UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Prime Time Toys LLC, Prime Time Toys Ltd.
and Easebon Services Ltd.
Petitioners,

v.

Spin Master, Inc.
Patent Owner.

Case IPR2023-01339

PATENT NO. 8,640,683

PETITIONERS' REPLY TO PATENT OWNER'S PRELIMINARY RESPONSE

Petitioners' Reply To Patent Owner's Preliminary Response

As permitted by the Board, this reply addresses arguments in Patent Owner's Preliminary Response (POPR) regarding discretionary denial under § 314(a).

Patent Owner previously filed an ITC Complaint against Petitioners (collectively "PTT"), Gel Blaster and Splat-R-Ball, asserting infringement of the '683 patent. (*See* Petition, Part II.B (Related Matters).) PTT, Gel Blaster and Splat-R-Ball are all competitors. Other than being co-respondents, they have ***no relationship*** with each other. In the ITC case, Patent Owner first settled with Gel Blaster and then settled with Splat-R-Ball. Because of those settlements, the two prior IPR proceedings brought by Gel Blaster (IPR2023-00302) and Splat-R-Ball (IPR2023-00773) were voluntarily terminated ***prior to an institution decision***. *Id.*

Patent Owner now complains that Petitioners' petition is an "unfair serial attack" based on these earlier IPR petitions. POPR at 1-2. But this cannot be a serial attack ***by Petitioners*** since it is their ***first*** Petition and they have no "significant relationship" with Gel Blaster or Splat-R-Ball. Further, the two prior IPRs were terminated before a decision to institute, there is no "road mapping" and this will be the ***first*** IPR to be considered ***on the merits***. Although Patent Owner tries to shoehorn its argument into *General Plastic*'s framework, the facts favor institution under § 314(a).

<u>Factor 1</u>: This factor considers "whether the ***same petitioner*** previously ***filed a petition*** directed to the same claims of the same patent." *General Plastic*

Industrial Co., Ltd. v. Canon Kabushiki Kaisha, IPR2016-01357, Paper 19 at 15–16 (P.T.A.B. Sept. 6, 2017).[1] This critical factor weighs heavily in favor of institution because Petitioners (1) have ***not filed*** any previous IPR petition, and (2) do not have a significant relationship with Gel Blaster and Splat-R-Ball who, as Patent Owner admits (see POPR at 10), are "***distinct*** business entities." *See Sony Mobile v. Ancora Techs., Inc.*, IPR2021-00663, Paper 17 at 12 (P.T.A.B. June 10, 2021) ("[this] is . . . Sony's *first petition* . . . . [and] Sony does not have a significant relationship with other prior petitioners . . . Therefore, this case is ***distinguished on its facts from*** . . . *General Plastic* and *Valve*.") (first emphasis in original); *Toshiba Am. Info. Sys., Inc. v. Walletex Microelecs. Ltd.*, IPR2018-01538, Paper 11 at 19-20 (P.T.A.B. Mar. 5, 2019) ("that a different petitioner is involved in this proceeding ***weighs especially heavily against a discretionary denial***.").

Patent Owner argues that Petitioners and Gel Blaster should nevertheless be deemed the "same petitioner" under Factor 1 because they were "co-respondents" in the ITC case and their products had "no material differences." POPR at 10. But this does not rise to a "*Valve*-like 'significant relationship.'" *Id.*; *Facebook, Inc., v. Express Mobile Inc.*, IPR2021-01457, Paper 10 at 11 (P.T.A.B. Mar. 18, 2022) ("We are not persuaded that Petitioner's and Google's ***status as defendants*** in co-pending litigation . . . ***rises to the type of 'significant relationship'*** described in *Valve*.");

[1] All emphasis added herein unless otherwise noted.

Mercedes-Benz USA, LLC, v. Yechezkal Evan Spero, IPR2023-01039, Paper 10 at 9 (*Valve* does not apply where current and prior Petitioners "are direct competitors . . . accused of infringing based on two different products, ***not as supplier and customer of a single product***, as at issue in *Valve*.").

Patent Owner also argues that Factor 1 favors denial because Petitioners "collaborated" with Gel Blaster in preparing defenses in the ITC case. POPR at 11. The sole "relationship" between Petitioners and Gel Blaster (and Splat-R-Ball) amounts to the garden variety relationship between competitor companies accused in an ITC case of infringing the same patent. The fact that Petitioners cooperated with its co-respondents to locate prior art, prepare common experts, and take discovery does not weigh against institution. *Qualcomm Inc. v. Monterey Rsch., LLC*, IPR2020-01492, Paper 9 at 16-17 (P.T.A.B. Mar. 8, 2021) ("Even if [current and prior] Petitioners are in a joint-defense group, that does not establish a relationship that counsels for denying institution."); *Facebook, Inc.,* IPR2021-01457, Paper 10 at 10-11 (no "significant relationship" where prior and current petitioners "worked as a team to form theories," "work[ed] closely together" and "submitted joint papers . . . expressing the two parties' aligned positions.").

Further, Petitioners had no role in Gel Blaster's IPR petition. Petitioners were not involved in Gel Blaster's selection of prior art and experts, the preparation of the petition and reports, and the timing of its filing. Petitioners first saw Gel Blaster's

IPR after it was filed. The same is true for the Splat-R-Ball IPR. *Qualcomm Inc.*, IPR2020-01492, Paper 9 at 17-18 (instituting where Petitioner "had zero influence over AMD's Petitions, only learning of them upon their filing.")

Similarly, Petitioners were not involved in the Gel Blaster and Splat-R-Ball settlements, which resulted in the termination of both IPRs ***prior to institution***. The fact that Patent Owner's dispute with Petitioners continued after these settlements demonstrates the utter lack of any "significant relationship" between Petitioners and Gel Blaster. Indeed, Petitioners derived no benefit from these settlements and tried the ITC case ***without Gel Blaster and Splat-R-Ball.***

Patent Owner is improperly using these settlements and the ***pre-institution termination*** of the prior IPRs ***to prevent*** a review of its patent ***on the merits***. But as Director Vidal held, "'allowing [a petitioner] the opportunity to pursue a decision on the merits' in a second-filed petition, when the first-filed petition ***was not evaluated on the merits***, 'best balances the desires to improve patent quality and patent-system efficiency against the potential for abuse of the review process by repeated attacks on patents.' . . . Holding otherwise would undercut the congressional grant to the [USPTO] of 'significant power to revisit and revise earlier patent grants' as a mechanism 'to improve patent quality and restore confidence in the presumption of validity . . .'" *Code200, UAB v. Bright Data Ltd.*, IPR2022-00861, Paper 18 at 4-5 (Aug. 23, 2022) (precedential). As in *Code200*, there was no evaluation of the '683

patent on the merits. By contrast, the cases cited in the POPR (*see, e.g.*, fn. 6, 7) in support of discretionary denial involved a prior IPR where there ***was a decision on the merits*** and many involved ***ongoing*** prior IPRs. These cases are inapposite.

Instituting IPR of the '683 Patent aligns with Director Vidal's edict in *Code200* to carry out Congress' goal of improving patent quality and restoring confidence in the presumption of validity. Patent Owner's actions raise questions of validity of the '683 Patent. Indeed, in response to the Petition here, Patent Owner statutorily disclaimed Claims 1-3 and 10-11. Ex. 2014. This did not happen in the two prior IPRs. Because Petitioners' challenge to the remaining claims relies on prior art that was also used to challenge the disclaimed claims, the quality and presumption of validity of the remaining claims must be fully vetted.

Finally, this case is distinguishable from *Valve Corp. v. Electronic Scripting Products, Inc*., IPR2019-00062, Paper 11 (P.T.A.B. Apr. 2, 2019) (precedential), which relied on the fact that first and second IPR petitions were filed by two companies that ***co-developed*** the ***same*** accused products. *Id.* at 9-10. No such relationship exists here. Petitioners, Gel Blaster, and Splat-R-Ball are all competitors who all sell ***different*** products that were ***independently developed***. *See, Mercedes-Benz,* IPR2023-01039, Paper 10 at 9. There is no "*Valve*-like" significant relationship between Petitioners and Gel Blaster or Spat-R-Ball and there is no basis for denying review under Factor 1.

Factors 2 through 5: The Board has recognized that factors 2 through 5 carry little weight when, as here, the second IPR petition was from a different petitioner (PTT) who had no significant relationship to the prior petitioners. *Toshiba Am. Info. Sys., Inc.*, IPR2018-01538, Paper 11 at 21 ("Because Petitioner has not previously filed a petition . . ., the second through fifth factors bear ***little relevance***"); *Sony Mobile*, IPR2021-00663, *supra*, at 11-15 (same); *Alcatel-Lucent USA Inc. v. Oyster Optics, LLC,* Case IPR2017-02146, Paper 12 at 12 (PTAB Feb. 28, 2018) ("Once resolution of factor 1 indicates that Petitioner had not previously filed a petition against the same patent, factors 2–5 bear ***little relevance***.").

Patent Owner argues that Petitioners inordinately delayed filing their Petition. But, as the Board has explained, it would be unfair and highly prejudicial to require a petitioner to be bound by the timing of an earlier filed petition by a distinct co-defendant. Each defendant is free to choose its own litigation strategy:

> We also are ***not persuaded that it is unfair to Patent Owner*** that Petitioner, . . . ***chose to file*** its Petition almost ***one year after being served with a complaint*** . . .
> ***Nor do we find persuasive*** Patent Owner's argument that such timing is ***unfair in light of Petitioner's co-defendant choosing to file its petitions earlier***. Although all of the Petitioners are co-defendants in related district court litigation, they ***remain distinct parties***, with ultimately ***distinct interests***, and distinct litigation strategies. . . . Absent evidence of cooperation [in the IPRs], . . . we ***decline to prevent***

> ***Petitioner*** in this proceeding . . . ***because the [earlier] Petitioner . . .*** determined that it was in its best interest to ***file petitions*** challenging the same patent roughly ***seven months before*** the one-year statutory bar.

Toshiba Am. Info. Sys., Inc., IPR2018-01538, Paper 11 at 22; *Samsung Elecs. Co. v. Iron Oak Techs., LLC,* Case IPR2018-01554, Paper 9 at 30 (PTAB Feb. 13, 2019) ("declin[ing] to wield [Patent Owner's] litigation activities as a shield" from later filed IPRs); *Samsung Elecs. Am., Inc. v. Uniloc Luxembourg S.A.,* Case IPR2017-01797, Paper 8 at 33–34 (PTAB Feb. 6, 2018) (rejecting Patent Owner's complaints about multiple petitions "when the volume [of petitions] appears to be a direct result of its own litigation activity"); *Sony Mobile*, IPR2021-00663, Paper 17 at 10 ("we agree . . . that the number of petitions filed by other petitioners challenging the '941 patent is the result of Patent Owner's litigation activity . . .").

Moreover, there was no time bar under § 315(b) that required an earlier filing by Petitioners. The Gel Blaster IPR was terminated on June 5, 2023, the Splat-R-Ball IPR was terminated on July 17, 2023 and the instant Petition was filed less than ***two months later***. There was ***no delay*** and Petitioners did not obtain any advantage, since both IPRs were terminated ***before institution***. *See Code200,* IPR2022-00861, Paper 18 at 5 (instituting when first-filed petition ***was not evaluated on the merits***).

Patent Owner argues that Petitioners benefitted from the POPR in the Gel Blaster IPR on two subjects, (1) the "public accessibility of Spitballs" and (2)

whether Spitballs teaches a "super absorbent polymer." POPR at 14-15. Since the Board never issued an institution decision in the Gel Blaster IPR, there was no "road mapping" that requires denial of institution. *Facebook, Inc.,* IPR2021-01457, Paper 10 at 13 ("Petitioner filed the Petition ***before the Board issued its decision*** in the [earlier IPR], and, therefore, Petitioner received ***limited benefit from*** having been able to review ***Patent Owner's Preliminary Response*** . . .").

Further, the two issues raised in the POPR are not seriously disputed. While Patent Owner disputed these issues with Gel Blaster, Patent Owner does not dispute these issues in its POPR and has voluntarily disclaimed Claims 1-3 and 10-11. Ex. 2014. As a result, Patent Owner is hard pressed to credibly make the same two arguments here.

Finally, Petitioners independently developed their own invalidity positions and did not rely upon Gel Blaster's work. Indeed, the primary prior art reference Petitioners rely upon here (Peev) is different than Gel Blaster's primary references (Rappaport and Illuzi). *Qualcomm Inc.*, IPR2020-01492, Paper 9 at 18 ("this Petitioner asserts a different primary reference from AMD's [prior] Petition. . . . We determine Petitioner adequately explains the time that passed before filing the Petition. Thus, Factors 4 and 5 weigh against denying institution.").

Factors 6 and 7: Factor 6 considers "the finite resources of the Board," and Factor 7 the requirement "to issue a final determination no later than 1 year" after

institution. *General Plastic* at 16. These factors do not weigh against institution. The prior IPRs were terminated ***before institution,*** did not utilize significant resources of the Board, and cannot imperil the Board's ability to timely issue a Final Written Decision here. *See, Micron Technology, Inc. v. Sonrai Memory Limited*, IPR2023-00909, Paper 7 at 9 (P.T.A.B. Nov. 28, 2023) ("Because this Petition is now the only IPR before the Board challenging the '421 patent, we agree with Petitioner that this case provides an efficient means for resolving patentability . . . without unnecessarily straining the Board's limited resources.").

With respect to factors 6 and 7, Patent Owner argues that it "prevailed" in the ITC case, citing the Initial Determination ("ID") (Ex. 2007). POPR 20. But the ID only addresses claims 5 and 14 of the '683 patent. Petitioners' IPR challenges claims 1-12 and 14. Further, Petitioners filed a Petition to Review the ID with the ITC and a decision on that Petition is currently due on January 30, 2024. The Board should independently review the validity of this patent, particularly since the ITC lacks authority to invalidate a patent, and its invalidity rulings are not binding on the PTAB. *Tandon Corp. v. U.S.I.T.C.*, 831 F.2d 1017, 1019 (Fed. Cir. 1987).

For the reasons discussed in the Petition and above, IPR should be instituted, and Claims 4-9, 12 and 14 should be found unpatentable and cancelled.

Respectfully submitted,

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Dated: December 18, 2023
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CERTIFICATE OF SERVICE

Pursuant to 37 C.F.R. §§ 42.6(e), I hereby certify that on December 18, 2023, a true copy of this Petitioners' Preliminary Reply To Patent Owner's Preliminary Response and its supporting exhibits was served via email on the Patent Owner at the following correspondence address of record:

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