

UNITED STATES INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C.

Before the Honorable Dee Lord
Administrative Law Judge

In the Matter of

**CERTAIN AUTOMATED STORAGE AND
RETRIEVAL SYSTEMS, ROBOTS, AND
COMPONENTS THEREOF**

Investigation No. 337-TA-1228

**MEMORANDUM IN SUPPORT OF RESPONDENTS’
MOTION TO STAY INVESTIGATION PENDING
RESOLUTION OF PTAB PROCEEDINGS**

Pursuant to 19 C.F.R. §§ 210.15 and Ground Rule 3.2, Respondents Ocado Group plc (“Ocado”), Ocado Central Services Ltd., Ocado Innovation Ltd., Ocado Operating Ltd., Ocado Solutions, Ltd., Ocado Solutions USA Inc., Tharsus Group Ltd., and Printed Motor Works Ltd. (collectively, “Respondents”) respectfully submit this motion to stay this Investigation pending resolution of *inter partes* review (“IPR”) and post-grant review (“PGR”) proceedings regarding all of the patent claims asserted by Complainants in this Investigation (the “Asserted Claims”).

The Commission instituted this Investigation on November 6, 2020, in which Complainants asserted United States Patent Nos. 10,093,525, 10,294,025, 10,474,140, 10,494,239, and 10,696,478 (collectively, “the Asserted Patents”). Between November 30, 2020 and January 18, 2021, Ocado filed four IPR petitions and one PGR petition with the Patent Trial and Appeal Board (“PTAB”) (collectively, the “PTAB Proceedings”) that, Respondents submit, will result in a finding of invalidity and the cancellation of all of the Asserted Claims. (Copies of the IPR and PGR petitions are enclosed with this motion as Exhibits A through E.) Staying this Investigation pending resolution of Ocado’s IPR and PGR petitions will preserve considerable party and

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Commission resources, simplify the issues presented in this Investigation, and may entirely obviate this Investigation and the attendant discovery, costs, and hearing time. Furthermore, given the strength of Ocado’s IPR and PGR petitions, staying this Investigation will eliminate the risk, however small, that the Commission issues an exclusion order based on U.S. patent claims canceled by the PTAB—due to the different evidentiary standards applied by the PTAB and the ITC—which would not be in the public interest. *Certain Personal Computer/Consumer Electronic Convergent Devices, Components Thereof & Prods. Containing Same*, Inv. No. 337-TA-558, Order No. 6 at 13 (Feb. 7, 2006) (“*Personal Computers*”) (it is “not [] in any party’s interest or the public interest to continue an investigation which is ultimately found to be based on an invalid or non-existent patent. This would be an inefficient and improper use of scarce Commission resources, and of the resources of the parties.”) (quoting *Certain Diltiazem Hydrochloride and Diltiazem Preparations*, Inv. No. 337-TA-349, Order No. 33 at 4 (Nov. 24, 1993)).

While achieving substantial efficiencies, the requested stay would not prejudice Complainants. In May 2018, Ocado announced that it had entered into an agreement with the Kroger Company to import the accused products into the United States. Five months later, in October 2018, the U.S. Patent and Trademark Office issued many of the Asserted Claims. Complainants’ lack of diligence in pursuing their alleged rights before the Commission—a nearly two-year delay for many of the Asserted Claims—demonstrates the lack of prejudice if the Investigation were to be stayed. Moreover, as a result of recent decisions of the PTAB, the impact of failing to raise and address the issues raised herein may be, as explained in detail below, to effectively deny Section 337 Respondents access to IPR proceedings, which was not the intent of Congress in making those proceedings available through the America Invents Act.

I. INTRODUCTION

Respondents recognize that stays of Section 337 investigations are rarely granted, but respectfully submit that a stay is warranted under the present circumstances. Ocado's diligence in seeking IPR and PGR of the Asserted Patents and, in contrast, Complainants' lack of diligence in seeking relief before the Commission, combined with recent developments at the PTAB, support Respondents' request to stay this Investigation. Several very recent precedential rulings from the PTAB suggest that the ITC's general practice of denying stays during the pendency of IPRs should be reconsidered, particularly under the facts presented here.

Over the last three months, the PTAB exercised its discretionary authority to deny institution of IPR with respect to *all 18* IPR petitions considered where the challenged patents also were asserted in a parallel ITC investigation.¹ Those petitions were denied, regardless of the petitioner's likelihood of success in proving invalidity, because of the existence of a parallel ITC investigation which had not been stayed.² These PTAB denials of institution are not subject to

¹ See *Fitbit, Inc. v. Koninklijke Philips N.V.*, IPR2020-00771 (P.T.A.B. Oct. 19, 2020); *Fitbit, Inc. v. Koninklijke Philips N.V.*, IPR2020-00772 (P.T.A.B. Oct. 19, 2020); *Comcast Cable Comms., LLC v. Rovi Guides, Inc.*, IPR2020-00800, IPR2020-00801, IPR2020-00802 (P.T.A.B. Oct. 22, 2020); *Garmin Int'l, Inc. v. Koninklijke Philips N.V.*, IPR2020-00754 (P.T.A.B. Oct. 27, 2020); *Philip Morris Prods., S.A. v. Rai Strategic Holdings, Inc.*, IPR2020-00919 (P.T.A.B. Nov. 16, 2020); *Google LLC v. Ecofactor Inc.*, IPR2020-00946 (P.T.A.B. Nov. 18, 2020); *Google LLC v. Ecofactor Inc.*, IPR2020-00947 (P.T.A.B. Nov. 18, 2020); *Google LLC v. Ecofactor Inc.*, IPR2020-00968 (P.T.A.B. Nov. 18, 2020); *SK Innovation Co. v. LG Chem, Ltd.*, IPR2020-00981 (P.T.A.B. Nov. 30, 2020); *SK Innovation Co. v. LG Chem, Ltd.*, IPR2020-00982 (P.T.A.B. Nov. 30, 2020); *SK Innovation Co. v. LG Chem, Ltd.*, IPR2020-00987 (P.T.A.B. Nov. 30, 2020); *SK Innovation Co. v. LG Chem, Ltd.*, IPR2020-01036 (P.T.A.B. Nov. 30, 2020); *SK Innovation Co. v. LG Chem, Ltd.*, IPR2020-01239 (P.T.A.B. Jan. 12, 2021); *SK Innovation Co. v. LG Chem, Ltd.*, IPR2020-01240 (P.T.A.B. Jan. 12, 2021); *Nintendo Co. v. Gamevice, Inc.*, IPR2020-01197 (P.T.A.B. Jan. 12, 2021); *Regeneron Pharm., Inc. v. Novartis Pharma AG*, IPR2020-01317 (P.T.A.B. Jan. 15, 2021).

² This result, commentators have observed, is preordained by the PTAB's precedential decision in

appeal. *See St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1375 (Fed. Cir. 2014) (holding that the Federal Circuit “may not hear [a petitioner’s] appeal from the [] denial of the petition for *inter partes* review.”).

This was an abrupt change from past practice. In the 21 months preceding the end of September 2020, all 31 of the IPR petitions where the patents at issue were asserted in a parallel ITC investigation and the PTAB found a likelihood of success on the merits led to institution of IPR. The PTAB’s new practice of routinely denying institution in this context appears to be motivated in substantial part by its observation that the parallel ITC proceedings were ongoing and not stayed.

In many of the PTAB’s recent decisions, the PTAB found that an IPR petitioner / ITC respondent’s failure *to seek* a stay of the ITC investigation weighs in favor of denying institution. Those decisions faulting petitioners for failing to seek a stay of Section 337 proceedings necessarily contemplate that, in the PTAB’s view, there are circumstances in which an ITC investigation should be stayed in light of a potential IPR proceeding and, at a minimum, that an IPR petitioner / ITC respondent is obligated to seek a stay of ITC proceedings or else risk discretionary denial of institution of IPR. Accordingly, Respondents are required to seek a stay of this Investigation to address PTAB precedents, but Respondents also respectfully submit that there are good reasons that a stay of this Investigation should be granted independent of these developments.

Apple, Inc. v. Fintiv, Inc., IPR2020-00019 (P.T.A.B. Mar. 20, 2020). Indeed, “although the [PTAB] may take the position that each decision is specific to its facts, 5 out of 6 of the *Fintiv* factors . . . will *always* prevent institution where an ITC case is co-pending with a PTAB petition.” Scott McKeown, *314(a) To Block All ITC Disputes from PTAB?*, Patents Post-Grant (Dec. 10, 2020), <https://www.patentspostgrant.com/314a-to-block-all-itc-disputes/> (emphasis added).

Ocado filed its IPR and PGR petitions as expeditiously as possible after Complainants filed the Complaint in this Investigation to ensure that invalidity would be adjudicated as quickly as possible by the PTAB, an expert adjudicatory body that (i) has the power to cancel U.S. patent claims (a remedy the ITC cannot order, even after finding asserted patents to be invalid), and (ii) specializes in review of printed publication prior art to assess the validity of U.S. patent claims, which the PTAB reviews based on a preponderance-of-the-evidence standard. A stay of this Investigation during the pendency of the PTAB Proceedings very likely would facilitate institution of IPR and PGR, putting adjudication of Respondents' invalidity arguments in the venue that will most quickly and efficiently provide a binding ruling on invalidity (which would apply not only in this Investigation but also in the co-pending District Court action that Complainants filed against Ocado in the Eastern District of Virginia).³ This Investigation is at a sufficiently early stage that a stay would save considerable party and Commission resources, even in the event that Ocado is unsuccessful in all of its petitions, which Respondents submit is unlikely.

Respondents acknowledge the Commission's mandate to conduct investigations expeditiously, but Respondents note that U.S. District Courts operate under a nearly identical mandate to conduct a "speedy . . . determination of every action," Fed. R. Civ. P. 1, yet routinely grant stays in light of parallel IPR and PGR proceedings. In granting those stays, District Courts recognize (i) that in the America Invents Act, Congress expressly contemplated that IPR or PGR would be sought after the initiation of infringement claims, and (ii) that the PTAB is a specialized forum that is best positioned to address validity in the first instance and simplify the issues to be

³ In contrast, a determination in this Investigation that the Asserted Patents are invalid would *not* be binding in the co-pending District Court action.

resolved in parallel litigation.⁴ Respondents respectfully submit that the public interest would be best served if the ITC took a similar, flexible approach that would permit a stay when IPR or PGR petitions are strong on the merits and have been filed promptly, as is the case here.

II. LEGAL STANDARD

The Commission and Administrative Law Judges have the power to stay a Section 337 proceeding in appropriate circumstances. *See Personal Computers* at 8. In determining whether a stay is appropriate, the Commission weighs five factors: “(1) the state of discovery and the hearing date; (2) whether a stay will simplify the issues and hearing of the case; (3) the undue prejudice or clear tactical disadvantage to any party; (4) the stage of the PTO proceedings; and (5) the efficient use of Commission resources.” *Certain Microelectromechanical Systems and Products Containing Same*, Inv. No. 337-TA-876, Order No. 6 at 3 (May 21, 2003) (citing *Certain Semiconductor Chips with Minimized Chip Package Size & Prods. Containing Same*, Inv. No. 337-TA-605, Comm’n Op. at 3–4 (May 27, 2008)). These factors weigh in favor of a stay here.

III. RESPONDENTS’ REQUESTED STAY SHOULD BE GRANTED.

A. Factor One: This Investigation Is Nascent, With Nominal Expenditures.

The Commission instituted this Investigation on November 6, 2020, the evidentiary

⁴ *See, e.g., PersonalWeb Techs., LLC v. Google Inc.*, No. 5:13-cv-01317, 2014 WL 4100743, at *5 (N.D. Cal. Aug. 20, 2014) (noting that “Congress has recognized [that] IPR proceedings produce decisive expert guidance from the PTAB on patent validity issues, a process which a less-specialized district court need not expend the resources to duplicate”); *Baseball Quick, LLC v. MLB Advanced Media, L.P.*, No. 11-cv-1735, 2013 WL 2257094, at *2 (S.D.N.Y. May 23, 2013) (“Congress clearly intended that the reexamination process could serve as a relatively streamlined and inexpensive means of resolving challenges to a patent’s validity, taking advantage of the USPTO’s specialized expertise, and thus eliminating or reducing the complexity of infringement litigation in the courts.”); *see also Saint Regis Mohawk Tribe v. Mylan Pharms. Inc.*, 896 F.3d 1322, 1335 (Fed. Cir. 2018) (noting that “[i]nter partes review brings to bear the same agency expertise as exists in initial examination”).

hearing currently is set for August 2–6, 2021, and the Initial Determination currently is due by November 5, 2021. Order No. 3 at 2. The Target Date currently is set for March 7, 2022, which would be only two months before the latest date on which PTAB would start to issue final written decisions, which could moot the outcome of this Investigation. *Id.* Given the early stage of this Investigation, the parties’ expenditures to date are limited and a stay has the potential to save considerable party and Commission resources.

Accordingly, the first factor weighs in favor of a stay. *Personal Computers* at 9-10, 13 (staying case where “only a limited amount of Commission resources ha[d] been dedicated to this investigation,” finding that “[t]he fact that this investigation is just beginning weighs in favor of issuing a stay in this investigation”); *see also Certain Microelectromechanical Systems and Products Containing Same*, Inv. No. 337-TA-876, Order No. 6 at 3 (May 21, 2013) (filing of motion to stay weeks after institution of investigation weighed in favor of a stay).

B. Factor Two: A Stay Will Obviate or Simplify the Investigation.

As an initial matter, staying the Investigation pending the PTAB Proceedings may obviate the Investigation in its entirety because all of the Asserted Claims are subject to an IPR or PGR petition. If the claims are found invalid and canceled, there can be no violation of Section 337, and discovery into and the adjudication of all other issues—including importation, infringement, domestic industry, equitable and other defenses, remedy, and bonding—would be obviated.

Furthermore, even if all of the Asserted Claims are not cancelled by the PTAB, the Investigation would be streamlined by the outcome of the PTAB Proceedings. Those potential efficiencies include, *e.g.*, (i) cancellation of some, if not all, of the claims (therefore reducing the scope of the infringement, validity, and other issues significantly in a case where Complainants have asserted 33 claims from five patents), and (ii) the identification of prior art and development

of the parties' respective invalidity positions. The PTAB Proceedings would also substantially limit the invalidity arguments in this Investigation. Ocado agrees that, if one or more pending petitions for IPR/PGR are instituted by the PTAB and the Investigation is stayed until the final conclusion of any such instituted proceeding, Ocado will not raise in the Investigation (after the stay is lifted), as to the Asserted Patent that was the subject of the instituted proceeding, the specific grounds of invalidity that (i) were actually considered in the instituted proceeding or (ii) could reasonably have been raised, but were not raised, in the instituted proceeding.

Because this Investigation would be significantly simplified, if not obviated, by a stay pending resolution of the PTAB Proceedings, the second factor weighs in favor of a stay.

C. Factor Three: Complainants Will Not Be Prejudiced.

This Investigation is in an early phase, and therefore this case stands in contrast to ones in which complainants have invested significant resources in discovery and development of their case in preparation for an evidentiary hearing. Moreover, as set forth in Respondents' Responses to the Complaint and described above (*supra* p. 2), Complainants will be hard pressed to argue now that time is of the essence.⁵ Complainants have been aware of Respondents' alleged infringement since at least May 2018, and Complainants have asserted (i) three substantively identical patents, the earliest of which issued in October 2018, and (ii) two different patents that issued in late 2019.

⁵ Under the PTAB's recent practice of discretionarily denying institution of IPR because of parallel ITC proceedings, Respondents are compelled to note the potential for gamesmanship. Alleged infringement that dates back many years will be pursued in both the District Court and ITC because the latter will effectively enable the patent owner to escape meritorious IPR and undermine Congress's intent when it created IPR in the America Invents Act—*i.e.*, "to . . . establish a more efficient and streamlined patent system that will . . . limit unnecessary and counterproductive litigation costs." *3Shape A/S and 3Shape Inc. v. Align Technology, Inc.*, 2020 WL 2738516, at *14 (P.T.A.B. May 26, 2020).

Complainants cannot reasonably complain that they would be prejudiced if these proceedings were temporarily paused so the PTAB could decide whether the U.S. Patent and Trademark Office mistakenly issued invalid patents.

Moreover, in any ITC investigation, a complainant will be able to argue that a stay would delay the evidentiary hearing and Initial Determination date because that is the nature of a stay. Respondents therefore submit that analysis of the third stay factor cannot turn on the question of whether resolution of the ITC proceeding will be delayed; rather, the inquiry should focus on (i) Complainants' diligence or lack of diligence in initiating ITC proceedings and (ii) how quickly and efficiently the ITC respondent / IPR or PGR petitioner moved to file its IPR or PGR petitions to ensure that the petitions would be filed in the earliest stages of the ITC investigation. *Cf., Certain Microelectromechanical Systems and Products Containing Same*, Inv. No. 337-TA-876, Order No. 6 at 3 (May 21, 2013). Applying that standard, factor three weighs in favor of a stay here.

D. Factor Four: All IPR and PGR Petitions, With Complete Invalidity Arguments and Supporting Fact and Expert Evidence, Have Been Submitted.

Before submitting this stay motion, Ocado filed all four of its IPR petitions and its PGR petition. Ocado has made significant investments in identifying prior art, drafting the IPR and PGR petitions (which provide far more detailed merits arguments than any submissions that have been made in this Investigation to date), obtaining relevant fact evidence to establish prior art, and obtaining expert analyses and declarations. All of that work is completed, and it has been submitted to the PTAB. Complainants will have the opportunity to begin submitting preliminary response no later than February, and then the PTAB will make its institution decisions beginning in May. Before substantial resources have been invested in this Investigation, the parties will have

invested far greater resources in the PTAB Proceedings and, accordingly, the fourth factor weighs in favor of a stay.

In light of the efficiency and speed with which Ocado filed its IPR and PGR petitions, the schedule for the IPRs and PGR would roughly keep pace with the current schedule for this Investigation. The Target Date in this Investigation currently is in March 2022, and final written decisions from the PTAB would start to issue *no later than* May 2022 (possibly earlier). Given the applicable statutes and regulations, it would *never* be the case that a final written decision from the PTAB would issue before the Target Date for an ITC investigation, no matter how quickly a respondent moved after the ITC complaint was filed, and therefore Respondents respectfully submit that it cannot be relevant to the stay analysis that the Target Date comes earlier. Rather, Respondents believe the relevant question for factor four should be the diligence of the parties and whether respondents' investment in the PTAB Proceedings would outpace investment in the parallel ITC proceeding, as is the case here. Viewing the facts of this case through that lens, this factor weighs in favor of a stay as well.

E. Factor Five: A Stay Minimizes Use of Commission Resources and Eliminates the Reasonable Possibility That Commission Resources Would Be Expended Needlessly.

Commission resources spent adjudicating alleged violations of Section 337 based on claims later found by the PTAB to be invalid would be wasted. *Personal Computers* at 13 (“[I]t appears not to be in any party’s interest or the public interest to continue an investigation which is ultimately found to be based on an invalid or non-existent patent. This would be an inefficient and improper use of scarce Commission resources, and of the resources of the parties.”) (quoting *Certain Diltiazem Hydrochloride and Diltiazem Preparations*, Inv. No. 337-TA-349, Order No. 33 at 4 (Nov. 24, 1993)).

IPRs and PGRs are instituted based on the PTAB’s determination that there is a likelihood that at least some of the challenged patent claims are invalid and should be canceled, and then patent claims ultimately are cancelled if the PTAB finds that they have been proven to be anticipated or obvious by a preponderance of the evidence (a lower evidentiary standard, without a presumption of validity, relative to the standard applied in the ITC). Accordingly, staying this Investigation stands to avoid a considerable waste of Commission resources, which if Ocado’s IPR and PGR petitions are successful, would be expended needlessly on claim construction, infringement analysis, invalidity analysis, evaluation of equitable and other defenses, domestic industry analysis, and remedy and bonding consideration. There would be a particular waste of resources if the PTAB were to cancel the Asserted Claims soon after the Target Date, which would lead to suspension, modification, stay, or rescission of any exclusion order, which has now happened in several cases with parallel IPR and ITC proceedings.⁶

Moreover, even if all of the Asserted Claims are not cancelled after the IPR proceedings, staying this investigation would still lead to a more efficient use of Commission resources. For example, the PTAB and the Administrative Law Judge would consider the same claim construction issues—using the same legal standard—contemporaneously, and the PTAB’s decision regarding claim construction would likely simplify claim construction proceedings in this Investigation.

Overall, in light of the strength of Ocado’s IPR and PGR petitions on the merits (Exs. A-E), and the speed and efficiency with which Ocado moved to submit the petitions during the earliest

⁶ See, e.g., *Certain Unmanned Aerial Vehicles and Components Thereof*, Inv. No. 337-TA-1133, Comm’n Op. at 35-38 (Sept. 8, 2020) (enforcement of exclusion order suspended “pending resolution of the PTAB’s Final Written Decision finding the asserted claims of the ’184 patent . . . to be unpatentable”); *Certain Magnetic Tape Cartridges and Components Thereof*, Inv. No. 337-TA-1058, Comm’n Op. at 60-65 (April 9, 2019).

stages of this Investigation, Commission resources would be most efficiently used if this Investigation were stayed pending resolution of the PTAB Proceedings.

IV. CONCLUSION

For the foregoing reasons, Respondents respectfully request that the Administrative Law Judge enter an order staying this Investigation until the PTAB decides not to institute IPR or PGR or the PTAB issues final written decisions after instituting IPR or PGR, whichever is earliest.

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Respectfully submitted,

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