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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

NUANCE COMMUNICATIONS, INC.,)
)
Plaintiff,)
) C.A. No. 17-1484 (MN)
v.)
)
MMODAL, LLC,)
)
Defendant.)

Monday, April 8, 2019
9:22 a.m.
Motion to Stay Hearing

844 King Street
Wilmington, Delaware

BEFORE: THE HONORABLE MARYELLEN NOREIKA
United States District Court Judge

APPEARANCES:

POTTER, ANDERSON & CORROON, LLP
BY: BINDU ANN GEORGE PALAPURA, ESQ.

-and-

WEIL GOTSHAL & MANGES, LLP
BY: DAVID J. LENDER, ESQ.
BY: ANISH R. DESAI, ESQ.
BY: SUDIP K. KUNDU, ESQ.
BY: STEPHEN BOSCO, ESQ.

Counsel for the Plaintiff

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APPEARANCES CONTINUED:

DUANE MORRIS, LLP
BY: RICHARD L. RENCK, ESQ.
BY: ANTHONY FITZPATRICK, ESQ.
BY: MICHAEL GOTTFRIED, ESQ.
BY: ALISON HADDOCK HUTTON, ESQ.
BY: JARRAD M. GUNTHER, ESQ.
BY: DANIEL TARR, ESQ.

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P R O C E E D I N G S

(REPORTER'S NOTE: The following hearing was
held in open court, beginning at 9:22 a.m.)

THE COURT: Good morning. Please be seated.
Let's start with some introductions.

Ms. Palapura.

MS. PALAPURA: Good morning, Your Honor. Bindu
Palapura from Potter Anderson on behalf of plaintiff, Nuance
Communications. And with me today from Weil Gotshal &

09:30:06 1 Manges is David Lender.

09:30:07 2 MR. LENDER: Good morning, Your Honor.

09:30:08 3 THE COURT: Good morning.

4 MS. PALAPURA: Anish Desai.

5 MR. DESAI: Good morning.

6 THE COURT: Good morning.

09:30:15 7 MS. PALAPURA: Sudip Kundu, and Stephen Bosco.

09:30:15 8 Also with us from Nuance is Dave Greenbaum.

09:30:18 9 THE COURT: Good morning.

09:30:24 10 MR. RENCK: Good morning, Your Honor.

09:30:25 11 THE COURT: Good morning.

09:30:26 12 MR. RENCK: Richard Renck from Duane Morris here
09:30:28 13 in Wilmington on behalf of defendant MModal. I have with me
09:30:32 14 today my colleagues from Duane Morris, Tony Fitzpatrick,
09:30:36 15 Mr. Michael Gottfried, Ms. Alison Hutton, Daniel Tarr and
09:30:43 16 Jarrad Gunther. We also have two representatives from the
09:30:46 17 inhouse department at 3M who is the owner of MModal now, we
09:30:50 18 Christina Wang and Eileen Hunter.

09:30:51 19 THE COURT: Welcome.

09:30:52 20 MR. RENCK: Thank you, Your Honor.

09:30:53 21 THE COURT: Thank you.

09:30:55 22 So we are here on the motion to stay as well as
09:31:01 23 Markman issues. And I did get the letter that you all
09:31:05 24 submitted and I appreciate that you agreed on a few more
09:31:08 25 terms. But I thought after reading the papers we should

09:31:14 1 start with the motion to stay. So I will hear that first.

09:31:31 2 MR. GOTTFRIED: May I hand you up a slide?

09:31:33 3 THE COURT: Yes, please.

09:31:35 4 MR. GOTTFRIED: Thank you, Your Honor.

09:31:54 5 THE COURT: You may proceed.

09:31:55 6 MR. GOTTFRIED: Good morning, Your Honor. I
09:31:58 7 think the stay motion is certainly briefed in the papers,
09:32:01 8 but I wanted to just take a few minutes to highlight a
09:32:05 9 couple of what we think are the most important points for
09:32:07 10 the Court that spoke to a stay.

09:32:11 11 As the Court is well aware, you have broad
09:32:15 12 discretion to issue a stay. That's the Ethicon case. And
09:32:21 13 in determining whether you should exercise that discretion,
09:32:24 14 there are really three issues that you need to look at. The
09:32:26 15 first is whether a stay will simplify the issues in question
09:32:31 16 and the trial of the case. We think that's very strongly in
09:32:35 17 favor of the stay.

09:32:36 18 The second is whether discovery is complete and
09:32:38 19 whether a trial date has been set. Again, we also think
09:32:42 20 that speaks strongly in favor of a stay. And the third is
09:32:45 21 whether a stay would unduly prejudice or present a clear
09:32:49 22 tactical disadvantage to the nonmoving party. Again, we
09:32:54 23 think that strongly favors a stay in this case. We want to
09:32:57 24 highlight for the Court a couple of what we think are key
09:33:01 25 facts that are undisputed in our view in this case that

09:33:05 1 speak to the stay.

09:33:06 2 As the Court knows, IPRs have been instituted on
09:33:13 3 all asserted claims of three patents of the four remaining
09:33:16 4 in the case, the '933, '034, and the '946.

09:33:21 5 The outcome of these three IPRs could eliminate
09:33:26 6 these entire patents and accused technology from the case,
09:33:29 7 or simplify the case due to estoppel effects. I think the
09:33:35 8 institution decision in the '034 patent is particularly
09:33:38 9 instructive to the Court. At page eight of that decision,
09:33:45 10 the institution ruling states, "For the reasons explained
09:33:50 11 below, we determined that even if claim 8 requires
09:33:54 12 everything the patent owner contends, petitioner has
09:33:59 13 demonstrated a reasonable likelihood of establishing that
09:34:02 14 the challenge claims would have been obvious."

09:34:05 15 So if that holds true to course, that patent
09:34:07 16 would be found invalid. But just as importantly because you
09:34:10 17 can't presume that necessarily, they go on to say,
09:34:14 18 "Nonetheless, we welcome further briefing regarding whether
09:34:18 19 the challenge claims require simultaneous display of the
09:34:24 20 audio cursor and the text cursor. Additionally. We welcome
09:34:27 21 briefing on the broadest reasonable interpretation of the
09:34:30 22 claim term, cursor itself."

09:34:33 23 So looking at the '034 as a paradigm, there is a
09:34:37 24 possibility that patent gets eliminated. Certainly we would
09:34:41 25 estopped with respect to the art that is reviewed by the

09:34:43 1 Patent Office. But finally, given what the Patent Office
09:34:46 2 has specifically asked for, the intrinsic record will be
09:34:50 3 broader and more fulsome if that patent has to go to trial.

09:34:55 4 THE COURT: These are IPRs that are based I
09:34:57 5 think as you just said, broadest reasonable interpretation,
09:35:00 6 so the claim construction standard is not the same as the
09:35:04 7 one I would be looking at with respect to the IPRs; right?

09:35:09 8 MR. GOTTFRIED: That's true, Your Honor.
09:35:11 9 However, if they're invalidated, they are out of the case,
09:35:14 10 so we still think the intrinsic record would be helpful to
09:35:17 11 the Court if they're not.

09:35:18 12 THE COURT: Let me just ask this since you said
09:35:20 13 if they're invalidated they would be out of the case. One
09:35:24 14 of the issues that the plaintiff has raised is you have the
09:35:26 15 counterclaims.

09:35:27 16 MR. GOTTFRIED: Yes, Your Honor.

09:35:28 17 THE COURT: And I'm not sure I understand what
09:35:33 18 would happen, let's assume that the patents are invalidated,
09:35:38 19 so I just want to make sure if you're coming back, you're
09:35:43 20 not coming back to relitigate where we are going to now show
09:35:47 21 that those patents were never infringed, we're not going to
09:35:50 22 be dealing with infringement of invalid patents or
09:35:52 23 something, so can you explain to me how you expect it to
09:35:55 24 play out in either the circumstance where the patents are
09:35:59 25 not found to be invalid or where they are.

09:36:02 1 MR. GOTTFRIED: So let me just advance quickly
09:36:05 2 to a slide because I actually have a slide that deals with
09:36:09 3 -- I thought I had a slide that deals with that.

09:36:16 4 Here we go. Here is the slide that deals with
09:36:18 5 that, Your Honor. So as the Court knows, when the case was
09:36:23 6 filed, there were six patents-in-suit. After we filed --

09:36:27 7 THE COURT: I know, they got rid of two. I have
09:36:30 8 read all the papers.

09:36:31 9 MR. GOTTFRIED: They got rid of two.

09:36:33 10 THE COURT: Down to four.

09:36:34 11 MR. GOTTFRIED: Now we're down to the four. We
09:36:36 12 have the one pending. We have the three instituted. I
09:36:39 13 think the point is is that first of all, the counterclaim is
09:36:43 14 looking pretty good. There is a strong possibility now
09:36:46 15 that, 64 percent statistics, but that five out of the six
09:36:51 16 patents that they originally brought would be found to be
09:36:53 17 invalid on one ground or another.

09:36:56 18 And that would be the -- so that -- when you
09:36:59 19 talk about simplifying the case and focusing what needs to
09:37:03 20 be done with respect to the counterclaim, these IPRs would
09:37:08 21 absolutely do that, because the only other patent is the
09:37:12 22 '295 which expires in about a month from now. And that's a
09:37:16 23 patent that they actually went to trial on and non-infringed
09:37:20 24 which we think we have good invalidity grounds on that, we
09:37:24 25 think we have good non-infringement grounds on that.

09:37:26 1 So I think the focus of the counterclaim and the
09:37:28 2 weight of the IPRs if all those three initial patents are
09:37:33 3 invalidated would be on that point and we would not be
09:37:35 4 litigating whether they were infringed as well, it would be
09:37:38 5 sufficient to show that five out of the six patents that
09:37:41 6 they brought were invalid. That would be the focus.
09:37:44 7 Conversely, if they're not invalidated, that would be a
09:37:48 8 point that I'm sure Nuance would want to highlight with
09:37:52 9 respect to that.

09:37:53 10 THE COURT: If they're not invalidated,
09:37:55 11 presumably you would be trying infringement anyways to the
09:37:58 12 jury so you could make those arguments --

09:38:00 13 MR. GOTTFRIED: That's correct, Your Honor.

09:38:01 14 THE COURT: -- with respect to those.

09:38:03 15 MR. GOTTFRIED: That's correct, Your Honor.

09:38:04 16 Listen, there is a tremendous amount of work
09:38:07 17 that still needs to be done in this case. You know, we
09:38:10 18 haven't even completed document production. We certainly
09:38:13 19 haven't had the close of fact discovery; not a single
09:38:16 20 deposition has been taken. Expert discovery has not
09:38:19 21 occurred. Focusing this case post IPR on what's left, or
09:38:26 22 what's enhanced by whatever those rulings are, makes the
09:38:30 23 most sense for the Court and for the parties.

09:38:33 24 You know, and indeed, although Nuance, you know,
09:38:38 25 argues that they're prejudiced if the stay is granted, as

09:38:42 1 the Court knows from the papers, they proposed a deal where
09:38:45 2 they would agree to the stay which I think belies how
09:38:48 3 prejudicial a stay would be. I think the reality is that
09:38:51 4 the stay makes good common sense because it's impossible
09:38:55 5 really to argue that after these IPRs are decided that the
09:39:00 6 landscape is not changed in material ways that will affect
09:39:03 7 the future proceedings in the case.

09:39:04 8 So --

09:39:06 9 THE COURT: Are you -- the related litigation.

09:39:11 10 MR. GOTTFRIED: Yes, Your Honor.

09:39:12 11 THE COURT: They proposed a deal for you, I
09:39:15 12 think you just alluded to that, and you guys said no, no,
09:39:21 13 no, we don't know what's going to happen there. We don't
09:39:23 14 know if it's going to make sense or not. Explain to me why
09:39:27 15 that isn't somehow -- that that doesn't appear that you're
09:39:31 16 trying to get a tactical advantage where you want to move
09:39:35 17 ahead in your case but prevent them from moving ahead in
09:39:39 18 theirs.

09:39:39 19 MR. GOTTFRIED: Sure. Happy to answer that
09:39:41 20 question, Your Honor. I think there are several points to
09:39:43 21 be made about that. I think first in examining whether
09:39:45 22 there is a tactical advantage or prejudice, look first at
09:39:49 23 our conduct in this case. Six patents are sued on. Within
09:39:54 24 eight to nine months we file five IPRs. As you know, two
09:39:58 25 are gone, three get issued, in a span of about

09:40:01 1 two-and-a-half weeks, within I think it's eight days of that
09:40:06 2 IPR, the last IPR being instituted, we're moving to stay.
09:40:10 3 Of course, before that, we're meeting and conferring and the
09:40:13 4 like. So in terms of our activity in this case, I think we
09:40:16 5 acted very, very promptly.

09:40:18 6 Now, let's see where Georgia is. In Georgia,
09:40:23 7 they waited for two of the four patents that MModal sued
09:40:27 8 them on until two days before the one-year deadline expired.
09:40:31 9 So if there is a party here that is engaged in gamesmanship
09:40:35 10 and strategy if you will with respect to this, I would
09:40:39 11 submit that it's Nuance and not us.

09:40:41 12 When you look at the Georgia case, I don't think
09:40:44 13 it's -- I know it's not MModal's position that we would
09:40:48 14 never consider a stay in that case. I think our position
09:40:51 15 is, let's look at where we are on the ground right now. No
09:40:57 16 IPRs have been instituted in Georgia at all. We don't know
09:41:00 17 what the state of play will be in that case if any are
09:41:03 18 instituted. For example, the discovery schedule in that
09:41:08 19 case and the schedule in that case generally pivots off a
09:41:11 20 Markman decision, which we don't have a date for. And so we
09:41:16 21 don't know where that case will be. That case could be in a
09:41:20 22 situation when the IPRs are instituted where it might make
09:41:24 23 good sense to do it, or it might be that that case is so far
09:41:28 24 advanced or only one IPR is instituted that it doesn't make
09:41:33 25 sense.

09:41:33 1 Our view is really that it is premature to make
09:41:36 2 that decision now, that each of these cases should we would
09:41:40 3 submit be looked at individually on their own facts. And
09:41:42 4 what we were simply saying was the facts on the ground right
09:41:45 5 now where we don't know if it's one or four or three or two
09:41:50 6 that are going to be instituted or where that case will be
09:41:52 7 in the schedule doesn't make sense to agree to that now.
09:41:56 8 But it may be as those facts develop, it might be
09:41:59 9 appropriate; can't say one way or the other right now, but
09:42:02 10 to agree now doesn't make sense. Because in this case when
09:42:05 11 you focus on where we are in this case with so much still to
09:42:09 12 be done and with all of the three challenge patents
09:42:12 13 instituted, in this case it makes sense regardless of what
09:42:15 14 ultimately happens in Georgia.

09:42:17 15 THE COURT: Okay.

09:42:20 16 MR. GOTTFRIED: And again, you know, the big
09:42:23 17 takeaway for us is when you're talking prejudice, kind of
09:42:27 18 rings hollow when they're sitting there saying we agreed to
09:42:31 19 a stay. So everything we say, well, we all agreed to a
09:42:35 20 stay. I think, you know, let me go back and make sure I
09:42:38 21 pick up some of these points that I wanted to highlight for
09:42:42 22 you.

09:42:42 23 So we talked a little bit about where we are in
09:42:46 24 the case schedule. We have talked a little bit about
09:42:50 25 prejudice already, but I think one point that we didn't

09:42:53 1 highlight is we're talking about the '295 patent, you know,
09:42:57 2 a patent that is really kind of ancient, that certainly for
09:43:02 3 more than five years or about five years, we were competing
09:43:05 4 side-by-side. They did nothing about it. Not dispositive,
09:43:09 5 they didn't seek preliminary relief, and certainly after May
09:43:14 6 10th they won't be able to seek preliminary relief, so
09:43:18 7 waiting on that for a damage award whether it be six months
09:43:21 8 later or whatever that time would be for the IPRs to be
09:43:25 9 decided is really not any great prejudice for them.

09:43:28 10 THE COURT: And all of the IPRs should be
09:43:31 11 decided by February 20th?

09:43:33 12 MR. GOTTFRIED: That is correct, Your Honor,
09:43:35 13 that's the last date for them to be decided.

09:43:37 14 I think this is also an important slide and an
09:43:38 15 important point. This by the way is Nuance's tutorial.
09:43:42 16 That's why even if the '034 and the '933 get invalidated,
09:43:48 17 the entire technology regarding backend transcription and
09:43:55 18 correction of clinical narratives would be out of the case.
09:43:59 19 That would very much simplify it. The 946, the '034 and
09:44:01 20 '933, integration of clinical data into structured
09:44:05 21 documents, again, that technology could potentially be out
09:44:07 22 of the case.

09:44:08 23 THE COURT: Is the prior art for any of these
09:44:11 24 patents, does it overlap?

09:44:14 25 MR. GOTTFRIED: Certainly the '034 and the '933

09:44:17 1 do.

09:44:17 2 THE COURT: I'm sorry, in the three different
09:44:21 3 technology aspects?

09:44:22 4 MR. GOTTFRIED: No.

09:44:23 5 THE COURT: It does not?

09:44:24 6 MR. GOTTFRIED: It does not.

09:44:25 7 THE COURT: So if one of the patents -- so if
09:44:27 8 one of the patents were taken out of the case, that would
09:44:32 9 remove all of the prior art with respect to that? I'm just
09:44:40 10 trying to make sure I understand. I know there are
09:44:42 11 different products that these are asserted against, and I
09:44:46 12 just want to make sure the art is still -- we would be
09:44:51 13 getting rid of art if we did this.

09:44:54 14 MR. GOTTFRIED: Absolutely.

09:44:55 15 THE COURT: If something were --

09:44:57 16 MR. GOTTFRIED: Yes. Yes is the answer to that
09:44:58 17 question.

09:44:59 18 So, again, I think regardless of what happens,
09:45:04 19 we pointed to three things, invalidity, we talked about the
09:45:08 20 intrinsic record, we talked about estoppel on each of these
09:45:11 21 that would be significant.

09:45:12 22 We talked already about the simplification with
09:45:16 23 respect to the counterclaim. I think that's definitely the
09:45:19 24 case. The timeline slide, you know, I basically highlighted
09:45:23 25 that a little bit. But we are here sort of a little left of

09:45:29 1 center in the middle. Today is the claim construction
09:45:32 2 hearing. But you haven't made a decision on claim
09:45:36 3 construction. You haven't had to actually do that. You
09:45:38 4 could certainly take all the information you get today and
09:45:45 5 decide to hold if that was your call.

09:45:46 6 But regardless of what you do on Markman, I
09:45:49 7 don't think that's dispositive in this case because of the
09:45:51 8 significant impact of three out of the four remaining
09:45:54 9 patents being instituted. We're talking about end of fact
09:45:57 10 discovery June 15th. As we said, not a single disposition
09:46:00 11 has taken place yet. I think the first one is scheduled for
09:46:03 12 April 17th. Expert discovery October 21st.

09:46:07 13 Just think about how the focus and the
09:46:09 14 efficiency of those two events, the conclusion of fact
09:46:15 15 discovery and expert discovery would be greatly enhanced by
09:46:19 16 knowing what happened with respect to the IPRs. So let them
09:46:22 17 do their job. That's why that procedure was put in place to
09:46:25 18 let people have a less expensive alternative here.

09:46:29 19 Dispositive motion deadline obviously impacted
09:46:31 20 by what happens in the IPRs. Final jury instructions. And
09:46:35 21 the last two dates as the Court has noted is February 20th
09:46:37 22 for the last IPR decision.

09:46:40 23 We talked a little bit again already about this,
09:46:44 24 about prejudice. We went through the facts regarding the
09:46:47 25 timing of our request for review, the timing of the request

09:46:51 1 for the stay, talked about the status of those proceedings.

09:46:54 2 The relationship by the parties is obviously an
09:46:57 3 important issue in this case because we are competitors.
09:47:00 4 It's interesting, I went back and looked at their opposition
09:47:04 5 to see what they were saying about this. It's interesting,
09:47:07 6 the only fact -- this struck me by the way. The only fact
09:47:10 7 that they really rely on with respect to that we're
09:47:14 8 competitors is the cite to our counterclaim where we say
09:47:17 9 that we're competitors.

09:47:18 10 THE COURT: There is no question that you guys
09:47:21 11 are very competitive.

09:47:23 12 MR. GOTTFRIED: Absolutely, but not the focus of
09:47:25 13 their brief, they talk about well, they have these
09:47:27 14 inflammatory counterclaim allegations. It goes without
09:47:32 15 saying, I looked at their website again this morning, their
09:47:35 16 press release is still on it. You can still link to the
09:47:39 17 original complaint where two of the six patents are already
09:47:42 18 out. You can go to our website, there is nothing about the
09:47:46 19 counterclaim in this case. We have not been out there
09:47:48 20 publicizing it. It's quite the opposite.

09:47:51 21 We have talked about the delay already. And I
09:47:57 22 think you know here really is the ultimate point, yes, we're
09:48:00 23 competitors, but they were prepared to agree to a stay.

09:48:04 24 THE COURT: Okay.

09:48:05 25 MR. GOTTFRIED: Thank you, Your Honor.

09:48:06 1 THE COURT: Thank you.

09:48:15 2 MR. DESAI: Good morning, Your Honor. Let me
09:48:22 3 start with the first factor of whether a stay would simplify
09:48:25 4 the issues for trial. We don't really believe that's the
09:48:28 5 case here because we have the '295 patent which has seven of
09:48:32 6 the seventeen asserted claims, that they're not an IPR and
09:48:37 7 they're going to be tried we believe. I think when we get
09:48:40 8 to the Markman hearing today, I think the Court will see the
09:48:42 9 claim construction positions that are being taken and that
09:48:45 10 in our view we're going to have a trial on that patent.

09:48:49 11 The second issue is that the asserted
09:48:53 12 counterclaims, they allege that the infringement claims in
09:48:55 13 this lawsuit are objectively baseless. And I think both
09:48:59 14 parties have agreed in the briefs that this will require
09:49:03 15 evaluating the merits of the infringement case. This is
09:49:06 16 from page 45 of MModal's reply brief they said, "Determining
09:49:12 17 whether Nuance's infringement claims are objectively
09:49:13 18 baseless requires an evaluation of the strength of Nuance's
09:49:17 19 infringement claims."

09:49:18 20 THE COURT: Right. But I think I just heard
09:49:19 21 them say that if the claims are held to be invalid in the
09:49:26 22 IPR, that they would not be asserting or asking for
09:49:31 23 infringement to be -- you know, to have a trial where they
09:49:38 24 would be arguing that it's objectively baseless and you have
09:49:42 25 to decide whether or not you should have asserted them for

09:49:45 1 infringement purposes, they would be instead focusing on
09:49:48 2 validity.

09:49:48 3 MR. DESAI: I wasn't necessarily sure that was
09:49:50 4 the outcome of what counsel was saying. I mean, I guess the
09:49:55 5 implication there is if the IPRs are granted -- sorry, if
09:49:59 6 the patents are found invalid, then the only issue would be
09:50:03 7 whether the lawsuit on both patents would be objectively
09:50:06 8 baseless because the patents are so clearly invalid.

09:50:10 9 THE COURT: That's what I understood them to be
09:50:12 10 saying.

09:50:13 11 MR. DESAI: If that's the situation, then I
09:50:15 12 guess the statement in their brief that requires evaluation
09:50:18 13 of the infringement claims.

09:50:19 14 THE COURT: I suppose if the patents were not
09:50:21 15 found to be invalid at the IPR, then they wouldn't want to
09:50:24 16 focus on infringement, but then that issue would be before
09:50:27 17 the jury anyway.

09:50:28 18 MR. DESAI: If we're taking that off the table,
09:50:30 19 it does change the situation a bit. But nonetheless, I
09:50:34 20 think we're still going to have to have claim construction
09:50:37 21 on these patents, even if it's just focusing on the
09:50:40 22 invalidity aspect. We're going to have expert discovery on
09:50:45 23 the --

09:50:45 24 THE COURT: Can you explain to me if the patents
09:50:47 25 were -- assuming they were found to be invalid, I certainly

09:50:50 1 understand that if the patents come back, we need claim
09:50:52 2 construction on them.

09:50:53 3 MR. DESAI: Right.

09:50:54 4 THE COURT: But if the patents were found to be
09:50:56 5 invalid in the IPRs, would we need to have claim
09:50:59 6 construction?

09:50:59 7 MR. DESAI: I believe we would because it's a
09:51:02 8 different claim construction standard. The broadest
09:51:04 9 reasonable interpretation, there is a different --

09:51:06 10 THE COURT: But the patents would be invalid.

09:51:08 11 MR. DESAI: Right. But the issue in the
09:51:10 12 counterclaims is whether our case was objectively baseless.
09:51:15 13 And the Patent Office uses a different standard for claim
09:51:18 14 construction, the Patent Office uses a different standard
09:51:21 15 for invalidity, preponderance of the evidence versus clear
09:51:24 16 and convincing. I think we would still be litigating the
09:51:27 17 issue of whether our positions in this case in light of the
09:51:30 18 prior art were objectively baseless.

09:51:34 19 And to add to that, the prior art that's being
09:51:35 20 asserted in the '034 and the '933 IPRs is the prior art that
09:51:42 21 was examined by the examiner during the prosecution. There
09:51:43 22 was only seven references before the examiner. They are
09:51:47 23 relying on the exact same prior art which at one point in
09:51:51 24 time was blessed by the Patent Office, and then we have a
09:51:53 25 litigation and an IPR was filed and the Patent Office said

09:51:57 1 well, let's take another look.

09:51:58 2 THE COURT: All of the art that is now before
09:52:01 3 the Patent Office was previously before the Patent Office?

09:52:04 4 MR. DESAI: For the '933 patent and the '034
09:52:07 5 patents, the references they were relying on which was
09:52:10 6 Schulz and Sumner, definitely Schulz and I'm virtually
09:52:14 7 certain that Sumner was also before the Patent Office during
09:52:16 8 prosecution. And it wasn't the situation where it was a
09:52:20 9 prosecution history where you had thousands of references
09:52:23 10 being cited, there were only seven references before the
09:52:26 11 examiner.

09:52:28 12 Ultimately the net conclusion is we're going to
09:52:32 13 be litigating over those patents regardless of the outcome
09:52:35 14 of the IPR. It's not going to simplify anything in this
09:52:38 15 case. I think the first factor weighs in our favor in
09:52:41 16 denying the stay.

09:52:43 17 The second issue is the status of the
09:52:45 18 litigation. We are two months away from the close of fact
09:52:48 19 discovery, so it's not done, but I think we're 85 percent of
09:52:52 20 the way there, 80 percent of the way there. A lot of money
09:52:55 21 has been spent producing documents, getting ready for
09:52:58 22 depositions which are starting next week. If we pause this
09:53:01 23 case now, we're going to have to restart that. And there is
09:53:04 24 inefficiency there. These depositions are going to take
09:53:09 25 place regardless of what happens in the IPRs. It's the same

09:53:11 1 witnesses for MModal, the same witnesses for Nuance. We're
09:53:15 2 just delaying the depositions, we're not simplifying them.
09:53:19 3 That does not weigh in favor of a stay.

09:53:21 4 We already have a trial date. That's one of the
09:53:24 5 factors, whether there is a trial date. It is in April
09:53:28 6 2020. I think the fortunate part there is it is after
09:53:32 7 February when the IPRs will come down, so there is
09:53:35 8 opportunity time there to take into account what happens in
09:53:38 9 the IPRs. It would be a different situation if the IPRs
09:53:41 10 were being decided in May or June of 2020, I could see that
09:53:46 11 might be a reason to delay the trial a few months to get the
09:53:50 12 benefit of those decisions. Here we're going to have the
09:53:52 13 benefit of those decisions in February and the trial will
09:53:55 14 take place in April. And as I said, we're going to have a
09:53:58 15 trial in the '295 patent regardless.

09:54:00 16 The last issue is the issue of prejudice and
09:54:04 17 tactical advantage. We do think that the Georgia case here
09:54:08 18 is driving a lot of this issue. I mean, MModal could have
09:54:13 19 filed its patent infringement counterclaims in this district
09:54:17 20 and we could have had parity in the decision making. But
09:54:20 21 they chose to go to Georgia. Now there was some argument
09:54:23 22 that we waited to file our IPRs in that case and there are
09:54:28 23 circumstances there that warranted what we did which is when
09:54:31 24 MModal filed that case, they asserted over 130 claims. We
09:54:37 25 fought quite hard to get an order in that case to narrow the

09:54:40 1 number of asserted claims. That took a long time. I think
09:54:43 2 it was only until October or November that we got an order
09:54:47 3 from the Georgia court reducing the number of asserted
09:54:51 4 claims from I think a hundred, it was well over a hundred to
09:54:54 5 down to about thirty. Once we got the reduced set of
09:54:57 6 asserted claims, we proceeded to file IPRs in a few months.

09:55:03 7 So those are the circumstances that took place
09:55:04 8 in Georgia. Frankly it's quite different from what happened
09:55:07 9 here in Delaware which was when we filed a case there was
09:55:11 10 agreement almost within a few months about getting a
09:55:14 11 schedule of a reasonable number of asserted claims, so there
09:55:16 12 was a very different set of facts that took place in Georgia
09:55:20 13 which is why it took longer to get those IPRs on file. You
09:55:26 14 can imagine IPRs on 130 claims would have been unreasonable
09:55:29 15 and we wouldn't have been able to do that, so there was a
09:55:32 16 reason why it took a little longer.

09:55:35 17 So I think that allowing that case to proceed in
09:55:37 18 front of this one, particularly here where we have a patent
09:55:40 19 that is not an IPR that we're going to have a trial on does
09:55:44 20 present a tactical advantage to MModal.

09:55:48 21 THE COURT: What about the argument that Nuance
09:55:50 22 waited five years before filing suit, so it was happy to
09:55:54 23 have that competition and now it's telling me, oh, no,
09:55:58 24 waiting a few more months is going to be a problem.

09:56:02 25 MR. DESAI: SO the issue there was MModal was in

09:56:05 1 bankruptcy and when they came out of the bankruptcy, they
09:56:10 2 started transitioning their business from backend to
09:56:12 3 frontend, this is part of the case that we're developing the
09:56:15 4 discovery. Prior to the bankruptcy, MModal was primarily a
09:56:20 5 backend transcription company and since the bankruptcy they
09:56:24 6 have been transitioning to the frontend which is why they
09:56:27 7 have been encroaching on Nuance's space within the past few
09:56:31 8 years.

09:56:31 9 THE COURT: So they weren't competing with you
09:56:33 10 for that five-year period?

09:56:35 11 MR. DESAI: I think the competition was
09:56:38 12 increased over that period of time is how I would frame it.

09:56:39 13 THE COURT: Okay.

09:56:41 14 MR. DESAI: So, you know, again, for the
09:56:44 15 prejudice issue I think it's more about the tactical
09:56:47 16 advantage of allowing the Georgia case to proceed. We did
09:56:50 17 offer that compromise. I think it was a fair compromise.
09:56:54 18 If our IPRs are granted, any one of them, we should pause
09:56:57 19 the Georgia case. They said no. Right? I think that to me
09:57:01 20 demonstrates that they're trying to at least leave open the
09:57:04 21 possibility of gauging a tactical advantage in the Georgia
09:57:08 22 case.

09:57:08 23 THE COURT: Okay. Anything else?

09:57:11 24 MR. DESAI: That's it, Your Honor.

09:57:12 25 THE COURT: Anything you want to say in reply?

09:57:16 1 It's your motion, so I'll give you the last word.

09:57:19 2 MR. GOTTFRIED: Thank you, Your Honor.

09:57:23 3 I think what I would like to do is to just
09:57:26 4 clarify a couple of things in response to a couple of
09:57:28 5 questions that you asked so that you understand exactly what
09:57:31 6 the state of play is.

09:57:32 7 THE COURT: Right. And I do want to understand
09:57:34 8 the position on the assertion that, MModal's position on the
09:57:42 9 assertion that because the claims if invalidated in the IPRs
09:57:46 10 would be done under a different standard in order to deal
09:57:49 11 with your counterclaims, we would still need to address
09:57:54 12 those issues.

09:57:55 13 MR. GOTTFRIED: I'll answer that question first.
09:57:57 14 I think that's just wrong. If they're invalid, they're
09:58:00 15 invalid, and that's the answer to that question.

09:58:02 16 THE COURT: Okay.

09:58:03 17 MR. GOTTFRIED: Second, you asked the question
09:58:05 18 about the art between the '034 and the '933. So on the
09:58:17 19 '034, the Schulz reference and the Sumner reference were not
09:58:20 20 cited. They were cited in the '933. The '933 there was
09:58:26 21 literally no real activity in the Patent Office. That
09:58:29 22 patent got issued almost immediately. There was a rather
09:58:32 23 lengthy prosecution that I think the patent was issued 2012
09:58:41 24 on the '034.

09:58:42 25 But the Patent Office -- by the way, it's

09:58:43 1 interesting, it's is the same panel that is actually looking
09:58:46 2 at all three of these patents. So the same panel that
09:58:50 3 instituted on the '034 and the '933, that's the exact same
09:58:55 4 panel and they looked quite closely at the fact that Schulz
09:59:00 5 was cited and Sumner was cited and they decided to use these
09:59:04 6 anyway and they explained that in detail. That's an
09:59:07 7 important point again just so you understand what the facts
09:59:10 8 are with respect to that.

09:59:11 9 Lastly, the product that they accuse on to the
09:59:16 10 '295 patent was, in fact, issued and out publicly more than
09:59:22 11 five years, or about five years ago. They have answered an
09:59:24 12 interrogatory answer saying they closely watch what their
09:59:29 13 competitors do and that they essentially knew that when it
09:59:32 14 happened.

09:59:32 15 THE COURT: Is there anything to the argument
09:59:34 16 that the nature of the competition was changed over a period
09:59:39 17 of time?

09:59:40 18 MR. GOTTFRIED: I don't think so. I really
09:59:42 19 don't think that's correct. I think if you want to know
09:59:44 20 what's happened here, our counterclaim tells that story.
09:59:47 21 These parties were competing side-by-side, neither at that
09:59:51 22 point was asserting patents. They had the mal ware attack.
09:59:56 23 We were starting to take some business from them as a result
09:59:59 24 of that. They were down for over a month, and all of a
10:00:02 25 sudden to stabilize the market, they brought these six

10:00:05 1 patents forward. We obviously don't think there is much to
10:00:10 2 them. They have conceded now as to two, there wasn't
10:00:14 3 anything to them. We think there is a good chance that
10:00:16 4 three more will also be invalid. That's really what's going
10:00:20 5 on here. I think their delay is not excused by that at all.

10:00:23 6 THE COURT: Okay.

10:00:24 7 MR. GOTTFRIED: Thank you, Your Honor.

10:00:26 8 THE COURT: So I want to just take a quick break
10:00:30 9 here and chat and think about these issues and then I will
10:00:34 10 come back.

10:00:36 11 (A brief recess was taken.)

10:18:09 12 THE COURT: Please be seated.

10:18:12 13 Okay, counsel, thank you. Thank you for the
10:18:14 14 argument. After reading the briefs and the declarations and
10:18:17 15 hearing the argument today, I am prepared to rule on
10:18:22 16 MModal's motion to stay. And I am granting the motion.

10:18:25 17 In addressing the motion to stay, the Court has
10:18:28 18 broad discretion, I think we have all agreed to that. I
10:18:31 19 reached my decision by weighing the competing interests of
10:18:34 20 the parties in reviewing the factors that the Court
10:18:36 21 typically looks at in these circumstances.

10:18:39 22 Whether the stay will unduly prejudice or
10:18:42 23 present a clear tactical disadvantage to Nuance, the moving
10:18:47 24 party. Whether the stay will simplify the issues in
10:18:51 25 question in the trial of the case. And whether discovery is

10:18:52 1 complete and whether a trial date has been set.

10:18:54 2 I'm going to start with the last of those. Here
10:18:58 3 fact discovery is ongoing and scheduled to conclude in the
10:19:01 4 middle of June. The document portion of discovery appears
10:19:04 5 to have been maybe not completely, but largely completed,
10:19:10 6 but while a number of depositions have been noticed for the
10:19:13 7 upcoming months, it does not appear that any have yet
10:19:17 8 occurred.

10:19:18 9 Expert discovery does not begin until July
10:19:23 10 followed by case dispositive motions and then trial in April
10:19:27 11 of 2020, a year from now. So it seems like there is still a
10:19:31 12 lot of work and expense on both sides as well as work for
10:19:34 13 the Court. Some or all of that could be avoided potentially
10:19:37 14 based on the results of the IPR which has been instituted on
10:19:40 15 three of the four patents left in the case. And there is a
10:19:43 16 risk that some of the discovery were I to let it go forward
10:19:47 17 would be wasteful.

10:19:48 18 It could, as MModal points out involve products
10:19:52 19 that may no longer be accused if certain patents drop out or
10:19:55 20 it could involve claims that are later changed or amended
10:19:58 21 during the IPR.

10:19:58 22 So when I consider the status of the case as
10:20:02 23 well as the status of the IPR which has already -- three
10:20:05 24 IPRs which have already been instituted, I think that factor
10:20:08 25 favors the stay.

10:20:09 1 As to simplifying the issues, the potential for
10:20:14 2 simplification here is substantial. I understand that the
10:20:17 3 IPRs address only three of the four patents and ten of the
10:20:21 4 seventeen asserted claims, but that is well over half of the
10:20:24 5 claims at issue. And it could be that one or more claims
10:20:27 6 will not survive the IPR. That would reduce the number of
10:20:31 7 claims asserted and simplify the issues remaining.

10:20:35 8 And even if all of the claims emerge from the
10:20:38 9 IPR, the estoppel effects of the IPR, meaning that any
10:20:41 10 published prior art that was raised or reasonably could have
10:20:45 11 been raised or any inter partes review could not be asserted
10:20:49 12 as a basis for invalidity later in this litigation.

10:20:52 13 Additionally, the record in the PTAB and
10:20:54 14 statements about the prior art in claim construction that
10:20:56 15 will become part of the intrinsic record may be informative
10:20:59 16 if we need to go forward on the three patents.

10:21:01 17 I understand that Nuance asserts that because of
10:21:07 18 MModal's state law counterclaims, the Court may still need
10:21:10 19 to address validity in these issues and claim construction
10:21:14 20 issues on the currently asserted claims regardless of the
10:21:17 21 IPR results. I have taken that into account and believe
10:21:20 22 that the risk of that adding issues to the case layer is
10:21:23 23 outweighed by the potential for simplification that I have
10:21:26 24 already noted.

10:21:27 25 So in this case, we cannot achieve maximum

1 simplification where all claims are determined to be
2 invalid, but even if just one does not survive, the case
3 will be somewhat simplified and that weighs in favor of a
4 stay.

5 And lastly, looking at prejudice, I have
6 considered the four factors the courts review in addressing
7 undue prejudice and tactical disadvantage. With respect to
8 the timing of the request for review and the request for
9 stay, MModal acted with dispatch. It had a year to file the
10 IPR petitions after the suit was filed. It nevertheless
11 filed the petitions in June and July of 2018, approximately
12 three to four months into that year period.

13 Similarly, MModal moved for the stay within days
14 of institution of the IPRs. This suggest that they, MModal,
15 has acted consistently and expeditiously. It does not
16 suggest a tactical advantage in the timing of either its
17 request for IPR or to stay.

18 I understand that Nuance asserts that because
19 MModal has not agreed to stay the case in Georgia involving
20 MModal's patents, that suggest that the stay is really a
21 tactical ploy to move MModal's litigation ahead of this one.
22 I accept in connection with this motion that MModal's
23 refusal to agree to Nuance's representation is based on
24 other factors including that the status of institution on
25 any one or more of the IPRs in that case is still up in the

10:22:57 1 air. And I assume that should the IPRs play out such that
10:23:01 2 MModal finds itself in a similar situation to Nuance here,
10:23:05 3 Nuance will point out how MModal's arguments may be
10:23:09 4 inconsistent with positions it takes before the Georgia
10:23:13 5 court if it has to address the stay there.

10:23:15 6 With respect to the status of the IPR
10:23:18 7 proceedings, the PTAB as instituted on all of the asserted
10:23:22 8 claims of all three patents, the final decision of the PTAB
10:23:26 9 is due by February 20th, 2020, which is before the currently
10:23:30 10 scheduled trial date in this case. And as I noted before,
10:23:33 11 the decision of the PTAB may simplify issues and save
10:23:37 12 potentially wasted efforts. The one patent that is not the
10:23:40 13 subject of the IPR is going to expire next week, so no
10:23:43 14 injunctive relief could be obtained on that patent past next
10:23:48 15 month and any damages regarding that patent will not
10:23:50 16 continue after its expiration whether the case is tried in
10:23:54 17 April of 2020 or somewhat later.

10:23:57 18 Finally, the parties' relationship. They are
10:24:01 19 competitors and that weighs against a stay. And while I
10:24:04 20 understand this is not necessarily a two-party market, there
10:24:08 21 does not seem to be any disagreement that the parties do, in
10:24:11 22 fact, compete. But in evaluating prejudice, I am also
10:24:15 23 taking into account that the MModal products currently
10:24:19 24 accused of infringement have been sold since 2012, but
10:24:24 25 despite having patents at issue, Nuance took no action until

1 October of 2017. Whatever the reasons were, it is a fact
2 that Nuance did not press this action for more than five
3 years, even though it apparently knew about its competitor
4 MModal's activities. So while I am sensitive to the fact
5 that the parties are competitors, Nuance was willing to wait
6 to sue until 2017, and then to wait until a trial in 2020
7 for its patent rights to be adjudicated.

8 Taking all of this together, I find that Nuance
9 will not be unduly prejudiced or tactically disadvantaged by
10 the stay. So for the same reasons, the case is stayed
11 pending final written decision of the last and now
12 instituted IPRs. The parties should update me within a week
13 of any final decision by the PTAB as to patentability of the
14 claims.

15 If the asserted claims survive the PTAB
16 proceedings, we can discuss where things stand and whether
17 it would be appropriate at that point to expedite the
18 remaining proceedings so that trial and any delay in this
19 case can be minimized.

20 So that's my ruling on the motion to stay.

21 Are there any questions?

22 MR. DESAI: One question, Your Honor. Given
23 that we do have the one patent that's not an IPR and our
24 position that there will be a trial, I understand this Court
25 has a very busy docket. Would it make sense to potentially

10:25:51 1 put a trial date on the calendar, if we're going to remove
10:25:55 2 the April 2020 calendar trial date, to put a trial date for
10:25:59 3 slightly later in 2020 so that we could once the IPRs are
10:26:02 4 concluded we could expeditiously move to have a trial?

10:26:07 5 THE COURT: I think that would be better to do
10:26:12 6 once we know what the outcome is so that we can figure out
10:26:17 7 if we're talking about completing discovery and expert
10:26:21 8 discovery on four patents or one patent, and what the
10:26:25 9 products and the issues are. But I will tell you that once
10:26:32 10 we get to that point where we understand it, I understand
10:26:35 11 that Nuance is going to want to move expeditiously and we
10:26:41 12 will do our best to fit you on the calendar sooner than we
10:26:44 13 otherwise would if the case was brought at that point.

10:26:48 14 MR. DESAI: I guess the other case is the
10:26:50 15 Markman. The parties are here and prepared. Should we go
10:26:53 16 forward today?

10:26:53 17 THE COURT: I was thinking about that. I would
10:26:55 18 like to hear from you, but my take is that I expect that the
10:26:59 19 parties are going to have a lot to say about what happened
10:27:02 20 in the PTAB, or what will happen in the PTAB in arguing
10:27:08 21 claim construction. And so it doesn't seem like a good use
10:27:12 22 of my time to hear the Markman issues at this point and then
10:27:17 23 risk having to have a second go around where we have new
10:27:21 24 arguments or perhaps new constructions that are proposed,
10:27:25 25 even the claims could be amended and there might be

10:27:28 1 additional issues. So my thinking is that it doesn't seem
10:27:31 2 to make sense to go forward right now, but I'm willing to
10:27:34 3 hear from the parties on what your positions are on that.

10:27:37 4 MR. DESAI: I think Nuance's position is that
10:27:40 5 with respect to the '295 patent, nothing is going to change,
10:27:42 6 and that's the bulk of the terms that are at issue today. I
10:27:46 7 believe there is just two terms at issue in the other
10:27:50 8 patents. I think for those terms as well, at least my
10:27:53 9 perspective having read the IPRs and knowing the positions
10:27:56 10 there, that those terms are not even at issue really in the
10:28:00 11 IPRs. The issue in the IPRs is whether or not the prior art
10:28:04 12 discloses the use of two cursors. Our position that it
10:28:08 13 discloses a single cursor, it's not a claim construction
10:28:11 14 issue. There was no claim construction issues raised in the
10:28:14 15 petition.

10:28:15 16 So I think Nuance's position is that we're here,
10:28:17 17 we're prepared, and the arguments are not -- we don't
10:28:21 18 believe they're going to change, certainly not with respect
10:28:24 19 to the '295 patent.

10:28:25 20 THE COURT: Okay.

10:28:27 21 MR. FITZPATRICK: Thank you, Your Honor. Two
10:28:32 22 points. First of all, with respect to the '933 and the
10:28:37 23 '034, as Mr. Gottfried pointed out during his argument, the
10:28:41 24 PTAB has expressly invited claim construction regarding
10:28:45 25 meaning of cursors and whether or not cursors need to be

1 simultaneously displayed, so that is part of the issue with
2 respect to the '034. And that's part of what has been
3 briefed between the parties. In fact, as to the one
4 remaining claim term in dispute on the '034, that's really
5 the nub of the issue I would say is whether or not the two
6 cursors need to be displayed at the same time. So that is
7 going to be addressed it appears by the -- in the IPR.

8 As to the '295, it seems to me if Your Honor is
9 going to stay the case, it doesn't make sense to proceed
10 with an argument. It makes sense to as Your Honor said, see
11 what happens with the IPRs and then have perhaps a new
12 Markman date then at that point to address all of the
13 remaining claims, whatever they are, '295 plus if there are
14 any claims that remain from the other three patents. That
15 would seem to us to be the more efficient way to proceed at
16 this point.

17 THE COURT: Okay. And I agree with that. I
18 don't want to risk that we have Markman proceedings that if
19 we have to have multiple Markman decisions, multiple Markman
20 proceedings. I do apologize that you came here today
21 prepared to argue those terms, but I was not sure what I was
22 going to do with the transfer motion until after I heard the
23 arguments here today.

24 So I think at this point we will recess. You
25 can let me know when you hear anything from the PTAB, and to

10:30:27 1 the extent that there are claims that we need to deal with,
10:30:30 2 we will deal with those quickly. Okay? Thank you very
10:30:33 3 much.

4 (Court recessed at 10:30 a.m.)

5

6 I hereby certify the foregoing is a true and accurate
7 transcript from my stenographic notes in the proceeding.

8

9 /s/ Dale C. Hawkins
10 Official Court Reporter
11 U.S. District Court
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