

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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Sand Revolution II, LLC  
Petitioner

v.

Continental Intermodal Group – Trucking LLC  
Patent Owner

IPR2019-01393  
U.S. Patent No. 8,944,740

MOBILE MATERIAL HANDLING AND METERING SYSTEM

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**PETITIONER'S SUPPLEMENTAL BRIEF**

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## LISTING OF EXHIBITS

Exhibit	Description
EX1001	U.S. Patent 8,944,740 (“the ’740 patent”)
EX1002	File history of the ’740 patent
EX1003	Declaration of Robert Schaaf
EX1004	<i>Curriculum Vitae</i> of Robert Schaaf
EX1005	U.S. Patent No. 5,718,556 to Forsyth (“Forsyth”)
EX1006	U.S. Patent No. 3,208,616 to Haskins (“Haskins”)
EX1007	U.S. Patent No. 2,753,979 to Blackman (“Blackman”)
EX1008	U.S. Patent No. 4,621,972 to Grotte (“Grotte”)
EX1009	Excerpt of <i>Merriam-Webster’s Collegiate Dictionary</i> , Eleventh Edition, Merriam-Webster, Inc. 2010.
EX1010	U.S. Department of Highway Administration Federal Size Regulations for Commercial Motor Vehicles (downloaded from <a href="https://ops.fhwa.dot.gov/FREIGHT/publications/size_regs_final_rpt/index.htm">https://ops.fhwa.dot.gov/FREIGHT/publications/size_regs_final_rpt/index.htm</a> )
EX1011	Markman Construction Order in <i>Continental Intermodal Group-Trucking LLC v. Sand Revolution LLC, Sand Revolution II LLC</i> , No. 7-18-cv-00147-ADA
EX1012	March 20, 2020 Order Amending Scheduling Order in <i>Continental Intermodal Group-Trucking LLC v. Sand Revolution LLC, Sand Revolution II LLC</i> , No. 7-18-cv-00147-ADA
EX1013	March 24, 2020 Amended Order Regarding Court Operations Under the Exigent Circumstances Created by the COVID-19 Pandemic, U.S. District Court for the Western District of Texas, General Order
EX1014	January 15, 2020 Defendants’ Updated Invalidity Contentions in <i>Continental Intermodal Group-Trucking LLC v. Sand Revolution LLC, Sand Revolution II LLC</i> , No. 7-18-cv-00147-ADA
EX1015	April 13, 2020 Email to Counsel for Patent Owner from Petitioner’s Counsel

Petitioner submits this Supplemental Brief pursuant to the Board's Order dated April 7, 2020 (Paper 19).

The six factors from *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (P.T.A.B. Mar. 20, 2020) favor institution here, but that is above and beyond the fundamental point that, under *NHK Spring Co. v. Intri-Plex Technologies, Inc.*, IPR2018-00752, Paper 8 (P.T.A.B. Sept. 12, 2018) (precedential), the advanced state of a district court proceeding cannot be the sole basis for discretionary denial. Instead, there must be a separate reason independently justifying a discretionary denial. *See NHK Spring* at 11-18, 20 (finding an independent basis under § 325(d)). Because the Board found no such independent basis here, *see* Paper 12 (Decision) at 15-18, *NHK Spring* cannot justify denying institution regardless of the *Apple* factors. *See, generally*, Papers 15, 17. And as explained below, the *Apple* factors also weigh in favor of institution.

Petitioner recognizes the Board's desire to minimize the duplication of work by two tribunals in resolving the same issue. *See, e.g., Intel Corp. v. VLSI Tech. LLC*, IPR2019-01192, Paper 15 at 11 (P.T.A.B. Jan. 9, 2020) ("When considering the impact of parallel litigation in a decision to institute, the Board seeks, among other things, to minimize the duplication of work by two tribunals to resolve the same issue.") (citing *NHK Spring* at 19-20). To avoid any potential duplication here, Petitioner has stipulated to counsel for Patent Owner that, if the IPR is instituted,

Petitioner will cease pursuing the IPR grounds in the district court litigation. *See* EX1015.

**1. Potential for a district court stay**

The potential for a stay exists in the parallel litigation, *Continental Intermodal Group – Trucking LLC v. Sand Revolution LLC*, Case No. 7:18-cv-00147-ADA (W.D. Tex.) because (1) a stay will not unduly prejudice Patent Owner, (2) the proceedings before the court have not reached an advanced stage, and (3) a stay will simplify the issues before the court. *See, e.g., NFC Tech. LLC v. HTC Am., Inc.*, No. 2:13-cv-1058-WCB, 2015 WL 1069111, at \*2 (E.D. Tex. Mar. 11, 2015).

Regarding the first factor, a stay will not unduly prejudice Patent Owner. For example, Patent Owner has not sought any time-sensitive determinations, such as a temporary restraining order or a preliminary injunction. Indeed, the parties have mutually agreed to extend the case schedule several times without either party experiencing prejudice. *See, e.g.,* EX2004, EX1012.

Regarding the second factor, the related litigation is not at an advanced stage. Fact discovery is ongoing, while expert discovery (including on the issue of validity) has yet to begin. *See* EX1012. Various discovery disputes still exist between the parties, including a motion pending before the district court. The litigation has not yet reached the summary judgment or pre-trial motions phases. *See id.* And as recognized by Judge DeFranco, the court's *Markman* order provided little to

substantively advance the case. Paper 12 at 16-21 (dissenting).

Regarding the third factor, Petitioner presents a strong, targeted challenge to all '740 patent claims asserted in the parallel litigation, as evidenced by Judge DeFranco's dissent finding that Petitioner showed a reasonable likelihood to prevail. *See id.* at 19-24. Resolving validity in the IPR would thus streamline the issues before the district court if a stay were granted. Additionally, a stay would pause all litigation activity outside the PTAB on the '740 patent because no other related proceedings exist, simplifying the overall litigation landscape for the parties.

Staying a litigation under the circumstances here is common practice and aligns with Congressional intent. *See IOENGINE, LLC v. PayPal Holdings, Inc.*, Nos. 18-452-WCB; 18-826-WCB, 2019 WL 3943058, at \*3-4 (D. Del. Aug. 21, 2019) ("Congress intended for district courts to be liberal in granting stays"; liberal stay policy applies to both IPR and CMB proceedings); 157 Cong. Rec. S1363 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer) (Congress intended to place "a very heavy thumb on the scale in favor of a stay being granted"); *NFC Tech.*, 2015 WL 1069111, at \*7 ("[A]fter the PTAB has instituted review proceedings, the parallel district court litigation ordinarily should be stayed."). Moreover, the district court handling the related litigation has demonstrated a willingness to stay cases under appropriate circumstances, even doing so *sua sponte* when needed. *See, e.g.*, Order Staying Cases, *Lighthouse Consulting Group, LLC v. Ally Financial Inc.*, No. 6:19-

cv-00592-ADA (W.D. Tex. Mar. 25, 2020), ECF No. 27 (staying *sua sponte* a group of related cases based on *Markman* schedule of related cases in a different court).

Regardless, Petitioner submits that a particular judge's or court's proclivity for granting stays pending an IPR should not guide this factor. This factor explores the legal potential, rather than likelihood, of the district court granting a stay. It would not be practical or efficient for the Board to delve into the mind of a particular district court judge to predict whether a stay will be granted in a particular case. Rather, it is enough that the Board consider whether a stay is legally available and whether any circumstances would prevent a stay from being granted. Here, a stay is available and no circumstances dictate denying one. That is enough to conclude that this factor weighs in favor of institution.

## **2. Proximity of the court's trial date**

No permanent trial date exists in any district court litigation—trial dates are constantly in flux. *NHK Spring* itself provides the perfect example. There, the Board's institution decision predicted that trial would occur six months prior to a final written decision, but that prediction turned out to be wrong. The court subsequently extended the trial date multiple times, pushing it from six months before the date for a final written decision to several months after it. *See* Stipulation and Order Amending Second Amended Case Management and Pretrial Order for Jury Trial, *Intri-Plex Techs., Inc. v. NHK Int'l Corp.*, No. 3:17-cv-01097 (N.D. Cal.

Aug. 7, 2019), ECF No. 254.

A similar situation is developing here in the parallel district court litigation. As the Board observed, the trial date in the parallel proceeding has moved from July 20, 2020 (or as available), to September 28, 2020 (or as available), and then to November 9, 2020 (or as available). *See* Paper 19 at 3. These “or as available” dates serve as placeholders proposed by the parties—the court must still squeeze this multi-day trial into its busy schedule. There is no guarantee the court’s eventual schedule will match the parties’ proposal. This is especially true given the recent popularity of Judge Albright’s court for patent plaintiffs, crowding the court’s docket. Additionally, these dates fail to capture potential damages proceedings and post-trial motions, which would push a final judgment even further out with no concrete deadline.

The pandemic unfolding across the country all but guarantees further extensions to come. For example, the Western District of Texas has cancelled “[a]ll settings in any civil or criminal matter currently scheduled before May 1, 2020,” pushing those cases later into 2020. *See* EX1013 (Amended Order Regarding Court Operations Under the Exigent Circumstances Created by the COVID-19 Pandemic). The parties in the parallel district court litigation have similarly postponed the more than 10 fact-witness depositions remaining, essentially bringing fact discovery to a standstill. Expert discovery has not started, and the deadline for summary judgement

motions remains months away. Should the Board instituted IPR in this case, there is little chance the parallel district court litigation would conclude before a final written decision. This factor therefore weighs in favor of institution.

But regardless of which proceeding appears to be leading the race, the inherent unpredictability of trial schedules—particularly during the early stages of a litigation—counsels against institution denials based on those schedules. No one can predict if and when a trial will actually occur, and it would be unfair and unjust for the Board to rely on speculation as the sole basis for denying an IPR.

**3. Investment in the parallel proceeding by the court and the parties**

Aside from a *Markman* hearing conducted early in the parallel district court litigation, the court has invested little time into considering the merits of any invalidity positions. As Judge DeFranco notes in his dissent, the district court issued a two-page *Markman* Order, stating that for each disputed claim term, “the proper construction . . . is the plain and ordinary meaning that a person of ordinary skill in the art would ascribe to it.” Paper 12 at 20 (citing EX1011) (DeFranco, APJ, dissenting). The district court did not elaborate further on what a skilled artisan would have understood of that “plain and ordinary meaning.” *See id.*

The Board’s Decision, on the other hand, analyzes and clarifies key terms of the challenged claims to focus the downstream proceeding. Paper 12 at 11-15. Further, at least Judge DeFraco has considered the merits of the Petition, noting in

dissent that “Petitioner demonstrates a reasonable likelihood of showing that claim 1 is unpatentable.” *Id.* at 24. Based on the competing records in this proceeding and the parallel proceeding, the Board’s investment in analyzing the scope and validity of the ’740 patent already far surpasses that of the district court. This investment should not be wasted based on a speculative, and thus far ephemeral, trial schedule. Accordingly, this factor favors institution.

**4. Overlap between issues in the petition and the parallel proceeding**

Petitioner’s district court invalidity contentions contain various prior-art references not at issue in the IPR, including several prior-art systems in use or on sale during the relevant time period. *See* EX1014 at 4-8. The overlap is therefore minimal. Furthermore, Petitioner has not yet narrowed its invalidity positions to only those to be tried in the district court. It is entirely possible that the IPR combinations will not be litigated in district court at all.

To eliminate any potential doubt as to overlap between the proceedings, Petitioner has stipulated to counsel for Patent Owner that, if the IPR is instituted, Petitioner will not pursue the same grounds in the district court litigation. *See* EX1015. As a result, no potential overlap exists, and this factor favors institution.

**5. Whether the petitioner and the defendant are the same party**

The parties are the same in the IPR and district court proceeding and are direct competitors in the oil and gas industry. Instituting IPR would therefore help resolve

a concrete, real-world dispute between practicing entities. This is not a scenario in which, for example, a third party files an IPR and the parties to the litigation have no direction or control over it. Accordingly, this factor favors institution.

**6. Other circumstances impacting the Board’s exercise of discretion, including the merits**

Additional circumstances strongly favor institution, as well. At a high level, discretionary denial based purely on the state of a parallel proceeding conflicts with the IPR statutory scheme and congressional intent, leads to inconsistent decision-making, encourages forum-shopping for infringement lawsuits, and significantly curtails the availability of IPRs as an alternative forum for challenging patent validity. *See* Paper 15 (Petitioner’s Request for Rehearing).

Further, *NHK Spring* does not justify denying institution solely because a parallel district court action could potentially resolve the invalidity disputes before a final decision by the Board. This would create a *per se* rule against institution based on a district court schedule, but the Board has itself recognized that “there is no *per se* rule against instituting an *inter partes* review when any Final Decision may issue after a district court has addressed the patentability of the same claims. Nor should there be.” *Intuitive Surgical, Inc. v. Ethicon LLC*, IPR2018-01703, Paper 7 at 11-12 (P.T.A.B. Feb. 19, 2019).

*NHK Spring* does not hold otherwise: “*NHK Spring* does not suggest, much

less hold, that *inter partes* review should be denied under § 314(a) solely because a district court is scheduled to consider the same validity issues before the *inter partes* review would be complete.” *Intuitive Surgical* at 13. Instead, *NHK Spring* held that while denial of institution was proper under another statutory basis (35 U.S.C. § 325(d) there), the advanced state of the district court litigation with similar invalidity disputes was an “additional” factor supporting denial. *NHK Spring* at 18-20. Here, by contrast, there is no such independent, underlying reason.

*NHK Spring* is further distinguishable for the reasons set forth in Judge DeFranco’s dissent. Unlike in *NHK Spring*, the ’740 patent would remain valid for “over a decade,” which calls for the use of “the Board’s unique expertise and resources to decide [its] validity.” Paper 12 at 19-20. The Board’s decision to construe relevant patent terms, and the comparatively advanced state of unpatentability challenges here versus in the district court further demonstrates that the IPR proceeding would be “a more efficient and effective alternative to district court litigation,” as intended. *Id.* at 20-22.

Finally, this factor contemplates considering the merits of the Petition. The Board’s only finding regarding the merits of the Petition is that “Petitioner demonstrates a reasonable likelihood of showing that claim 1 is unpatentable.” Paper 12 at 24 (DeFranco, APJ, dissenting). The majority’s decision did not contradict this finding. Nor did the Patent Owner’s Preliminary Response, which made no

substantive arguments on the merits of the Petition. *See* Paper 8. Petitioner submits that, in order to properly explore this factor, the rest of the panel should consider the merits of the Petition. If the Board agrees with Judge DeFranco that the Petition demonstrates a reasonable likelihood of showing that claim 1 is unpatentable, this finding should weigh heavily in favor of institution.

Therefore, the *Apple* factors weigh in favor of institution and *NHK Spring* does not justify a different result here. For the reasons discussed above and in Petitioner's Request for Rehearing, the Board should institute IPR.

Respectfully submitted,

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Dated: April 13, 2020

## CERTIFICATE OF SERVICE

I hereby certify that on April 13, 2020, I caused a true and correct copy of the foregoing **Petitioner's Supplemental Brief and Exhibits 1012, 1013, 1014, and 1015** to be served electronically on the Patent Owner at the following e-mail addresses:

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Dated: April 13, 2020

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