

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

CHEWY, INC.,
Petitioner,

v.

INTERNATIONAL BUSINESS MACHINES CORP.,
Patent Owner.

IPR2021-01198
Patent 6,704,034 B1

Before KEN B. BARRETT, KEVIN W. CHERRY, and
ARTHUR M. PESLAK, *Administrative Patent Judges*.

BARRETT, *Administrative Patent Judge*.

DECISION
Dismissal Prior to Institution of Trial
35 U.S.C. § 314

I. INTRODUCTION

A. Background and Summary

Chewy, Inc. (“Petitioner”) filed a Petition requesting *inter partes* review of U.S. Patent No. 6,704,034 B1 (“the ’034 patent,” Ex. 1001). Paper 1 (“Pet.”). International Business Machines Corp. (“Patent Owner”) waived filing a preliminary response. Paper 6. Petitioner requested permission to “file a Motion to Terminate this IPR with prejudice,” Patent Owner requested permission to file an opposition, and we authorized the filing of those papers. Ex. 3001. Subsequently, Petitioner filed the Motion to Terminate (Paper 7, “Mot. or “Motion”) and Patent Owner filed an Opposition (Paper 8, “Opp.” or “Opposition”). The Motion requests that we dismiss the Petition and terminate this case. Mot. 1. Petitioner also requests that the termination of this *inter partes* review be with prejudice. *Id.* at 5. Patent Owner opposes, arguing, *inter alia*, that the “Motion should be denied because granting the Motion would directly contradict the AIA’s goals of efficiency and ‘limit[ing] unnecessary and counterproductive litigation costs.’” Opp. 1 (quoting 77 Fed. Reg. 48680–01 (Aug. 14, 2012)). For the reasons that follow, grant the Motion.

As it currently stands and as we understand the situation, validity/patentability challenges are being made both in the District Court and at the Board, and infringement issues are before the District Court. *See* Mot. 2; Opp. 4 (Patent Owner referring to Petitioner’s invalidity contentions in the District Court action). According to Petitioner, its invalidity contentions and its expert report on invalidity will have been served on Patent Owner by now. *See* Mot. 5 (stating that the expert report was scheduled to be served by November 22, 2021). In June 2021, Petitioner filed in the District Court a stipulation stating that, if the Board institutes a

review, Petitioner would not pursue the specific grounds asserted in this *inter partes* review or any other ground that could have been raised.

Ex. 1007. Petitioner states that the District Court denied a motion to stay the case in view of an instituted *inter partes* review of a different patent.

Mot. 2–3. Petitioner also states that the District Court case will be ready for trial on February 7, 2022, which is less than three months from now. *See* Mot. 2–3; *see also* Opp. 1 (Patent Owner indicating that the trial is scheduled for early 2022).

Petitioner argues that “[t]ermination [of this case] would preserve the Board’s and the parties’ resources and would expeditiously resolve the validity issues concerning the ’034 patent, consistent with the goal of achieving a ‘just, speedy, and inexpensive resolution of every proceeding.’” Mot. 4 (quoting 37 C.F.R. § 42.1(b)). Petitioner further argues that this IPR is an early stage—prior to a decision on institution—in contrast to the District Court case, which is in its later stages and is scheduled to be ready for trial in less than four months. *Id.* Petitioner also notes that Patent Owner did not file a Preliminary Response. *Id.* Petitioner further argues that it will be prejudiced if we institute “as its prior art invalidity defenses would effectively be rendered moot” because, due to the stipulation and the advance stage of the District Court case, “any finding of the Board that the ’034 patent claims are invalid would come too late to be useful in the District Court case and thus cause Petitioner to effectively lose its prior art invalidity defense.” *Id.* at 4–5. Petitioner contends that Patent Owner will not be prejudiced by the dismissal of the Petition because “Patent Owner will be able to defend the validity of the ’034 patent [in the District Court] in a just and speedy manner.” *Id.* at 5.

Patent Owner opposes the requested termination, arguing that it will be prejudiced by the grant of the Motion because Patent Owner “invested significant resources in analyzing and identifying deficiencies in Chewy’s Petition,” and granting this Motion “would greatly expand the invalidity disputes” from those at the Board to those in the District Court, and “would demand even larger expenditures by requiring the parties to litigate the validity of the ’034 patent in the District Court proceeding.” Opp. 1, 4.

As to Patent Owner’s representation that it has invested significant resources in analyzing Petitioner’s challenges, we note that Patent Owner did not file a Preliminary Response, thus saving at least the expense of articulating to us that analysis. Also, to the extent that it contends its analysis constitutes wasted effort absent an institution of a trial here, Patent Owner does not explain why the results of any effort expended in evaluating patentability challenges at the Board will not apply equally to the validity challenges in the District Court.

As to the allegation that granting the motion would expand the invalidity disputes and increase expenditures by “requiring the parties to litigate the validity of the ’034 patent in the District Court proceeding” (Opp. 1), it appears that the parties already are litigating the referenced validity disputes in the District Court, and granting the motion would not expand those disputes and would not be the Board “requiring” the parties to begin litigating issues already being litigated. We also note that, as we understand the timeline, Patent Owner filed, in the District Court, its counterclaim asserting validity (filed in response to Petitioner’s complaint for declaratory judgment of non-infringement) prior to the filing of the Petition at the Board. *See* Mot. 2 (Representing that Patent Owner’s

counterclaim was filed April 19, 2021); Paper 3 (Notice that the Petition has been accorded a filing date of June 29, 2021). We acknowledge Patent's Owner's argument (Opp. 3) that Petitioner will not be prejudiced by addressing patentability in Petitioner's chosen forum (the PTAB), but determine that Patent Owner does not explain adequately how it will be prejudiced by addressing validity issues in Patent Owner's chosen forum (the District Court).

Patent Owner also argues that Petitioner has engaged in "gamesmanship" (Opp. 2) and, if we were to grant the motion, "it would provide a roadmap to future petitioners for how to abuse the IPR process and unfairly prejudice patent owners" (*id.* at 5). Patent Owner contends that,

For example, a petitioner could assert the same invalidity defense in district court litigation and an IPR, file a disingenuous *Sotera*-type stipulation, and then terminate the IPR before institution but after a patent owner has revealed its validity defenses in a POPR to avoid institution in favor of litigating the exact same validity issues in district court with the new information while avoiding the ramifications of its own stipulation.

Opp. 5. This hypothetical situation—involving alleged prejudice to other patent owners—is not before us at least because Patent Owner did not file a Preliminary Response in this case and, therefore, did not suffer any prejudice by "reveal[ing] its validity defenses in a POPR."

Both parties' allegations of prejudice relate to Petitioner's stipulation filed in the District Court. That stipulation is contingent upon the Board instituting an *inter partes* review. *See* Ex. 1007 ("to the extent that the Board institutes the IPR"). Petitioner's allegation of prejudice is based on the assumption that we will institute a review, thus satisfying the condition precedent for the stipulation. *See* Mot. 1–2. Patent Owner's

assertion of prejudice may be based on the assumption that, if the motion is denied as Patent Owner desires, we would institute a review and that, upon institution, all litigation regarding validity issues in the District Court would cease. *See* Opp. 1 (Parent Owner arguing that granting of the motion would “require[e] the parties to litigate the validity of the ’034 patent in the District Court proceeding.”). We have not determined, yet, whether it is appropriate to institute an *inter partes* review. Thus, occurrence of the contingency upon which the stipulation turns is speculative at this point. Further, how the District Court will treat that stipulation and whether any validity issues would remain in that forum should we institute also is speculative based on the record before us. Thus, to the extent that the parties’ asserted prejudice turns on these events, that prejudice also is speculative at this time.

As mentioned, this matter is in a preliminary stage and the Board has not yet determined whether to grant institution. The District Court case, however, is at a more advanced stage and approaching the status of being ready for trial, apparently on both infringement and validity issues. Thus, considerations of efficient and expeditious resolution of the parties’ disputes favors termination of the case at the Board. Also, we do not find persuasive Patent Owner’s implied argument that, should we institute a review, maintaining actions in two forums will be more efficient or result in lower litigation costs. Additionally, as Petitioner requests that the termination be with prejudice, grant of the motion will end Petitioner’s challenges to the ’034 patent in this forum.

We determine, based on the facts before us, that dismissing the Petition and terminating this case at this early juncture will promote efficiency and minimize unnecessary costs.

ORDER

It is

ORDERED that the Petitioner's motion to terminate IPR2021-01198 and dismiss the petition is *granted*;

FURTHER ORDERED that IPR2021-01198 is *terminated with prejudice*; and

FURTHER ORDERED that the Petition is *dismissed*.

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