liability company with its principal place of business in Midland, Texas, and therefore also admits that venue is proper in the Western District of Texas. Exs. 2028 ¶¶ 2, 5; 2029 ¶¶ 2, 5.

Fourth, Petitioner is wrong in asserting that parallel litigation alone cannot be the basis for discretionary denial under § 314(a). The Board has rejected the notion that “the legislative history indicates an intent to limit discretion under § 314(a), such that it is subordinate to or encompassed by § 325(d).” *General Plastic Industrial Co. v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19 at 19 (P.T.A.B. Sept. 6, 2017) (precedential). And the Office has denied petitions under *NHK* even absent grounds under § 325(d). *Ford Motor*, Paper 10 at 19–23; *E-One*, Paper 16 at 4–9; *see also Apple*, Paper 11, at 3 n.2 (parallel litigation is “separate” basis from § 325(d)); PTAB Consolidated Trial Practice Guide at 58 (Nov. 2019) (parallel litigation is “other reason[.]” supporting discretionary denial). Accordingly, this factor favors discretionary denial, as well.

III. CONCLUSION

For the foregoing reasons, and for the additional reasons stated in CIG’s preliminary response, CIG requests that the Office deny Petitioner’s Request for Rehearing.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of CIG's supplemental brief, Exhibits 2008 through 2029, and Certificate of Service was served on Petitioner on April 13, 2020, by e-mailing a copy to the attorneys of record at the following addresses pursuant to Petitioner's consent to e-mail service.

James D. Stein (Reg. No. 63,782)
LEE & HAYES P.C.
james.stein@leehayes.com

Naveen Modi (Reg. No. 46,224)
Chetan R. Bansal (Ltd. Rec. No. L0667)
PAUL HASTINGS LLP
naveenmodi@paulhastings.com
chetanbansal@paulhastings.com

Armon B. Shahdadi (Reg. No. 70,728)
Ben D. Bailey (Reg. No. 60,539)
Brannon C. McKay (Reg. No. 57,491)
Leonard J. Weinstein (Reg. No. 69,562)
CLAYTON, MCKAY & BAILEY, PC
armon@cmlaw.com
ben@cmlaw.com
brannon@cmlaw.com
leonard@cmlaw.com

/Anna M. Quinn/
Anna M. Quinn, Reg. No. 72,744
LATHROP GPM LLP
2345 Grand Blvd., Suite 2400
Kansas City, Missouri 64108
(913) 451-5100
patent@lathropgpm.com