UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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VOLKSWAGEN GROUP OF AMERICA, INC.,
Petitioner

v.

STRATOSAUDIO, INC.,
Patent Owner

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IPR2021-00712 (Patent 8,903,307)
IPR2021-00716 (Patent 8,688,028)
IPR2021-00718 (Patent 9,584,843)
IPR2021-00719 (Patent 9,294,806)
IPR2021-00720 (Patent 9,355,405)
IPR2021-00721 (Patent 8,166,081)

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PATENT OWNER'S SUR-REPLY

The facts here favor discretionary denial of institution. Petitioner's Reply does not address numerous points raised by Patent Owner. Petitioner relies heavily on a single case, *Sand Revolution II*, which differs from the present facts.

A. *Fintiv* Factor 1: Whether the Court Granted a Stay or Evidence Exists that One May be Granted if a Proceeding is Instituted

Petitioner's Reply does not address the specific evidence Patent Owner identified showing that the district court is unlikely to stay litigation. The district court has twice denied stays relating to Petitioner's pending motion to transfer, and no party has requested a stay pending the Board's review. *See* Patent Owner's Preliminary Response ("POPR") at 11. In addition, Petitioner acknowledged the unlikeliness of a stay based on its motion to dismiss in its Petition for Writ of Mandamus. *See* POPR at 8 (quoting Ex. 2002).

Instead, Petitioner argues this factor is neutral because "[a]s in *Sand Revolution II*, institution has not yet been granted and neither party has requested a stay." Reply at 2.[1] Adopting Petitioner's position would entice future petitioners to delay moving to stay until after institution to better position themselves to oppose discretionary denial under *Fintiv*. This factor weighs in favor of exercising discretionary denial.

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[1] Unless otherwise indicated, all citations to the Preliminary Response and Reply are to the documents in IPR2021-00721.

B.   ***Fintiv* Factor 2: Proximity of the Trial Date to the Board's Projected Statutory Deadline for a Final Written Decision**

Petitioner's argument that this factor "weighs even more strongly in favor of Petitioner than in *Sand Revolution II*" is unavailing. Petitioner likens the facts here to *Sand Revolution II* for three reasons: (1) the trial date here is "tentative;" (2) the "Court expects to set" trial after the *Markman* hearing; and (3) the trial date is in doubt because Volkswagen was the last of five defendants to be sued. Reply at 2-3. Petitioner ignores the factual differences between *Sand Revolution II* and this case.

The parties in *Sand Revolution II* requested multiple amendments to the scheduling order that caused the trial date to move by almost a year. *See Sand Revolution II, LLC v. Continental Intermodal Group – Trucking LLC* ("*Sand Revolution II*"), IPR2019-01393, Paper 24 at 8-9 (PTAB June 16, 2020). The Board found these continual changes and the qualifier "or as available" for each calendared trial date weighed only "marginally" against exercising its discretion to deny institution. *See Sand Revolution II* at 9-10. Here, the second and third amended scheduling orders did not change the October 3, 2022 trial date. *See* Exs. 1010, 2006, 2016. The scheduling order provides that the "Court expects to set [trial] dates at the conclusion of the *Markman* hearing." *See* Ex. 2016. The Court recently moved *up* the *Markman* hearing from October 4, 2021 to September 27, 2021. *See* Ex. 2015. The trial date will therefore be set by the time of the

institution decision. The Board should take this at face value. That the Court advanced the *Markman* hearing confirms its intent not to delay the case.

Petitioner also points to its "fully-briefed" motion to dismiss based on improper venue as weighing against discretionary denial. Reply at 3. This argument is moot because the Court has denied Petitioner's motion. *See* Ex. 2017.

C. **   *Fintiv* Factor 3: Investment in the Parallel Proceeding by the Court and the Parties**

Petitioner contends this factor weighs in its favor because "fact discovery has not yet opened, the Court has not ruled on the pending motion to dismiss, and the Court has not held a *Markman* hearing or issued a ruling." Reply at 4. However, investment is determined at the "time [the Board is] projected to issue an institution decision." *See* POPR at 16 (citing *Fintiv* and *NVIDIA*). At that time, fact discovery will be open, and the Court will have held a *Markman* hearing and likely issued a claim construction decision. *See* Ex. 2016. The Court also has already denied Petitioner's motion to dismiss. *See* Ex. 2017. This factor weighs in favor of exercising discretionary denial of institution.

D. **   *Fintiv* Factor 4: Overlap between Issues raised in the Petition and in the Parallel Proceeding**

Petitioner argues that this factor weighs against discretionary denial because (1) the district court proceeding contains prior art not asserted in the *inter partes* review ("IPR") proceedings and (2) Petitioner agreed to stipulate that it will not

assert in the district court case "any ground of invalidity presented in this IPR."

Reply at 4. In originally denying institution, the Board in *Sand Revolution II*

acknowledged that the "patentability issues presented here are nevertheless a

subset of the issues in the district court case." *Sand Revolution II* at 12. That issue

was mitigated to some degree by the Petitioner's proposed stipulation. *Id.*

Here, Petitioner's proposed stipulation does not mitigate the duplicative

efforts and overlap of issues. First, the stipulation is only proposed; Petitioner has

not filed a stipulation in the district court or this proceeding. Second, unlike *Sand*

Revolution II, where the Petitioner was the sole defendant in the district court

litigation, Petitioner here is one of five defendants in the district court who served

joint invalidity contentions based on the same prior art at issue in these IPRs.

Regardless of the Petitioner's proposed stipulation, the district court will be

deciding the same issues of invalidity as raised or reasonably could be raised in the

petitions here. Patent Owner raised this issue during the telephone conference

requesting this reply. *See* Order at 2-3. Petitioner's Reply does not address it.

Petitioner's proposed narrow stipulation does not mitigate the overlapping

prior art issues that co-defendants will pursue in district court. *See Samsung*

Electronics Co., Ltd. et al. v. Ancora Technologies, Inc., IPR2020-01184, Paper 11

at 21 (stipulation does not bind co-defendants). This factor weighs in favor of

discretionary denial.

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