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.
Petitioner,

v.

SPIN MASTER, INC.,
Patent Owner.

Case IPR2023-01339
Patent 8,640,683

PATENT OWNER'S SUR-REPLY TO PETITIONER'S REPLY TO PATENT OWNER'S PRELIMINARY RESPONSE

TABLE OF CONTENTS

I. INTRODUCTION 1

II. THE *GENERAL PLASTIC* FACTORS FAVOR DENIAL 3

A. *General Plastic* Factor 1 Favors Denial 3

1. Petitioner's delayed and abusive Petition based on grounds it developed with Gel Blaster creates a "significant relationship".. 3

2. Petitioner has a *Valve*-like "significant relationship" with Gel Blaster 6

B. *General Plastic* Factors 2-5 Favor Denial 8

C. *General Plastic* Factors 6-7 Favor Denial 9

I. INTRODUCTION

Petitioner's Reply (Paper 7) does not deny the facts regarding its relationship with Gel Blaster that Patent Owner laid out in the Preliminary Response (Paper 6). *See* POPR at 2-11. Accordingly, the Board can accept as true that Petitioner and Gel Blaster worked hand-in-hand to:

- Identify and develop the asserted Peev-Spitballs combination with jointly-retained experts Mr. Delman (EX1016) and Dr. Reitman (EX1017);
- Take discovery and explore Patent Owner's defense of the '683 Patent against the Peev-Spitballs combination; and
- Fuse their knowledge of the asserted art with their insight into Patent Owner's defense to construct the arguments at the heart of this Petition.

See Reply at 3 (conceding that "Petitioners cooperated with its co-respondents to locate prior art, prepare common experts, and take discovery"); 37 C.F.R. § 42.23(a) (material facts not denied "may be considered admitted.").

Unable to deny them, Petitioner de-emphasizes these facts, labeling its teamwork with Gel Blaster as a "garden variety relationship between competitor companies accused in an ITC case of infringing the same patent." Reply at 3. Even if that were true (which it is not), Petitioner ignores the elephant in the room—that this Petition presents the same prior art and arguments that Petitioner conjured with Gel Blaster. By delaying its Petition and repackaging the jointly developed case-in-chief, Petitioner gained the advantage of accounting for how Patent Owner and the

ALJ reacted to the Peev-Spitballs combination throughout discovery, briefing, and an in-person hearing. Petitioner now brazenly and unfairly tries to re-litigate Patent Owner's "anticipate[d]" arguments against Peev and Spitballs. Pet. at 4-7; *see also* POPR at 20 ("Petitioner presents what it thinks Patent Owner will say because Patent Owner already said it at the ITC."). As a result of this gamesmanship, Petitioner carried the nature of its relationship with Gel Blaster from the ITC to the PTAB.

To be clear, routine collaboration between parties accused of infringement in a parallel litigation may not necessarily create a "significant relationship" at the PTAB under factor 1 of the *General Plastic* and *Valve* framework. For example, such a relationship may not migrate to the PTAB when the second petitioner relies on prior art and/or arguments that differ from those identified, developed, and litigated jointly with its co-defendant(s). *See Ford Motor Co. v. Neo Wireless LLC*, IPR2023-00763, Papers 18, 19. If Petitioner wanted to avoid denial under *General Plastic*, it could have taken this path. Petitioner also could have avoided *General Plastic* by simply re-filing Gel Blaster's petition without making extensive material changes based on Patent Owner's preliminary response in that prior proceeding.

Despite the many available paths toward a fair and equitable *inter partes* review petition, Petitioner took the one impermissible path. Petitioner chose to submit a delayed and abusive Petition that [1] mirrors the unsuccessful case it partnered with Gel Blaster to build at the ITC and [2] bolsters the weaknesses in Gel

Blaster's prior petition that Patent Owner previously exposed. Petitioner should be held to the consequences of its gamesmanship, and the Board should deny institution, either discretionarily under *General Plastic* or based on the same motivation-to-combine flaws the ALJ found. *See* POPR at 26-40.

II. THE *GENERAL PLASTIC* FACTORS FAVOR DENIAL

A. *General Plastic* Factor 1 Favors Denial

Patent Owner's Preliminary Response gives the following two independent bases to weigh *General Plastic* factor 1 toward denial:

1. Petitioner and Gel Blaster have a "significant relationship" given their joint development of the invalidity grounds used in the Petition coupled with Petitioner's abusive use of those grounds to obtain unfair tactical advantages (*see* POPR at 11-12); and

2. Petitioner and Gel Blaster have a "significant relationship" resembling the one at issue in the precedential *Valve* decisions (*see id*. at 10).

Petitioner does not deny the factual premise of these arguments, only their conclusion that the relationship with Gel Blaster is "significant" under factor 1. But Petitioner's attempts to downplay its close connection to Gel Blaster fail.

1. Petitioner's delayed and abusive Petition based on grounds it developed with Gel Blaster creates a "significant relationship"

The "significant relationship" question does not turn on whether Petitioner and Gel Blaster were collaborating co-respondents in the parallel ITC investigation.

More is required, and more is what the record shows. Beyond routine collaboration as co-respondents, the undisputed facts are that Petitioner:

- Deliberately built its Petition on the same grounds it developed and litigated jointly with Gel Blaster, leveraging its knowledge of Patent Owner's defenses gleaned during the ITC investigation; and
- Tried to improve on Gel Blaster's prior petition after studying Patent Owner's preliminary response for five months.

See POPR at 14-16. The abusive way that Petitioner used its collaborative work product with Gel Blaster constitutes a "significant relationship" under *Valve*.

As the Director recently explained, "*General Plastic* factor 1 must be read in conjunction with factors 2 and 3." *Code200, UAB v. Bright Data Ltd*., IPR2022-00861, Paper 18 at 5 (Aug. 23, 2022) (precedential). On this record, Petitioner's extensive delay and concomitant unfair tactical advantages mean factors 2 and 3 strongly favor denial. *See* POPR at 13-16, 19-20. So, too, then should factor 1.

Neither of the routine panel decisions that Petitioner relies on run counter to this proposition because they do not address similar operative facts. *See* Reply at 3-4. In both *Facebook, Inc., v. Express Mobile Inc*. (IPR2021-01457, Paper 10) and *Qualcomm Inc. v. Montery Research, LLC* (IPR2020-01492, Paper 9), the serial petitioners were in a joint-defense group, but the record did not show, as it does here, that the second petitioner delayed its filing and mimicked jointly developed invalidity grounds to gain unfair tactical advantages.

Next, Petitioner elevates form over substance by claiming it "had no role" in Gel Blaster's petition and "independently developed [its] own invalidity positions" for the present Petition. Reply at 3-4, 8. The record shows that Gel Blaster's petition asserted the parties' shared prior art and also that this Petition's prior art, arguments, and expert testimony are the same as those the parties litigated jointly at the ITC. *See* POPR at 13-14. It is beyond debate that Gel Blaster and Petitioner were heavily involved in building the arguments on which their respective petitions stand. The extent to which the parties aided one another in transporting their shared arguments over to their individual petitions is irrelevant.

It is likewise irrelevant that the Gel Blaster proceeding was terminated before institution. *See* Reply at 4. For one, Petitioner's claim that Patent Owner is improperly using the Gel Blaster termination "***to prevent*** a review of its patent on the merits" is utterly misguided. Reply at 4 (original emphasis). Nothing ***prevented*** Petitioner from pursuing *inter partes* review. Petitioner could have avoided scrutiny under *General Plastic* by [1] timely petitioning for *inter partes* review around the same time as Gel Blaster, [2] petitioning based on prior art and arguments that were not jointly developed, or [3] simply re-filing Gel Blaster's petition without material changes. Having eschewed the many acceptable paths to the PTAB, Petitioner cannot justifiably point the finger at anyone other than itself.

Nor can Petitioner credibly suggest that the '683 Patent remains unvetted on the merits. *See* Reply at 4-5. No one knows this better than Petitioner, who played a central role in vetting the '683 Patent at the ITC. There, following a 15-month investigation—where Petitioner itself argued and presented live expert testimony on invalidity over a multiday evidentiary hearing—the ALJ rejected the same Peev-Spitballs combination Petitioner now brings to the Board. And because Patent Owner's statutory disclaimer narrows this proceeding to the combination of Peev and Spitballs, the public can draw confidence from the ITC record that the '683 Patent is valid over such a combination. Instead of "raising questions of validity," as Petitioner says, the statutory disclaimer has the opposite effect. Reply at 5.

2. Petitioner has a *Valve*-like "significant relationship" with Gel Blaster

It is undisputed that Petitioner's accused products and Gel Blaster's accused products are materially the same regarding their infringement of the '683 Patent. *Compare* POPR at 10 ("no material differences"), *with* Reply at 2-3 (quoting the same without denial). Accordingly, at the ITC, Petitioner and Gel Blaster moved jointly on the exact same theories for summary determinations of non-infringement and to oppose Patent Owner's countering infringement motion. *E.g.*, EX2003; EX2004. The shared circumstances of their infringement compares favorably to the facts supporting a "significant relationship" in *Valve*. Indeed, the facts here are even more compelling.

In *Valve*, the Board found that two serial petitioners had a "significant relationship" because [1] the petitioners were co-defendants; and [2] the second petitioner (Valve) was accused of infringement on the basis that its licensed technology was incorporated into certain accused products sold by the first petitioner (HTC). *See Valve Corp. v. Electronic Scripting Products, Inc.*, IPR2019-00062, Paper 11 at 9-10 (PTAB Apr. 2, 2019) (precedential). The record in *Valve* did not show whether or to what extent the licensed technology of the second petitioner was relevant to the challenged claims. It is therefore unclear whether the first and second petitioners shared the same or similar infringement risk. Here, though, Petitioner and Gel Blaster's proven infringement was no different. Their interests in litigating non-infringement and invalidity based on the Peev-Spitballs combination was precisely aligned throughout the ITC investigation. This relationship is even more "significant" than the one in *Valve*.

Still, Petitioner suggests its relationship with Gel Blaster is insignificant simply because they are competitors. *See* Reply at 1-3. To be sure, competitor co-defendants may operate at arms length without forming a "significant relationship," particularly when their products differ materially relative to the infringement allegations they face. But that is not the case here given Petitioner and Gel Blaster's shared infringement, aligned interests, and close coordination. No binding precedent

stands for the proposition that competitors are categorically excluded from having a "significant relationship" under *Valve*.

B. *General Plastic* Factors 2-5 Favor Denial

What Petitioner says is true: "Each defendant is free to choose its own litigation strategy." Reply at 6. It is equally true, however, that a defendant must be held to the consequences of its litigation strategy. Here, Petitioner chose an abusive strategy that produced stark unfair advantages over Patent Owner, and the consequence of that choice should be denial.

Petitioner says it "did not obtain any advantage, since both [of the Gel Blaster and Splat-R-Ball] IPRs were terminated before institution." Reply at 7. Nonsense. Petitioner does not deny that it studied Patent Owner's preliminary response to the Gel Blaster petition and adapted its presentation of the Spitballs reference accordingly. *Compare* POPR at 14-16, 19-20 *with* Reply at 6-9. Petitioner does not deny that it used its knowledge of Patent Owner's defenses gleaned from the completed ITC hearing to bolster the Petition with preemptive rebuttals and to seek a redo of the same invalidity argument it presented unsuccessfully to the ALJ. *Id*. And Petitioner does not deny that these opportunities to improve its Petition stemmed from the deliberate timing and content of its Petition. *Id*.

No precedent supports Petitioner's view that denial under *General Plastic* is limited to scenarios where the prior petition reached the institution phase. *See* Reply

at 7. To start, Petitioner's position cannot be correct because it flouts the express language of *General Plastic* factor 3, which is written in the disjunctive—i.e., "whether . . . the petitioner already ***received the patent owner's preliminary response*** to the first petition ***or*** received the Board's decision on whether to institute review in the first petition." *General Plastic* at 9-10. The precedential *Code200* decision also lends no aid to Petitioner. *See* Reply at 7 (citing *Code200*, IPR2022-00861, Paper 18 at 5). In fact, that case shows why denial is appropriate here.

The *Code200* decision involved a petitioner pursuing joinder to another proceeding after its own petition was discretionarily denied. *Code200* at 2-3. In this context, the Director agreed there are no improper road-mapping concerns when a second petitioner files a copycat petition that "is not refined based on lessons learned from later developments." *Id*. at 5. Accordingly, Petitioner could have avoided *General Plastic* by re-filing Gel Blaster's petition without its refinements. But Petitioner chose a materially different path that deserves a different result—denial.

C. *General Plastic* Factors 6-7 Favor Denial

Having gleaned Patent Owner's defenses from the Gel Blaster IPR and the ITC investigation, Petitioner wants to re-litigate the same case it lost before the ALJ. *See* POPR at 19-20. But doing so would contravene the regulatory goal of providing a "just, speedy, and inexpensive resolution" on patentability. 37 C.F.R. § 42.1. The Board should not spend its finite resources supporting Petitioner's abuse.

Respectfully submitted,

Date: January 3, 2024

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CERTIFICATE OF SERVICE

Pursuant to 37 CFR § 42.6(e), the undersigned certifies that on January 3, 2024, a complete and entire copy of this Patent Owner's Preliminary Sur-Reply was provided via email to Petitioner by serving the correspondence address as follows:

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