

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

CLOUDFLARE, INC.,

Petitioner

v.

PACSEC3, LLC

Patent Owner

IPR2023-00544

U.S. Patent No. 7,523,497

JOINT MOTION TO TERMINATE *INTER PARTES* REVIEW

I. Introduction

Pursuant to 35 U.S.C. § 317(a) and 37 C.F.R. § 42.74(a), Petitioner Cloudflare, Inc. (“Cloudflare”) and Patent Owner PacSec3, LLC (“PacSec3”) (collectively, the “Parties”) jointly request termination of this *inter partes* review of U.S. Patent 7,523,497 (“the ’497 patent”), case no. IPR2023-00544. The Parties respectfully request that the Board grant this Motion because the Parties’ dispute with respect to the ’497 patent has been resolved.

II. Statements of Facts

The Parties have entered into a written Settlement and License Agreement (the “Agreement”) that has settled their dispute. As a result of the Agreement, PacSec3’s claims against Cloudflare in the following related lawsuit is in the process of being dismissed with prejudice:

- *PacSec3, LLC v. Cloudflare, Inc.*, 6-22-cv-00129 (W.D. Tex. 2022)

The parties have also agreed to jointly request termination of the present *inter partes* review IPR2023-00544 filed by Cloudflare against the ’497 patent. Therefore, the Parties’ dispute is fully resolved.

The Parties are concurrently filing a copy of the confidential Agreement as Ex. 2003 along with a request to treat it as confidential business information pursuant to 35 U.S.C. § 317(b) and 37 C.F.R. § 42.74(c). Ex. 2003 is being filed as “Board and Parties Only.” The undersigned certify that there are no other collateral agreements or understandings, oral or written, between the parties made in connection with, or in contemplation of, the termination of the present proceeding, and that Ex. 2003 represents a true and accurate copy of the agreement between the parties that resolves the present proceeding.

III. Relief Requested

On September 8, 2023, the Parties informed the Board of their confidential agreement via email and requested authorization to file a joint motion to terminate the *inter partes* review IPR2023-00544 with respect to both parties. As set forth in an email dated September 8, 2023, the Board authorized the filing of the requested joint motion to terminate this proceeding as to both parties. Accordingly, the Parties jointly request termination of the present proceeding.

The Parties respectfully submit that such termination is appropriate. The relevant statutory provision on settlement provides that an *inter partes* review “shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed.” 35 U.S.C. § 317(a).

Public policy favors terminating the present *inter partes* review proceeding.

Congress and federal courts have expressed a strong interest in encouraging settlement in litigation. *See, e.g., Delta Air Lines, Inc. v. August*, 450 U.S. 346, 352 (1981) (“The purpose of [Fed. R. Civ. P.] 68 is to encourage the settlement of litigation.”); *Bergh v. Dept. of Transp.*, 794 F.2d 1575, 1577 (Fed. Cir. 1986) (“The law favors settlement of cases.”), *cert. denied*, 479 U.S. 950 (1986). The Federal Circuit places a particularly strong emphasis on settlement. *See Cheyenne River Sioux Tribe v. U.S.*, 806 F.2d 1046, 1050 (Fed. Cir. 1986) (noting that the law favors settlement to reduce antagonism and hostility between parties). Further, the Board’s Trial Practice Guide indicates that “[t]here are strong public policy reasons to favor settlement between the parties to a proceeding.” Consolidated Trial Practice Guide, at 86 (Nov. 2019).

Terminating this *inter partes* review also promotes the congressional goal of establishing a more efficient patent system by limiting unnecessary and counterproductive costs. *See Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents*, 77 Fed. Reg. 48,680 (Aug. 14, 2012). Permitting termination as to all parties provides certainty and fosters an environment that promotes settlements, creating a timely, cost-effective alternative to litigation.

Additionally, termination of this *inter partes* review is appropriate as the

Board has not yet “decided the merits of the proceeding.” Consolidated Trial Practice Guide, at 86. Cloudflare filed its petition for *inter partes* review on February 6, 2023. PacSec3 has filed its patent owner preliminary response on June 19, 2023. The proceeding is in its early stages; Patent Owner has not filed a response to Cloudflare’s petition.

The Parties have settled their dispute and have reached agreement to terminate this *inter partes* review. The Board will conserve resources if the Board terminates the IPR now because termination will obviate the need for further proceedings such as briefing, depositions, hearings, and a final written decision. Accordingly, under 35 U.S.C. § 317(a) the proceeding should be terminated with respect to Petitioner Cloudflare upon this joint request. Additionally, the request to treat the Parties’ settlement Agreement as confidential business information pursuant to 35 U.S.C. § 317(b) and 37 C.F.R. § 42.74(c) should be granted.

Therefore, the Parties respectfully request termination of this *inter partes* review.

Respectfully submitted,

Date: September 13, 2023

/Craig Tolliver/

Craig Tolliver

Lead Counsel for Petitioner

Registration No. 45,975

/Jacob B. Henry/

Jacob B. Henry

Lead Counsel for Patent Owner

Registration No. 61,093

PATENT OWNER'S EXHIBIT LIST

Ex. 2001	Microsoft Computer Dictionary
Ex. 2002	Computer Networking: A top-down Approach
Ex. 2003	Settlement License Agreement - Confidential

CERTIFICATE OF SERVICE

The undersigned certifies that, in accordance with 37 C.F.R. § 42.6(e) and 37 C.F.R. § 42.105, service was made on Petitioner as detailed below.

Date of service September 13, 2023

Manner of service Electronic mail

Documents served Joint Motion to Terminate the *Inter Partes* Review
Joint Request that the Settlement Agreement be Treated as
Business Confidential Information and be Kept Separate
under 35 U.S.C. § 317(b)
Petitioner's Updated Exhibit List
Exhibit 2003

Persons served Craig Tolliver
Registration No. 45,975
Charhon Callahan Robson & Garza, PLLC
3333 Lee Parkway
Suite 460 Dallas, TX 75219
ctolliver@ccrglaw.com

/Jacob B. Henry/
Jacob B. Henry
Lead Counsel for Patent Owner
Registration No. 61093