

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

INTERNATIONAL BUSINESS MACHINES)
CORPORATION,)
)
Plaintiff,) C.A. No. _____
)
v.) **JURY TRIAL DEMANDED**
)
RAKUTEN, INC., RAKUTEN USA, INC.,)
RAKUTEN COMMERCE, LLC, and)
EBATES INC. DBA RAKUTEN,)
)
Defendants.)

COMPLAINT FOR PATENT INFRINGEMENT

Plaintiff International Business Machines Corporation (“IBM”), for its Complaint for Patent Infringement against Rakuten, Inc., Rakuten USA, Inc., Rakuten Commerce, LLC, and Ebates Inc. dba Rakuten (collectively, “Rakuten”), demands a trial by jury on all issues so triable and alleges as follows:

INTRODUCTION

1. IBM is in the innovation business. Every year, IBM spends billions of dollars on research and development to invent, market, and sell new technology. For example, through its investments and innovations in the new frontier of quantum information science, IBM is the leader in commercializing quantum computing, once thought to be a purely academic exercise. IBM’s Q Network service—a community of Fortune 500 companies, academic institutions, research organizations, and startups working with IBM to advance quantum computing—now has over 100 members.

2. IBM obtains patents on the technology its inventors develop. IBM’s commitment to research and innovation has resulted in numerous inventions that have led to the thousands of patents awarded to IBM by the United States Patent Office each year. In fact, for each of the last

28 years, IBM scientists and researchers have been awarded more U.S. patents than those of any other company. Those patents are critical to IBM's business and its licensing philosophy.

3. For example, for over twenty years, IBM has been a strong proponent of open source technologies. IBM was a founding member of Open Invention Network, the largest patent non-aggression community in history, which supports freedom of action in Linux, a key element of open source software. IBM was able to leverage its patent portfolio to enable the broad industry adoption of open source technologies by pledging to provide open access to key innovations covered by hundreds of IBM software patents for those working on open source software. And early in 2020, IBM joined the License on Transfer Network ("LOT Network"), a non-profit community of companies that supports open innovation and responsible stewardship of technology. LOT Network affirms the traditional use of patents—safeguarding the innovations of companies who research, develop, and sell new technologies—while protecting its members against patent assertion entities who purchase or acquire patents from others.

4. As another example, IBM has pledged to let anyone working on solutions to the coronavirus pandemic use its patents for free. IBM's vast patent portfolio can now support researchers everywhere who are developing technologies to help prevent, diagnose, treat or contain COVID-19. The collection includes thousands of IBM artificial intelligence patents, some related to Watson technology, as well as dozens, if not hundreds, related to biological viruses.

5. IBM also believes in the protection of its proprietary technologies, which result from IBM's extensive investments in research and development and the hard work of IBM's employees. IBM believes that companies who use IBM's patented technology should agree to a license and pay a fair royalty. When a company is using IBM's patents without authorization, IBM first seeks to negotiate an agreement whereby IBM and the other company each receive a

license to the other's patent portfolio. That way, each company can avoid litigation, be fairly compensated for the use of all of their patents, and maintain freedom to operate in their respective markets.

6. IBM's research and development is currently focused on technology that includes quantum computing, big data analytics, artificial intelligence, and natural language processing. But IBM also has a long history of innovating and licensing its technology in the field of internet commerce. In fact, long before Rakuten existed, IBM partnered with other companies to launch Prodigy, one of the very first e-commerce services. Rakuten, which was founded in 1997, after e-commerce was already established, took those prior innovations made by IBM and others to create and run its new business. As its business has developed, Rakuten has incorporated additional innovations pioneered by IBM.

7. For almost six years, IBM has tried to negotiate with Rakuten about Rakuten's unlicensed use of IBM's patents. Dozens of similar companies, including Amazon, Apple, Google, and Facebook, have agreed to cross licenses with IBM. Unfortunately, Rakuten is not among them. Instead, to this day, Rakuten has chosen to willfully infringe IBM's patents and even expand its infringing activity.

8. Rather than negotiate with IBM, Rakuten has used a series of delay tactics. In July 2015, when IBM first informed Rakuten that its subsidiaries were infringing IBM's patents, Rakuten refused to take responsibility for the companies it controlled and told IBM to contact each of them individually. Then, Rakuten refused to meet with IBM by ignoring IBM's messages, claiming vague scheduling conflicts, or deflecting responsibility from one Rakuten representative to the next.

9. Two years later, in 2017, IBM finally had the opportunity to present detailed evidence of Rakuten's infringement. In response, Rakuten refused to explain why it continued to infringe IBM's patents. When that approach was no longer tenable, Rakuten raised objectively unreasonable excuses for why it refused to negotiate. When IBM pointed out that Rakuten's excuses were flawed and included arguments that had been rejected in court, Rakuten reverted to delay tactics. In one instance in 2018, Rakuten finally agreed to meet with IBM after months of haggling over the attendees and the topics to be discussed, only to cancel at the last minute.

10. Rather than address its infringement of IBM's intellectual property, Rakuten attempted to strong-arm IBM by threatening existing relationships between the companies. Rakuten said it would blacklist IBM from future business opportunities if IBM did not drop the issue. Through this tactic too, Rakuten attempted to deflect responsibility from its own wrongful conduct.

11. Over the years, IBM has discovered that Rakuten infringes additional IBM patents. IBM has informed Rakuten of its expanding liability for willful patent infringement across its subsidiaries but has been continually met with delay and excuses. This conduct clearly demonstrates Rakuten has never taken the issue seriously.

12. After years of delay and excuses, Rakuten changed tactics. Rakuten told IBM that it had hired outside legal counsel and would no longer talk to IBM directly. In effect, Rakuten told IBM: "we will not deal with this issue; talk to our lawyers." That decision made it nearly impossible to resolve this matter through business negotiations. IBM has urged Rakuten to reconsider many times, yet Rakuten refused IBM's invitations to explain Rakuten's infringement and to discuss an amicable business resolution.

13. After almost six years without meaningful progress toward a resolution, IBM has brought this lawsuit to finally end Rakuten's unauthorized use of IBM's patented technology.

NATURE OF THE CASE

14. This action arises under 35 U.S.C. § 271 for Defendant's infringement of IBM's United States Patent Nos. 7,072,849 (the "849 patent"), 7,631,346 (the "346 patent"), 6,785,676 (the "676 patent"), and 7,543,234 (the "234 patent") (collectively the "Patents-In-Suit").

THE PARTIES

15. Plaintiff IBM is a New York corporation, with its principal place of business at 1 New Orchard Road, Armonk, New York 10504.

16. Defendant Rakuten, Inc. is a Japanese corporation, with its principal place of business in Setagaya, Tokyo, Japan. Rakuten is the ultimate parent company to Rakuten USA, Inc., Rakuten Commerce, LLC, and Ebates Inc. dba Rakuten.

17. Defendant Rakuten USA, Inc. is a Delaware corporation with its principal place of business at Rakuten Crimson House West 800 Concar Drive., San Mateo, California, 94402.

18. Defendant Rakuten Commerce, LLC is a Delaware corporation with its principal place of business in San Mateo, California.

19. Defendant Ebates Inc. dba Rakuten is a Delaware corporation with its principal place of business at 160 Spear Street, Suite 1900, San Francisco, CA 94105.

JURISDICTION AND VENUE

20. IBM incorporates by reference paragraphs 1-19.

21. This action arises under the patent laws of the United States, including 35 U.S.C. § 271 *et seq.* The jurisdiction of this Court over the subject matter of this action is proper under 28 U.S.C. §§ 1331 and 1338(a).

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