

**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

CARVANA, LLC,

Plaintiff,

v.

INTERNATIONAL BUSINESS
MACHINES CORPORATION,

Defendant.

CASE NO. 7:23-CV-8616 (KMK) (VR)

JURY TRIAL DEMANDED

**IBM'S LETTER TO THE HONORABLE KENNETH KARAS
OPPOSING CARVANA'S MOTION TO STAY PENDING UNINSTITUTED IPR**

Dated: February 14, 2025

Respectfully submitted,

By: /s/ Jordan N. Malz

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Table of Exhibits

<u>Ex.</u>	<u>Description</u>
1	April 19, 2024 Email to Carvana producing Zynga's Invalidity Chart for Roy
2	Excerpt of Zynga's Invalidity Chart for Roy, produced by IBM to Carvana on April 19, 2024
3	Excerpts of Carvana's Supplemental Invalidity Contentions, served by Carvana on July 10, 2024
4	Excerpt of Carvana's Invalidity Chart for Roy (Exhibit D-13), served by Carvana on July 10, 2024

All emphasis added herein unless otherwise noted.

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Dear Judge Karas:

Dissatisfied with how its case developed through fact discovery and the *Markman* hearing, Carvana now changes tack. Despite the Court’s warning that “[n]o more extensions will be granted under any circumstances,” (D.I. 67), Carvana now uses a pretext to derail the very case it initiated in 2023, potentially extending it by up to three more years—six months for an institution decision, twelve months for a final written decision, and at least two years for a full appeal. Carvana’s excuse is its mere **filing** of an IPR petition on only **one** of the three patents-in-suit (the ’719 patent) using the same prior art (Roy) and expert (Dr. Bennett) that the jury already rejected in finding the ’719 patent valid in *Zynga*. Notably, Carvana’s IPR will not—and cannot—eliminate the need for a trial in this case because it addresses only one of the three patents-in-suit. But even if Carvana had filed IPRs on all three patents-in-suit, a stay upon filing rather than institution would still be disfavored because institution is when the Patent and Trial Appeal Board (“PTAB”) decides whether an IPR petition has merit. Carvana fails to satisfy its burden of demonstrating that a pre-institution stay is warranted because (A) staying this case before an institution decision would complicate rather than simplify the issues, (B) this case is now at an advanced stage, and (C) a stay would prejudice IBM.

Carvana Fails To Demonstrate That A Pre-Institution Stay At This Juncture Is Warranted

“There is no *per se* rule that patent cases should be stayed pending [IPR], because such a rule would invite parties to unilaterally derail litigation.” *Grecia v. MasterCard, Inc.*, 2017 WL 11566955 at *2 (S.D.N.Y. Apr. 3, 2017). Rather, courts regularly deny pre-institution motions to stay. *See, e.g., Kiss Nail Prods., Inc. v. Tianjin Shuangrong Paper Prods. Co.*, 2016 WL 11967294 at *3 (S.D.N.Y. Mar. 3, 2016); *Grecia*, 2017 WL 11566955 at *2. Carvana as “[t]he moving party has the burden of showing that a stay is appropriate.” *Nike, Inc. v. Lululemon USA Inc.*, 2024 WL 4381070 at *1 (S.D.N.Y. Oct. 3, 2024). “In evaluating a motion to stay pending review by the [Patent and Trademark Office], courts generally consider three factors: ‘[i] whether a stay will simplify the issues in question and trial of the case; [ii] the stage of the proceedings; and [iii] whether a stay will prejudice the nonmoving party.’” *Kiss Nail*, 2016 WL 11967294 at *1.

A. A Stay Would Complicate, Not Simplify, The Issues

Carvana’s allegations that a pre-institution stay will simplify the issues for a single patent are speculative and premature, while suddenly derailing this case in expert discovery will certainly complicate the issues for all three of the patents-in-suit. The issue of simplification for the ’719 patent is speculative and premature because the PTAB has not instituted Carvana’s IPR—and, due to Carvana’s delay in filing its IPR petition, the PTAB will not do so until August 2025. If the PTAB does not institute, a stay would simplify no issues at all and the parties would restart the same case in August 2025. *See Kiss Nail*, 2016 WL 11967294 at *1 (referring to the “speculative simplification of issues” and recognizing “no streamlining of issues will materialize unless the [PTAB] actually institutes the IPR, which it may not do for several months, if at all”); *Grecia*, 2017 WL 11566955 at *2 (“[I]t is doubtful whether a stay will simplify the issues presented by these cases or otherwise streamline the litigation....[T]he [PTAB] here has not yet even decided whether to institute IPR proceedings for [Petitioner’s] petitions, so the Court must gauge not only the possibility that IPR will simplify the issues presented by these cases but also the likelihood that the [PTAB] will institute IPR in the first place....[T]his ‘additional layer of doubt’ weighs against granting a stay...”). And here, Carvana’s IPR petition is weak and simply rehashes the same prior art (Roy reference) and invalidity expert (Dr. Bennett) that the jury rejected in finding the ’719 patent valid in *Zynga*, which undercuts the prospect of institution. In short, whether any

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simplification of issues will occur, and the scope of any hypothetical simplification, are unknowable before the PTAB decides whether to institute Carvana's requested IPR. *See Kiss Nail*, 2016 WL 11967294 at *1 ("On balance, this factor weighs against Defendants' request for a stay, unless and until the PTO institutes the IPR."); *Rensselaer Polytechnic Inst. v. Apple Inc.*, 2014 WL 201965 at *5 (N.D.N.Y. Jan. 15, 2014) ("[T]he factors relevant to a stay analysis cannot be meaningfully addressed until the PTO determines whether to institute an IPR.").

On the other hand, "[s]taying this case pending the resolution of the petition[] for IPR would interrupt the work of this Court" by derailing the case in expert discovery and preventing its efficient progress towards trial. *Intellectual Ventures II L.L.C. v. JP Morgan Chase & Co.*, 2014 WL 10919562 at *3, *4 (S.D.N.Y. Aug. 11, 2014) ("The case before me is moving speedily and efficiently to trial. There is no good reason to disturb that progress."). "[T]he IPR can take up to 18 months' time in the PTAB, and there may be two years of appellate review in the Federal Circuit, creating a three-year delay, or more...meanwhile time is wasted, parties' business practices are paralyzed, and expenses mount." *Id.* at *3. Here, with only a few months of litigation left before trial, the definite costs of an abrupt halt followed by a significant delay—and the substantial effort required to restart—far outweigh any purported speculative benefits of a stay. *See id.* at *3 ("[T]here is another year, at most, of litigation before me in my court before the issues are resolved by trial. I fail to understand why it would be cheaper, or more efficient or quicker to wait for three years and speculate what benefit might be achieved by an IPR."); *Nike*, 2024 WL 4381070 at *1 ("So while there may be some benefits to staying things until we get the final word from the PTAB and Federal Circuit, the costs of a stay outweigh them. There is no reason to impose a potentially years-long delay on a matter that will either be terminated at summary judgment or tried in the next few months."). Indeed, Carvana's single IPR cannot simplify any issues for two of the three patents-in-suit because Carvana never challenged the '346 and '234 patents in an IPR and the deadline for doing so passed on December 4, 2024. *See* 35 U.S.C. § 315(b); *see also Intellectual Ventures II*, 2014 WL 10919562 at *3 ("I do not understand the sense of staying this entire litigation in order to wait for the PTAB's review of a single patent claim, **where multiple patents and multiple claims are in issue.**"); *Chewy, Inc. v. Int'l Bus. Mach. Corp.*, 2021 WL 3727227 at *12 (S.D.N.Y. Aug. 23, 2021) ("[A]n up to three-year stay as to **one of five patents in this case** does not streamline the case, particularly where the streamlining effect after three years is only speculative."). Even if Carvana's speculation were true and the '719 patent issues were simplified, any such alleged benefit would be far outweighed by the certain complication and inefficiency associated with delaying and derailing litigation on the '346 and '234 patents.¹

Consequently, this factor weighs heavily against a pre-institution stay.

B. This Case Has Progressed To An Advanced Stage

"[D]istrict courts commonly deny motions to stay pending patent reexamination in cases where substantial proceedings, including discovery, have occurred." *Kiss Nail*, 2016 WL 11967294 at *2. Carvana filed this case in September 2023. (D.I. 2.) Over the past 16 months, substantial proceedings in this case already occurred. Fact discovery closed in August 2024 and the Court held a *Markman* hearing in November 2024. (D.I. 67.) The parties already exchanged final contentions, completed document productions and written discovery, and taken and defended

¹ The Court should reject Carvana's request for a stay based on the '346 IPR. A third-party filed the '346 IPR in 2022, yet Carvana chose to file this action on the '346 patent in September 2023 and litigate it for 16 months without seeking a stay. Carvana also has not agreed to be bound by estoppel from the '346 IPR, undermining any alleged simplification.

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30 fact depositions. The advanced stage of this case weighs heavily against a pre-institution stay. *See Nike*, 2024 WL 4381070 at *1 (finding that the advanced stage of a case even warrants denying a *post*-institution motion to stay—a motion to stay after the PTAB has instituted the IPR).

C. A Pre-Institution Stay Would Unduly Prejudice IBM And Advantage Carvana

Timing of Review and Stay Request: IBM filed its '719 counterclaims on April 3, 2024, yet Carvana tactically delayed filing its IPR petition 10 months until January 31, 2025. Carvana knew about the IPR prior art all this time, as IBM produced Zynga's invalidity chart for the Roy reference to Carvana on April 19, 2024. (Exs. 1, 2.) Indeed, in this case, Carvana itself analyzed and charted the Roy reference in its July 10, 2024 Supplemental Invalidity Contentions. (Exs. 3, 4.) While Carvana delayed, the parties completed fact discovery and the Court held a *Markman* hearing. At no point did Carvana suggest the Court should delay resolution. Carvana's new delay tactic appears to be driven by the *Zynga* jury's rejection of the same non-infringement and invalidity arguments that Carvana advances in this litigation. Carvana's tactical delay in filing its IPR petition is inexcusable. *Rensselaer*, 2014 WL 201965 at *4 ("The fact that an accused infringer waits until one year after being served with a complaint in an infringement action to submit its IPR petition 'at least raises the possibility that [it] was a dilatory tactic.'").

Status of the Review Proceedings: The PTAB has not instituted, may not institute, and (due to Carvana's filing delay) will not even consider instituting Carvana's IPR before August 2025.

Relationship of the Parties: Carvana initiated this suit against IBM, disparaging IBM's licensing practices and its patent portfolio. (D.I. 12 at 6-7.) A stay would prejudice IBM by preventing it from promptly vindicating its good name as well as the character and value of its patents, allowing Carvana to continue its infringement unabated, and undermining IBM's licensing efforts. *See Kiss Nail*, 2016 WL 11967294 at *2 ("Plaintiff nonetheless faces prejudice as the current patent-holder."); *Intellectual Ventures II*, 2014 WL 10919562 at *3 ("Staying this case would give [infringer] an unfair tactical advantage. [Patent owner] would lose the benefit promised by the Federal Rules of Civil Procedure—a 'just, speedy, and inexpensive determination of every action and proceeding.' [Accused infringer] would have the advantage of delay and continuing utilization of patented devices and systems that the law suit is intended to regulate."); *Prestige Jewelry Int'l, Inc. v. BK Jewellery HK*, 2012 WL 1066798 at *3 (S.D.N.Y. Mar. 24, 2012) ("[Patent owner] need only show that prejudice would result from the issuance of a stay—which [they] have clearly done, since they are the putative patent holders, [the infringer] is the putative transgressor, and the stay will enable continued transgression.").

These facts cut against a stay at this juncture. *Intellectual Ventures II*, 2014 WL 10919562 at *4 ("Staying this case pending the resolution of the petitions for IPR would have only a speculative streamlining effect, and would present [infringer] with an unfair tactical advantage.").²

² Unlike here, Carvana's cited cases were *not* declaratory judgment actions and *not* in a post-fact discovery, post-*Markman* hearing stage. *Deckers* was "at a relatively early stage of litigation": "no fact depositions had been noticed," "there are no current deadlines for the close of fact discovery or expert discovery," and "a *Markman* hearing has not yet been scheduled." 2024 U.S. Dist. LEXIS 35533 *5-6. *Nike* was "at an early stage of litigation...no fact depositions have yet been noticed (let alone taken), a *Markman* hearing has not yet been held, and there are not currently any deadlines for the close of fact discovery..." 2023 U.S. Dist. LEXIS 31258 *6-*7. In *Molo Design*, "no depositions have been taken" and "a *Markman* hearing has not been held." 2022 U.S. Dist. LEXIS 79480, *12. In *PopSockets*, the discovery taken "has not focused primarily on the patent claims." 2018 U.S. Dist. LEXIS 168219 *3. In *Goodman*, "[t]he Court has not yet held an initial conference or issued a scheduling order." 2017 U.S. Dist. LEXIS 193588 *5.

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