

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

R.J. REYNOLDS VAPOR COMPANY,
Petitioner,

v.

FONTEM HOLDINGS 1 B.V.,
Patent Owner.

Case IPR2018-00634
Patent No. 9,456,632

**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 R.J. Reynolds Vapor Co. (“Reynolds”) and Patent Owner Fontem Holdings 1 B.V. (“Patent Owner”) jointly move the Patent Trial and Appeal Board (“Board”) to terminate the IPR2018-00634 proceeding.¹

On October 2, 2018, Patent Owner and Petitioner Reynolds notified the Board that they reached a settlement agreement resolving all disputes between them involving the patent-at-issue in the IPR2018-00634 proceeding, and further requested guidance and permission to file a motion to terminate the IPR2018-00634 proceeding. There are no other agreements, oral or written, between Patent Owner and Petitioner Reynolds made in connection with, or in contemplation of, the termination of the IPR2018-00634 proceeding. On October 3, 2018, the Board authorized Patent Owner and Petitioner Reynolds 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 settlement agreement is filed herewith. Because the settlement agreement is confidential, Patent Owner and Petitioner Reynolds 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

¹ The Board has not yet issued a decision as to whether trial will be instituted; therefore, the IPR2018-00634 proceeding is still in its preliminary proceeding stage. 37 C.F.R. § 42.2.

As stated in 35 U.S.C. § 317(a), because Petitioner Reynolds and Patent Owner are jointly requesting termination of the IPR2018-00634 proceeding, no estoppel under 35 U.S.C. § 315(e) shall attach to Petitioner Reynolds.

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. Berg-*

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strom 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.*, 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 IPR2018-00634 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 IPR2018-00634 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 IPR2018-00634 proceeding should also be terminated because the parties jointly request termination. Patent Owner and Petitioner Reynolds have resolved the IPR2018-00634 proceeding and related litigation through settlement.

Termination of the IPR2018-00634 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

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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 Reynolds respectfully request that the Board terminate the IPR2018-00634 proceeding.

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

The patent-at-issue in the IPR2018-00634 proceeding is the subject of federal district court litigation. There are no other pending IPRs of the patent-at-issue. The settlement agreement has resolved all disputes involving the patent-at-issue between Patent Owner and Petitioner Reynolds.

A. Case No. 1:16-CV-1255 (M.D.N.C.) Relates to the *Inter Partes* Review Proceeding

Patent Owner filed four patent infringement suits against Petitioner Reynolds in the Middle District of North Carolina (*Fontem Ventures BV et al. v. R.J. Reynolds Vapor Co.*, Case No. 1:16-cv-01255, *Fontem Ventures BV et al. v. R.J. Reynolds Vapor Co.*, Case No. 1:16-cv-01257, *Fontem Ventures BV et al. v. R.J. Reynolds Vapor Co.*, Case No. 1:16-cv-01258, *Fontem Ventures BV et al. v. R.J. Reynolds Vapor Co.*, Case No. 1:17-cv-00175). In Case No. 1:17-cv-00175, Patent Owner accused Petitioner Reynolds of infringing the patent-at-issue in addition to seven other patents. In Case No. 1:16-cv-01255, Patent Owner accused Petitioner

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Reynolds of infringing four other patents. In Case No. 1:16-cv-01257, Patent Owner accused Petitioner Reynolds of infringing two other patents. In Case No. 1:16-cv-01258, Patent Owner accused Petitioner Reynolds of infringing one other patent. Patent Owner Fontem Holdings 1 B.V., Fontem Ventures B.V., and Petitioner Reynolds are the parties to those litigations, which were consolidated. As a result, a total of fifteen patents have been asserted against Reynolds in the consolidated action (Case No. 1:16-cv-01255). Those litigations are covered by Patent Owner and Petitioner Reynolds' settlement agreement.

B. Board Proceedings

As mentioned above, there are no other pending petitions for IPR of the patent-at-issue.

III. CONCLUSION

Patent Owner and Petitioner Reynolds respectfully request that the Board grant the parties' joint motion to terminate the IPR2018-00634 proceeding in its entirety and grant the accompanying request to treat the settlement agreement between Patent Owner and Petitioner Reynolds as business confidential information.

Patent Owner and Petitioner Reynolds 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.

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Respectfully submitted,

October 4, 2018

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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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