Paper No. 10

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

OBALON THERAPEUTICS, INC.
Petitioner,

v.

POLYZEN, INC.
Patent Owner.

Case IPR2017-01023
U.S. Patent No. 6,712,832

JOINT MOTION TO TERMINATE PROCEEDING PURSUANT TO 35 U.S.C. § 317(a)

Pursuant to the Board's authorization via e-mail (August 18, 2017, 1:44 p.m. PDT), Patent Owner Polyzen, Inc. ("Polyzen") and Petitioner Obalon Therapeutics, Inc. ("Obalon") (collectively, the "Parties") have reached a settlement and, pursuant to 35 U.S.C. § 317 and 37 C.F.R. § 42.74(c), jointly request termination of this *inter partes* review proceeding.

I. Statement of Facts

The Parties have settled their disputes and have executed a settlement agreement to terminate this proceeding, as well as IPR2017-0812 and IPR2017-00813, and have executed a settlement agreement to terminate related district court litigation involving U.S. Patent No. 6,712,832, Polyzen, Inc. v. Obalon Therapeutics, Inc. U.S. District Court for the Southern District of California, Case No. 3:17-cv-01357-JAH-WVG.

Polyzen and Obalon are the parties in the related district court litigation, and a stipulation of dismissal with prejudice is concurrently being filed with the United States District Court for the Southern District of California.

In accordance with the provisions of 37 C.F.R. § 42.74(b), the Parties' settlement agreements are in writing, and true and correct copies are being filed as Exhibit 1018 and 1019 in this proceeding. The settlement agreements are being filed electronically with access to "Parties and Board

Only." A "Joint Request to Keep Separate Pursuant to 35 U.S.C. § 317 and 37 C.F.R. § 42.74" is being filed concurrently with this Joint Motion to Terminate to constitute the settlement agreements as business confidential information and to keep them separate from the files of the involved patent, U.S. Patent No. 6,712,832, and be made available only to Federal Government agencies on written request, or to any person on a showing of good cause pursuant to 35 U.S.C. § 317(b) and 37 C.F.R. § 42.74(c).

U.S. Patent No. 6,712,832 is not involved in any other litigation or other proceeding. Aside from IPR2017-00812 and IPR2017-00813, in each of which a Joint Motion to Terminate Proceeding is also being filed, there are no pending, related *inter partes* review proceedings. The parties certify that there are no collateral agreements or understandings made in connection with, or in contemplation of, the termination of this *inter partes* review, and that the Settlement and License Agreement and Inter Partes Review Proceedings Settlement Agreement reflect the final settlement and resolution of all disputes between Patent Owner and Petitioner regarding this *inter partes* review. No litigation or proceeding involving the subject patents is contemplated in the foreseeable future.

II. Relief Requested

Termination of this *inter partes* review proceeding as to both parties is requested. The parties respectfully submit that such termination is justified. The statutory provision on settlement relating to *inter partes* reviews provides that an *inter partes* review "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). It also provides that, "[i]f no petitioner remains in the *inter partes* review, the Office may terminate the review..." *Id.*

Because the Board has not decided the merits of the present *inter partes* review proceeding, Section 317 provides that the *inter partes* review proceeding shall be terminated at least with respect to Obalon. Moreover, because Obalon is the only petitioner in this *inter partes* review proceeding, after termination, no petitioner will remain, and the Office may terminate the review proceeding in its entirety under Section 317.

Termination as to both parties would avoid substantial further expenditure of resources by the Board and the USPTO, as well as by Polyzen and Obalon. Termination as to both parties upon settlement as requested would also further the purpose of *inter partes* review proceedings

to provide an efficient and less costly alternative forum for patent disputes. Additionally, maintaining the proceeding would discourage further settlements, as patent owners in similar situations would have a strong disincentive to settle if they perceived that an *inter partes* review proceeding would continue regardless of a settlement.

Indeed, the Board has stated an expectation that proceedings such as these will be terminated after the filing of a settlement agreement: "[t]here are strong public policy reasons to favor settlement between the parties to a proceeding. …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. 35 U.S.C. 317(a), as amended…." Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,768 (Aug. 14, 2012). Additionally, Congress and the federal courts have expressed a strong interest in encouraging settlement in litigation. *See, e.g.*, *Delta Air Lines, Inc. v. August*, 450 U.S. 346, 352 (1981) ("The purpose of [Federal Rule of Civil Procedure] 68 is to encourage the settlement of litigation."); *Bergh v. Dept. of Transp.*, 794 F.2d 1575, 1577 (Fed. Cir. 1986) ("The law favors settlement of cases."), *cert. denied*, 479 U.S. 950 (1986). For at least these reasons, the Board's expectation that such proceedings should be terminated is proper and well justified here.

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