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February 7, 2025

Hon. Kenneth M. Karas
United States District Judge for the Southern District of New York
300 Quarropas Street, Chambers 533
White Plains, NY 10601

Re: Carvana, LLC v. IBM Corp., Civ. No. 7:23-cv-08616-KMK-VR (S.D.N.Y.)
Request for Pre-Motion Conference re: Motion to Stay Pending Inter Partes Review

Dear Judge Karas:

We represent Plaintiff Carvana, LLC (“Carvana”). Pursuant to Your Honor’s Individual Practice II.A, we respectfully request a pre-motion conference concerning Carvana’s motion to stay this case pending *inter partes* review (“IPR”) of U.S. Patent No. 7,702,719 (“the ’719 Patent”). Ten months ago, IBM raised the ’719 Patent for the first time in this case, amending its counterclaims for infringement on April 3, 2024 (ECF 63), asserting ’719 in place of IBM’s withdrawn ’849 Patent. On January 31, 2025, Carvana filed IPR2025-00564 to invalidate all claims of the ’719 Patent. (ECF 141.) A stay pending IPR will promote efficiency, conserve costs and judicial resources. We conferred with IBM counsel, who would not consent to a stay.

I. A Stay is Warranted Pending Resolution of IPR2025-00564

The gravamen of Carvana’s declaratory judgment action, filed on September 29, 2023, was in response to IBM’s pre-suit assertion of its highly contested ’849 Patent. After IBM’s abrupt withdrawal of ’849 and assertion instead of the ’719 Patent, Carvana’s defense followed. On July 10, 2024, Carvana served invalidity contentions over Claims 1-4, 8, 10-12 and 26 of ’719. Carvana completed deposing ’719 inventors in August 2024, and the *Zynga* verdict over claim 1 of the ’719 Patent’s validity was reached in September 2024.¹ The Court held a *Markman* hearing concerning, in part, the ’719 Patent claim terms on November 20, 2024, taking the issues under advisement. IBM and Carvana unsuccessfully mediated this case on December 12, 2024 and thereafter, concerning all pending disputes, including invalidity of the ’719 Patent. On December 20, 2024, IBM informed the Court that mediation was unsuccessful (ECF 137) and six weeks later, on January 31, 2025, Carvana filed the IPR petition. *See* Ex. A. Carvana raises anticipation of the ’719 invention under 35 U.S.C. §102 (claims 1, 13, 25, 26) and/or obviousness (35 U.S.C. §103) (all claims). The ’719 Patent has never before been challenged at the PTAB.

The IPR timeline is brisk by design; IBM may provide a preliminary response within 3 months of PTAB’s notice of filing date accorded to the IPR (expected within days), and PTAB decides

¹ The primary reference in Carvana’s petition (Roy) was heavily litigated in *Zynga*. However, the *Zynga* verdict related to ’719 claim 1, while Carvana’s IPR petition challenges all twenty-six claims of the ’719.

February 7, 2025
Page 2

whether to institute trial 3 months thereafter. If instituted, PTAB has 12 months to conduct trial proceedings and issue a final written decision. 35 U.S.C. §§ 314(b), 316(a)(11). In FY 2024, PTAB instituted trial on 68% of petitions. (www.uspto.gov/sites/default/files/documents/ptab_aia_fy2025_q1_roundup.pdf at 6). And in Q4 2024, nearly 77% of challenged claims were found invalid when PTAB issued a final written decision (FWD). (*Id.* at 13, showing out of 1,676 claims addressed by FWD, 1,282 were found unpatentable.) Courts in this District possess inherent power to stay an action pending *inter partes* review. *Deckers Outdoor Corp. v. Next Step Grp., Inc.*, No. 23-cv-2545(ALC)(VF), 2024 U.S. Dist. LEXIS 35533, at *2 (S.D.N.Y. Feb. 29, 2024). In deciding whether to grant a stay, courts consider: (1) whether a stay will simplify the issues in question and trial of the case; (2) the stage of the proceedings; and (3) whether a stay will prejudice the nonmoving party. *Id.* IPRs streamline the patent process and focus patent enforcement litigation, thus limiting costs for all parties and preserving judicial resources. *Nike v. Lululemon USA Inc.*, No. 22-cv-00082(RA)(OTW), 2023 U.S. Dist. LEXIS 31258, at *3 (S.D.N.Y. Feb. 24, 2023 (allowing the “PTO to apply its expertise . . . before considerable judicial resources are expended”)); *Molo Design, Ltd. v. Chanel, Inc.*, No. 21-cv-01578(VEC), 2022 U.S. Dist. LEXIS 79480, at *7 (S.D.N.Y. May 2, 2022) (delay in waiting for initial PTAB decision was “on balance, prudent in light of the prospect of benefiting from the PTO’s unique expertise on a highly complex topic”) (citations omitted).²

A. IPR2025-00564 Will Simplify the Issues in this Action

The IPR will greatly simplify this case. Carvana seeks via counterclaims a declaratory judgment that all asserted claims of the ’719 Patent are invalid. (ECF 68 ¶36.) If the PTAB invalidates such claims on “grounds of either anticipation . . . or obviousness . . . such a determination would render a decision by this Court invalidating” those same claims unnecessary. *Deckers Outdoor*, 2024 U.S. Dist. LEXIS 35533, at *3-4. Moreover, courts have issued stays where, as here, an IPR does not include all patents asserted in a case. *See id.* (petition addressed only 1 of 4 patents at issue). Courts do not consider the merits of IPR petitions when evaluating motions to stay. *See Weserve Drone, LLC v. Sz Dji Tech. Co.*, Civ. No. 19-04382-AB(AFMx), 2020 U.S. Dist. LEXIS 138497, at *8 (C.D. Cal. Mar. 17, 2020).

B. The Stage of these Proceedings

² A secondary benefit is that the Federal Circuit will likely decide the appeal of the U.S. Patent No. 7,631,346 (“’346 Patent”) IPR during the stay. That appeal is fully briefed and oral argument expected no later than June 2025. Such decision could further narrow the issues before this Court, as noted by other stay opinions. *IBM v. Zynga, Inc.*, Civ. No. 22-590-GBW, 2023 U.S. Dist. LEXIS 213050, at *2 (claims related to ’346 Patent stayed) (D. Del. Nov. 30, 2023); *IBM v. Rakuten, Inc.*, Civ. No. 21-461-GBW, 2022 U.S. Dist. LEXIS 230327 (D. Del. Dec. 22, 2022) (same); *IBM v. Zillow Group*, Civ. No. 2:20-cv-00851-TSZ (W.D. Wash. Nov. 1, 2022) (same).

February 7, 2025
Page 3

The stage of this case also favors a stay. No *Markman* order has issued, the schedule for expert discovery is not set, and trial has not been scheduled. This factor thus also supports a stay. *PopSockets LLC v. Quest USA Corp.*, Civ. No. 17-3653(FB)(CLP), 2018 U.S. Dist. LEXIS 156571, at *8-9 (E.D.N.Y. Sep. 12, 2018), *report and recom. adopted*, 2018 U.S. Dist. LEXIS 168219 (E.D.N.Y. Sept. 28, 2018) (granting stay where no trial date had been set); *IOEngine, LLC v. PayPal Holdings, Inc.*, Civ. No. 18-452-WCB, 2019 U.S. Dist. LEXIS 141545, at *15 (D. Del. Aug. 21, 2019) (granting stay where trial preparation expenses were still in the future.)

C. A Stay Will Not Unduly Prejudice IBM

In assessing potential prejudice, courts consider the (1) timing of the review request; (2) timing of the stay request; (3) status of review proceedings; and (4) relationship of parties, *Molo Design, Ltd.*, 2022 U.S. Dist. LEXIS 79480, at *7—each of which favors a stay here.

1. & 2. Timing of IPR and Stay Request. Carvana timely filed its IPR petition over a previously unasserted patent within the one-year statutory deadline (i.e., April 3, 2025) and moved to stay a week later. *Molo Design, Ltd.*, 2022 U.S. Dist. LEXIS 79480, at *8 (stay entered where petition was filed nearly 1 year after complaint was filed). A “mere delay in the litigation . . . does not establish undue prejudice.” *PopSockets LLC*, 2018 U.S. Dist. LEXIS 156571, at *9.

3. Status of Review Proceedings. Further, while the PTAB has not yet instituted an IPR, courts in this District repeatedly stay cases pre-institution. *See Pakage Apparel, Inc. v. Tommy John, Inc.*, Civ. No. 24-cv-6371(LJL), 2024 U.S. Dist. LEXIS 163038, at *4-5 (S.D.N.Y. Sept. 9, 2024); *Molo Design, Ltd.*, 2022 U.S. Dist. LEXIS 79480 at *4; *OV Loop, Inc. v. Mastercard Inc.*, Civ. No. 23-cv-1773(CS), 2023 U.S. Dist. LEXIS 205566, at *2 (S.D.N.Y. Nov. 16, 2023); *Nike*, 2023 U.S. Dist. LEXIS 31258, at *2; *Goodman v. Samsung Elecs. Am. Inc.*, Civ. No. 17-cv-5539(JGK), 2017 U.S. Dist. LEXIS 193588, at *3 (S.D.N.Y. Nov. 22, 2017). Waiting for institution “does not appear to be the majority position in this Circuit.” *Nike*, 2023 U.S. Dist. LEXIS 31258 at *4. Instead, courts have recognized “the prospect of benefiting from the PTO’s unique expertise”. *Molo Design, Ltd.*, 2022 U.S. Dist. LEXIS 79480 at *5.

4. Relationship of the Parties. In determining prejudice, courts consider whether the parties are direct competitors. *Touchstream Techs., Inc. v. Altice USA, Inc.*, Civ. No. 24-cv-3186(GRB)(SIL), 2024 U.S. Dist. LEXIS 168590, at *8 (E.D.N.Y. Sept. 18, 2024). Here the parties do not directly compete. And IBM never sought a preliminary injunction in this case, nor even identify the ’719 Patent during the parties’ two-year pre-suit communications or initial counterclaims. Delays in asserting infringement claims and failure to seek an injunction “give reduced weight to any claims of undue prejudice[.]” *OV Loop, Inc.*, 2023 U.S. Dist. LEXIS 205566, at *16 (citations omitted). For at least these reasons, Carvana respectfully requests a stay of the entire case pending resolution of IPR2025-00564 or, in the alternative, a stay with respect to the ’719 Patent pending resolution of the IPR.

February 7, 2025
Page 4

Respectfully Submitted,

/s/ Wendy Stein

Ex. A (Petition without exhibits)