

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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JT International, S.A.,  
Petitioner,

v.

FONTEM HOLDINGS 1 B.V.,  
Patent Owner.

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Case IPR2015-01587  
Patent 8,365,742 B2

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**JOINT MOTION TO TERMINATE  
PURSUANT TO 35 U.S.C. § 317**

Pursuant to 35 U.S.C. § 317(a) and 37 C.F.R. § 42.74, Petitioner JT International, S.A. (“JTI”) and Patent Owner Fontem Holdings 1 B.V. (“Patent Owner”) jointly move the Patent Trial and Appeal Board (“Board”) to terminate the IPR2015-01587 proceeding.<sup>1</sup>

On December 1, 2015, Patent Owner and Petitioner JTI notified the Board that they reached a settlement agreement, including a license agreement, resolving all disputes between them involving the patent-at-issue in the IPR2015-01587 proceeding, and further requested guidance and permission to file a motion to terminate the IPR2015-01587 proceeding. On December 1, 2015, the Board authorized Patent Owner and Petitioner JTI to file a joint motion to terminate and a joint request to treat the settlement agreement as business confidential.

Pursuant to 35 U.S.C. § 317(b) and 37 C.F.R. § 42.74(b), a true copy (including counterparts) of the confidential settlement agreement and license agreement is filed herewith. Because the settlement agreement and license agreement are confidential, Patent Owner and Petitioner JTI respectfully request that it be treated as business confidential information and kept separate from the underlying patent file, as provided in 35 U.S.C. § 317(b) and 37 C.F.R. § 42.74(c).

As stated in 35 U.S.C. § 317(a), because Petitioner JTI and Patent Owner are

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<sup>1</sup> The Board has not yet issued a decision as to whether trial will be instituted; therefore, the IPR2015-01587 proceeding is still in its preliminary proceeding stage. 37 C.F.R. § 42.2.

jointly requesting termination of the IPR2015-01587 proceeding, no estoppel under 35 U.S.C. § 315(e) shall attach to Petitioner JTI.

**I. TERMINATION OF THE *INTER PARTES* REVIEW PROCEEDING IS APPROPRIATE**

An *inter partes* review (IPR) “shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed.” 35 U.S.C. § 317(a). “If no petitioner remains in the *inter partes* review, the Office may terminate the review or proceed to a final written decision under section 318(a).” *Id.*

There is an *expectation* that an IPR will be terminated after the filing of a settlement agreement because “[t]here are strong public policy reasons to favor settlement between the parties to a proceeding. . . .” Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,768 (Aug. 14, 2012) (“The Board expects that a proceeding will terminate after the filing of a settlement agreement, unless the Board has already decided the merits of the proceeding.”). The expectation of termination in connection with settlement is due to the adjudicatory nature of IPR proceedings, as contrasted with the examinational nature of the *inter partes* reexamination proceedings they replaced. *See, e.g., Idle Free Systems Inc. v. Bergstrom Inc.*, IPR2012-00027, Paper 26 at 6 (June 11, 2013) (“An *inter partes* review is more adjudicatory than examinational, in nature.”); *Abbott Labs v. Cordis Corp.*,

IPR2015-01587

U.S. Patent No. 8,365,742

710 F.3d 1318, 1326 (Fed. Cir. 2013) (“In 2011, Congress replaced inter partes reexamination with a new proceeding called inter partes review.... The purpose of this reform was to ‘convert[] inter partes reexamination from an examinational to an adjudicative proceeding,’ ....”) (citations omitted).

Here, the IPR2015-01587 proceeding should be terminated in its entirety because of the strong public policy and expectation that IPRs will terminate upon settlement prior to a decision on the merits. The IPR2015-01587 proceeding is still in its preliminary stage as the Board has not yet issued a decision as to whether a trial will be instituted. As such, termination would save significant further expenditures of resources by the Board and the parties.

The IPR2015-01587 proceeding should also be terminated because the parties jointly request termination. Patent Owner and Petitioner JTI have resolved the IPR2015-01587 proceeding and related litigation through settlement.

Termination of the IPR2015-01587 proceeding in view of settlement also provides a measure of certainty as to the outcome, promoting settlements and creating a timely, cost-effective alternative to litigation. And such termination is consistent with the adjudicatory nature of IPRs. Once termination is effected, there will be no counter-party in this proceeding and no need for an adjudicatory proceeding.

For at least those reasons discussed above, Patent Owner and Petitioner JTI respectfully request that the Board terminate the IPR2015-01587 proceeding.

## **II. MATTERS RELATED TO THE *INTER PARTES* REVIEW PROCEEDING**

The patent-at-issue in the IPR2015-01587 proceeding is the subject of several federal district court litigations, including one matter that involves Patent Owner and Logic Tech. Dev. LLC (“Logic”). Logic was acquired by Petitioner JTI on July 27, 2015. There is one other petition for IPR of the patent-at-issue. *See* IPR2015-00859. The settlement agreement and license agreement have resolved all disputes involving the patent-at-issue between Patent Owner and Petitioner JTI, and Patent Owner and Logic.

### **A. Case No. 2:14-CV-01645 (C.D. Cal.) Relates to the *Inter Partes* Review Proceeding**

Patent Owner filed a patent infringement suit against Logic in the United States District Court for the Central District of California, captioned *Fontem Ventures BV et al. v. Logic Technology Development LLC*, Case No. 2-14-cv-01654. Patent Owner accused Logic of infringing the patent-at-issue in the IPR2015-01587 proceeding in addition to four other patents. This litigation was consolidated with several related cases asserting four additional patents against Logic. As a result, a total of nine patents have been asserted against Logic in the consolidated

IPR2015-01587

U.S. Patent No. 8,365,742

action (Case No. 2-14-cv-01645). Those litigations are covered by Patent Owner and Petitioner JTI's settlement agreement and license agreement.

Patent Owner also filed patent infringement suits against other entities asserting the patent-at-issue in the United State District Court for the Central District of California, captioned *Fontem Ventures BV et al. v. LOEC, Inc. et al.*, Case No. 2-14-cv-01648; *Fontem Ventures B.V. et al. v. NJOY, Inc.*, Case No. 2:14-cv-01645; *Fontem Ventures BV et al. v. Ballantyne Brands, LLC*, Case No. 2-14-cv-01652; *Fontem Ventures BV et al. v. CB Distributors, Inc. et al.*, Case No. 2-14-cv-01649; *Fontem Ventures BV et al. v. Spark Industries, LLC*, Case No. 2-14-cv-01653; *Fontem Ventures BV et al. v. Vapor Corp.*, Case No. 2-14-cv-01650; *Fontem Ventures BV et al. v. VMR Products, LLC*, Case No. 2-14-cv-01655; *Fontem Ventures BV et al. v. FIN Branding Group, LLC et al.*, Case No. 2-14-cv-01651.

### **B. Board Proceedings**

As mentioned above, there is one other petition for IPR of the patent-at-issue. Petitioner VMR Products, LLC filed IPR2015-00859 on March 10, 2015 against the patent-at-issue. That petition for IPR2015-00859 was denied and no IPR was instituted. IPR2015-00859, Pap. 9 at 32 (September 16, 2015). Petitioner JTI was not a party to that IPR.

### **III. CONCLUSION**

Patent Owner and Petitioner JTI respectfully request that the Board grant the

IPR2015-01587

U.S. Patent No. 8,365,742

parties' joint motion to terminate the IPR2015-01587 proceeding in its entirety and grant the accompanying request to treat the settlement agreement and license agreement between Patent Owner and Petitioner JTI as business confidential information.

Patent Owner and Petitioner JTI are available at the Board's convenience to discuss these related matters in more detail or answer any additional questions raised by this joint motion.

Respectfully submitted,

December 4, 2015

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## **CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of the following document has been served in its entirety by filing the JOINT MOTION TO TERMINATE PURSUANT TO 35 U.S.C. § 317 through the Patent Review Processing System, as well as by causing the aforementioned document to be electronically mailed, pursuant to the parties' agreement, to the following attorneys of record for Petitioner listed below:

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Dated: December 4, 2015

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