

13:12:40

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

MICROSURGICAL TECHNOLOGY, INC.,)
et al.,)
)
Plaintiffs,)
) C.A. No. 20-754 (MN)
v.)
)
NEW WORLD MEDICAL, INC.,)
)
Defendant.)

Wednesday, August 12, 2021
11:00 a.m.
Teleconference

844 King Street
Wilmington, Delaware

BEFORE: THE HONORABLE MARYELLEN NOREIKA
United States District Court Judge

APPEARANCES:

YOUNG CONAWAY STARGATT & TAYLOR
BY: SAMANTHA G. WILSON, ESQ.

-and-

WILEY REIN, LLP
BY: LAWRENCE M. SUNG, ESQ.
BY: TERESA M. SUMMERS, ESQ.

Counsel for the Plaintiffs

1 APPEARANCES CONTINUED:

2
3 POTTER ANDERSON & CORROON
4 BY: STEPHANIE E. O'BYRNE, ESQ.

5 -and-

6 CALFEE HALTER & GRISWOLD
7 BY: TODD R. TUCKER, ESQ.
8 BY: KYLE DEIGHAN, ESQ.

9 Counsel for the Defendant

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11:05:02 1 stay. Could I get an update on where we are with respect to
11:05:10 2 the latest patent?

11:05:17 3 MR. TUCKER: Yes. Yes, Your Honor. This is
11:05:20 4 Todd Tucker for New World Medical.

11:05:22 5 The latest patent, the '460, we are working on
11:05:25 6 getting the IPR filed on it. It is related to four of the
11:05:31 7 five patents-in-suit, very similar to four of them. We
11:05:36 8 believe it will be instituted. Where we are in the IPR's is
11:05:42 9 next Tuesday and Wednesday New World will be deposing
11:05:46 10 plaintiffs' expert so we're waiting to get that deposition
11:05:50 11 done before we file or petition for an IPR on the '460
11:05:54 12 patent. At that point we'll have everything filed. I would
11:06:00 13 think we'll get that filed in the next few weeks after those
11:06:05 14 depositions, Your Honor.

11:06:07 15 THE COURT: But the PTAB, so the PTAB will then
11:06:12 16 have six months to decide and then we could still have
11:06:16 17 another year on that patent?

11:06:18 18 MR. TUCKER: Yes, Your Honor. You know, I think
11:06:24 19 this patent was added a little bit later and we wanted to
11:06:28 20 see what happens in the limited discovery with the other
11:06:32 21 patent, so hopefully it will be streamlined since they are
11:06:36 22 related. Again, we are planning to file shortly, Your
11:06:40 23 Honor.

11:06:42 24 THE COURT: And when is the final decision or
11:06:45 25 the final decisions on the original five patents due?

11:06:50 1 MR. TUCKER: Yes, Your Honor. Our -- let me get
11:06:53 2 that schedule. Our oral arguments are set for January 10th
11:07:05 3 -- yeah, January 10th and that's on all five of the
11:07:08 4 instituted IPR's, so I believe, correct me if I'm wrong,
11:07:13 5 Mr. Deighan, it's six months after that or three months?

11:07:17 6 MR. DEIGHAN: It would be one year after the
11:07:18 7 institution, so March or April.

11:07:22 8 MR. TUCKER: Okay. So the institutions came
11:07:30 9 about over a month long period so we would start getting
11:07:34 10 decisions by the middle of March with the last decision
11:07:38 11 technically due sometime in April. As a matter of course
11:07:43 12 when I have been in cases where they have consolidated the
11:07:47 13 hearings like this, I have often seen that they get
11:07:50 14 everything issued shortly around that very first day, Your
11:07:54 15 Honor, mid March 2022.

11:07:57 16 THE COURT: All right. And where are we in
11:08:00 17 discovery or in the schedule?

11:08:04 18 MR. TUCKER: Yes, Your Honor. Again, this is
11:08:07 19 Mr. Tucker for New World, and I'm sure the other side is
11:08:10 20 going to have some things to say about this. But we have
11:08:13 21 claim construction briefed. We have asked for a couple of
11:08:16 22 week extension on the production of the substantial amount
11:08:20 23 of documents. I think that while views may differ, New
11:08:23 24 World's view is that discovery is not very far along and
11:08:27 25 those still have a lot to do.

1 I can summarize for you that New World did a
2 production January 2021 with several rolling productions,
3 May, June and last week, we have produced in total about
4 21,000 pages. We have answered and supplemented
5 interrogatories a couple of times.

6 The other side, plaintiffs, they have taken one
7 third-party deposition. They have noticed no depositions of
8 any of our potential witnesses, until last week they had
9 only produced 3,600 pages of documents and about 3,000 of
10 those pages were public records, patents and file histories,
11 produced about 8,000 pages on August 6th, and about another
12 4,400 pages last night. I think both parties have a lot to
13 do in discovery. We have a couple of letters out to them
14 about getting interrogatories supplemented. You know, I
15 think both sides have probably made some strategic decisions
16 in view of this motion. I think we are looking at a
17 potential motion to compel down the road here, but quite
18 frankly there is a lot to do in discovery, Your Honor.

19 THE COURT: Has defendant taken any depositions?

20 MR. TUCKER: We have not yet, Your Honor.

21 Again, this motion, it frankly puts us in kind of a little
22 bit of a weird spot of trying to move the case forward but
23 not being accused of arguing out of both sides of our mouth.
24 We have been answering and moving our side forward, but I do
25 think there is still a lot to do, Your Honor.

11:10:17 1 THE COURT: Okay. And the current motion is
11:10:19 2 simply to stay pending the final written decisions in the
11:10:25 3 IPR for the original five, and your position is we'll deal
11:10:31 4 with the sixth if and when IPR, the petitions are decided?

11:10:40 5 MR. TUCKER: That's correct, Your Honor.

11:10:41 6 THE COURT: Okay. All right. Let me hear from
11:10:45 7 the plaintiffs. Given where we are and that at least for
11:10:53 8 the current IPR's we'll have decisions before the current
11:10:58 9 trial date, why doesn't it make sense to try and streamline
11:11:05 10 this by letting the PTAB do its thing?

11:11:10 11 MR. SUNG: This is Lawrence Sung of Wiley law on
11:11:14 12 behalf of plaintiffs, Your Honor. Good morning again. To
11:11:17 13 address your questions directly, I don't want to get into a
11:11:19 14 point where we quibble with defendant about the stage of the
11:11:24 15 proceedings with respect to the discovery. Again, we have
11:11:27 16 correctly as Mr. Tucker had mentioned started with our
11:11:31 17 third-party deposition which was of one of their former
11:11:35 18 employees to help address certain document issues, and we
11:11:39 19 have both sides produced documents. To give you a sense of
11:11:42 20 the amount up through now, while Mr. Tucker threw out
11:11:50 21 various pages, MST and University of California have
11:11:52 22 produced almost 5,000 documents themselves. The claim
11:11:56 23 construction briefing that Mr. Tucker has mentioned has
11:11:59 24 proceeded and it's substantially ready for the Court's
11:12:02 25 consideration.

11:12:03 1 In terms of the dates and the timing, we would
11:12:07 2 disagree a little bit with the math that's involved. I
11:12:10 3 think part of the practical effect of a stay at this point
11:12:13 4 in time is while the PTAB's expected April 2022 decisions
11:12:19 5 may be in advance of the Court's October 2022 trial date,
11:12:23 6 that ignores any appeals to the Federal Circuit of PTAB
11:12:27 7 decisions which if you follow the Federal Circuit's own sort
11:12:30 8 of timing guidance would extend any final resolution until
11:12:35 9 July of 2023.

11:12:36 10 A motion to lift the stay may be a recourse in
11:12:39 11 theory, but we would found defense will likely have changed
11:12:43 12 and in the court's mind it's tougher to undo a stay
11:12:48 13 certainly pending appeal. So that's one of our
11:12:49 14 considerations as well as what we believe defendant is
11:12:53 15 really asking for is an extension of the proceedings until
11:12:56 16 almost 2023.

11:13:00 17 THE COURT: Okay. So tell me why you think I
11:13:07 18 shouldn't stay it, though.

11:13:11 19 MR. SUNG: Yes, Your Honor. We think there are
11:13:13 20 a couple of different points that really set this case apart
11:13:16 21 from, in particular, in a particular circumstance. First of
11:13:21 22 all, the defendant doesn't seriously dispute that the
11:13:23 23 indirect competition with plaintiffs and essentially a
11:13:30 24 two-supplier market in the goniotomy or excisional goniotomy
11:13:32 25 space. Not only are the parties direct competitors, but

11:13:40 1 since this lawsuit began, defendant has launched a new
11:13:44 2 product known as the KDB Glide which is also now accused of
11:13:49 3 infringing and that product purportedly improves upon the
11:13:54 4 original KDB product by specifically more closely resembling
11:13:59 5 the plaintiffs' product.

11:14:00 6 It is not a static issue with respect to the
11:14:03 7 accused ongoing infringement, but in fact defendant's
11:14:07 8 activities are increasingly and aggressively competitive for
11:14:12 9 that purpose. So as we move forward, any particular stay
11:14:16 10 would exacerbate the harm that would be involved. And I
11:14:21 11 think that the defendants have tried --

11:14:23 12 THE COURT: What do I do about the fact that at
11:14:26 13 least it appears that plaintiffs' predecessor accused
11:14:31 14 defendant of infringement, you know, years before this case
11:14:36 15 was instituted?

11:14:40 16 MR. SUNG: Yes, Your Honor. I think that is
11:14:43 17 part of a false narrative that the defendant has created
11:14:47 18 that somehow plaintiffs have waited four years to bring
11:14:51 19 suit. But plaintiffs could not have brought suit any
11:14:56 20 earlier than October 2019 when MST purchased certain assets
11:15:01 21 including rights to five of the six asserted patents from
11:15:06 22 this company called NeoMedics. We want to be clear that MST
11:15:11 23 did not acquire NeoMedics. NeoMedics' actions are not
11:15:16 24 attributable to plaintiffs because we do not stand in their
11:15:21 25 shoes. And plaintiffs ultimately filed suit within eight

months of this asset purchase. So I think that defendants are mistakenly conflating its prior knowledge of these patents and earlier dealings with NeoMedics somehow with a lack of urgency on behalf of plaintiffs in prosecuting this case.

THE COURT: Okay. Anything else from either side?

MR. TUCKER: Nothing from New World, Your Honor.

THE COURT: Okay.

MR. SUNG: Just one minor point from plaintiffs, Your Honor, if I may?

THE COURT: Sure.

MR. SUNG: In part of our argument in regard to whether or not the institution decisions represent a substantial likelihood that this -- the claims will ultimately be simplified before trial, we did want to note that the change in 2018 with the Supreme Court's *SAS Institute v. Iancu* decision makes it even less clear whether a PTAB decision for institution applies to all grounds that were originally petitioned for and whether it affects all of the claims.

So there is actually a real possibility that an institution decision will really simply -- a stay of that based on the institution decision will delay an inevitable parallel effort by the District Court because there is going

11:16:54 1 to be a patchwork of estoppel issues and surviving claims.
11:16:58 2 And that is one reason we see the courts beginning to look
11:17:01 3 at whether an IPR will truly take patents off the table.

11:17:06 4 As the Court has already noted and we have the
11:17:08 5 six asserted patents, I understand that defendants have
11:17:11 6 stated for the past several months that they will be
11:17:14 7 proceeding with a sixth petition, but that being said, the
11:17:18 8 arguments before the PTAB in these IPR's are not a silver
11:17:23 9 bullet. They don't cut across all the claims and not all
11:17:27 10 the claims are similarly susceptible, and as a result of
11:17:31 11 that we think that even if you accepted all of the
11:17:35 12 defendant's arguments about what the IPR's represent, there
11:17:39 13 will be, again, this patchwork of issues still left for the
11:17:43 14 District Court. And so for that reason, we think a stay is
11:17:47 15 outweighed based on the prejudice that the parties are in
11:17:51 16 direct competition.

11:17:55 17 MR. TUCKER: Your Honor, this is Mr. Tucker.
11:17:59 18 Could I have thirty seconds to respond to that?

11:18:03 19 THE COURT: Sure.

11:18:07 20 MR. TUCKER: So I think first off on this
11:18:11 21 premise because of direct competition, there has never been
11:18:15 22 a preliminary injunction filed in this case. Service took a
11:18:19 23 little while. Everything is taking a little while. I think
11:18:23 24 if there was true concern about direct competition there
11:18:27 25 would have been a PI or even a PI filed when plaintiffs

11:18:23 1 added the KDB Glide, the new product.

11:18:26 2 The other thing about kind of a patchwork idea,
11:18:29 3 we don't know what's going to happen at the IPR. We don't
11:18:32 4 know what's going to happen with PTAB. I don't want to
11:18:36 5 argue over the possible results. Even though I disagree
11:18:38 6 with some of the statements, the key is we're not wasting
11:18:41 7 the Court's resources with duplicative proceedings when we
11:18:45 8 can get to the end of these IPR's and we'll have some
11:18:49 9 clarity one way or another, and we will have at least some
11:18:53 10 issues one way or another eliminated from the case, so I
11:18:56 11 think there is really good cause to stay this action, Your
11:19:00 12 Honor.

11:19:03 13 THE COURT: Okay. Give me a minute.

11:19:29 14 (Pause.)

11:19:31 15 All right. Thank you, counsel.

11:19:36 16 So I am going to grant the motion to stay. In
11:19:39 17 addressing a motion to stay, I have broad discretion. And
11:19:43 18 here I have reached my decision by reviewing the factors
11:19:46 19 that the Court typically looks at in these circumstances,
11:19:49 20 whether the stay will unduly prejudice or present clear
11:19:52 21 tactical advantage to plaintiffs and nonmoving parties,
11:19:55 22 whether a stay will simplify the issues in question and the
11:19:58 23 trial of the case and whether discovery is complete and a
11:20:01 24 trial date has been set.

11:20:04 25 Starting with the last of those, here that

discovery is ongoing and not scheduled to conclude for a number of months. It appears that document production is still ongoing and only one deposition has been taken. Claim construction briefing is complete but a hearing has not yet been held. Expert discovery is not set to be completed until April of next year followed by case dispositive motions and a trial in October of 2022, more than a year from now. So it seems like there is still a lot of work and expense on both sides as well as work for the Court. Some or all of that could be avoided potentially based on the results of the IPR. And there is risk that some of this discovery were I to permit it to go forward would be wasteful. When I consider the status of the case as well as the status of the IPR's which have already been instituted on five of the patents, I think that this factor favors a stay.

As to simplifying the issues, IPR has been instrumented on five of the six patents already, and it could be that one or more claims will not survive the IPR. That would reduce the number of claims asserted and simplify the issues remaining. Even if all of the claims emerge from the IPR, the estoppel effect of the IPR meaning that any published prior art that was raised or reasonably could have been raised during the inter partes review could not be asserted as a basis for invalidity later in the litigation.

11:21:36 1 Additionally the record in the PTAB and
11:21:38 2 statement about the prior art in claim construction that
11:21:40 3 will become part of the intrinsic record may be informative
11:21:44 4 if we need to go forward. So in this case, we could have
11:21:47 5 maximum simplification if all claims are determined to be
11:21:51 6 invalid, but even if just one survives the case will be
11:21:56 7 somewhat simplified by the stay and that, too, weighs in
11:22:00 8 favor of a stay.

11:22:00 9 And lastly looking at prejudice, I considered
11:22:03 10 the four factors courts review in addressing undue prejudice
11:22:07 11 and tactical disadvantage. With respect to the timing of
11:22:11 12 the request for review and request for stay, defendants have
11:22:13 13 acted with dispatch and had a year to file IPR petitions
11:22:17 14 after the suit was filed. It nevertheless filed petitions
11:22:20 15 on the five original patents less than six months into that
11:22:25 16 year period. Similarly defendant moved for the stay within
11:22:28 17 two weeks of the institution of the final IPR decisions on
11:22:32 18 the original five patents. This suggest that defendants
11:22:35 19 have acted consistently and expeditiously and it does not
11:22:40 20 suggest that defendants sought a tactical advantage in the
11:22:42 21 timing either of the request for inter partes review or
11:22:47 22 stay.

11:22:47 23 With respect to the status of the IPR
11:22:49 24 proceedings, the PTAB has instituted on all of the asserted
11:22:52 25 claims of the five patents at issue in this motion. The

11:22:56 1 final decision of the PTAB on these patents is due in March
11:23:01 2 and April of 2022 which is before the currently scheduled
11:23:07 3 trial date in this case. And as I noted before, the
11:23:11 4 decision of the PTAB may simplify issues and save
11:23:16 5 potentially wasted effort.

11:23:17 6 Finally the parties' relationship, they are
11:23:20 7 competitors and that weighs against a stay. But in
11:23:22 8 evaluating prejudice, I am also taking into account the
11:23:26 9 defendants first received a letter regarding alleged
11:23:29 10 infringement of the asserted patents in June of 2016 by
11:23:32 11 plaintiffs' predecessor, but it was not until almost four
11:23:35 12 years later in June of 2020 that a complaint was filed. And
11:23:39 13 it was another two months before that complaint was served.
11:23:42 14 Whatever the reasons were, and I do not mean to doubt
11:23:45 15 plaintiffs' explanations, it is a fact that this action even
11:23:49 16 in the best of scenarios was not pressed for eight to
11:23:52 17 ten months. So although I am sensitive to the fact that the
11:23:55 18 parties are competitors, plaintiffs were willing to wait to
11:24:00 19 sue defendants and wait to get the litigation moving. And
11:24:03 20 taking all of this together I find that plaintiffs will not
11:24:06 21 be unduly prejudiced or tactically disadvantaged by the
11:24:10 22 stay.

11:24:13 23 For the reasons stated the case is stayed
11:24:16 24 pending IPR of the original five patents. The parties
11:24:19 25 should update me within a week of any final written decision

11:24:23 1 by the PTAB as to the patentability of the claims and the
11:24:26 2 parties should also update me within a week as to the status
11:24:30 3 of any petition on the final patent. If asserted claims
11:24:35 4 survive the PTAB proceeding, I expect the parties will let
11:24:38 5 me know and we can discuss where things stand and whether it
11:24:41 6 would be appropriate to expedite any remaining proceedings
11:24:45 7 and trial so that any delay will be minimized.

11:24:48 8 So that is my ruling on the motion. Is there
11:24:52 9 anything else that we need to discuss while we are on the
11:24:55 10 phone?

11:24:55 11 From the plaintiffs?

11:24:59 12 MR. SUNG: Nothing more from plaintiffs. Thank
11:25:01 13 you, Your Honor.

11:25:01 14 THE COURT: Defendant?

11:25:02 15 MR. TUCKER: Nothing more, Your Honor. Thank
11:25:05 16 you.

11:25:05 17 THE COURT: All right. Thank you very much,
11:25:07 18 everyone. Have a good rest of the week.

19 (Teleconference concluded at 11:25 a.m.)

20
21 I hereby certify the foregoing is a true and
22 accurate transcript from my stenographic notes in the proceeding.

23 /s/ Dale C. Hawkins
24 Official Court Reporter
25 U.S. District Court