UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

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| SOUNDCLEAR TECHNOLOGIES LLC,<br><br>Plaintiff,<br><br>v.<br><br>AMAZON.COM, INC., *et al.*<br><br>Defendants. | Case 1:24-cv-1283<br><br><br><br>Alexandria, Virginia<br>March 26, 2025<br>10:00 a.m.<br><br><br>Pages 1 - 42 |

TRANSCRIPT OF DEFENDANTS' MOTION TO STAY

PENDING *INTER PARTES* REVIEW

BEFORE THE HONORABLE ANTHONY J. TRENGA

UNITED STATES DISTRICT COURT JUDGE

*Amazon v. SoundClear*
US Patent 9,804,819
**Amazon EX-1102**

COMPUTERIZED TRANSCRIPTION OF STENOGRAPHIC NOTES

1 APPEARANCES:

2 FOR THE PLAINTIFF:

3 KEVIN SPRENGER, ESQUIRE
STEVEN REYNOLDS, ESQUIRE, *PRO HAC VICE*
4 DAIGNAULT IYER LLP
8229 Boone Beoulevard, Suite 450
5 Vienna, Virginia 22182
(703) 712-1145
6
FOR THE DEFENDANTS:
7
ALEXANDRA M. GABRIEL, ESQUIRE
8 KALEO LEGAL
4456 Corporation Lane, Suite 135
9 Virginia Beach, Virginia 23462
(757) 271-6648
10
COLIN HEIDEMAN, ESQUIRE, *PRO HAC VICE*
11 KNOBBE, MARTENS, OLSON & BEAR LLP
925 4th Avenue, Suite 2500
12 Seattle, Washington 98104
(206) 405-2000
13
14
15
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1 P R O C E E D I N G S
2 THE COURTROOM DEPUTY: Civil Action
3 No. 1:24-cv-1283, *SoundClear Technologies LLC v.*
4 *Amazon.com, Inc., et al.*
5 Counsel, will you please note your
6 appearances for the record.
7 MR. SPRENGER: Good morning, Your Honor.
8 Kevin Sprenger with Diagnault Iyer LLP representing the
9 plaintiff, SoundClear Technologies LLC. And with me
10 today is my colleague, Steven Reynolds, who will handle
11 the argument today.
12 THE COURT: All right. Welcome.
13 MS. GABRIEL: Good morning, Your Honor.
14 Alexandra Gabriel with Kaleo Legal on behalf of
15 defendants, and I have with me Colin Heideman with the
16 Knobbe Martens law firm who will be presenting on
17 behalf of defendants.
18 THE COURT: All right. Welcome to everyone.
19 We're here on the defendants' motion for a
20 stay pending *inter partes* review at the patent office
21 or the PTAB. I've reviewed the briefing and would be
22 pleased to hear further from counsel.
23 MR. HEIDEMAN: Good morning, Your Honor.
24 Colin Heideman from Knobbe Martens on behalf of Amazon.
25 THE COURT: Good morning.

1 MR. HEIDEMAN: So Amazon has filed *inter*
2 *partes* review applications/petitions with the patent
3 office for the two remaining patents that are at issue
4 in the case. There was originally three patents. One
5 has been dismissed.
6 The Court in deciding whether to stay this
7 case pending those IPRs considers three factors, the
8 stage of the case, whether the IPR will simplify the
9 issues before the Court, and whether there's any undue
10 prejudice to the nonmoving party here, SoundClear.
11 We think these factors all favor staying the
12 case here. It's a relatively simple analysis. Unless
13 the Court has a specific factor you'd like me to talk
14 about first, I'll just walk through them quickly.
15 THE COURT: That's fine.
16 MR. HEIDEMAN: So the first issue, the first
17 factor is the stage of the litigation. I think there's
18 some dispute in the papers about how to characterize
19 the state of this case, but on the facts, I think it's
20 clearly very early relative to other cases. There's
21 been some written discovery. There's been a few
22 documents produced, SoundClear has produced less than
23 100 documents. There's been two depositions taken.
24 There will be dozens more required in this case.
25 The parties have not started claim

1 construction briefing. There's not been a claim
2 construction hearing set or occurred. There's no trial
3 date. There's been no expert discovery either. And so
4 all of the cases say that at this point in the case,
5 this factor weighs in favor of a stay.
6 The second factor is whether the stay will
7 simplify the issues before the Court, and this factor
8 has been held to heavily favor a stay when all of the
9 claims that are asserted in the litigation are
10 challenged in the IPRs. And that's the case here. All
11 of the claims from both of the patents are being
12 challenged in the IPRs. And so the courts in this
13 district say that that heavily favors staying the case
14 here.
15 And the reason for that is pretty clear.
16 There's only a few possible outcomes from the IPR
17 proceedings. One is that all of the claims are
18 invalidated, in which case this entire litigation is
19 moot and the case is over. The second option is that
20 some claims survive and some claims are invalidated.
21 That will necessarily narrow the issues for the case
22 because there will be fewer claims for them to assert
23 and Amazon will be estopped from asserting some
24 validity defenses in the litigation.
25 The third possibility is that some claims

1 survive the IPR, but they're amended. So SoundClear
2 will have the opportunity in the IPR to actually amend
3 and change their patent claims. And if this litigation
4 were to proceed and then the claims get amended, you
5 would basically start over again with the new
6 substitute claims that would issue from the IPR
7 proceedings. So that's the third possibility.
8 The fourth possibility is that all the claims
9 survive. And if that's true and that's the outcome,
10 then this case is still simplified because there's
11 estoppel effects from the IPR. So Amazon would then
12 not be allowed to assert in this litigation the
13 defenses that are raised or could have been raised in
14 the IPR. So even if we get through the IPR process and
15 all of the claims survive, the litigation would still
16 be simplified.
17 Then the last option is that the IPRs don't
18 get instituted in the next six months when the PTAB has
19 to issue its institution decision. And in that case,
20 this litigation would still be simplified because the
21 arguments that lead up to that institution decision and
22 the board's institution decision become a part of the
23 file history at the patent office, the file history
24 record for the patent. And this Court, when it does
25 claim construction litigation, is supposed to consider

1 that prosecution history.
2 So Amazon has filed its IPR petitions. Three
3 months later SoundClear has an opportunity to file a
4 brief at the patent office arguing that it should not
5 institute the IPRs, and then three months after that,
6 the board decides whether to institute.
7 What they say in their patent order
8 preliminary response -- the brief they'll file -- and
9 what the patent office or the PTAB says in its
10 institution decision become a part of the file history
11 that this Court is supposed to consider in its own
12 claim construction. So it doesn't make sense to go
13 through this case, do our own claim construction
14 proceedings, and meanwhile, there's parallel
15 proceedings now happening at the patent office that
16 will affect the claim constructions in this case.
17 So those are the five possible outcomes. All
18 of them necessarily simplify the case.
19 And so we cited in our brief a case called
20 *Security First*, which is a 2024 case from this
21 district. And the court there recognized that any
22 possible outcome of the IPR petitions will, albeit to
23 varying degrees, simplify the issues before the Court.
24 There's no scenario in which this case is not
25 simplified by the IPR proceeding. And so the second

1 factor heavily favors a stay, especially where all of
2 the claims are being challenged. And again, that's the
3 case here.
4 The third factor is whether there's any undue
5 prejudice to the nonmoving party. The cases are clear
6 that a nonmoving party must demonstrate that monetary
7 damages will be insufficient to remedy their losses.
8 And here, the plaintiff can't show that they are a
9 nonpracticing entity. Their sole business is to
10 acquire these patents and litigate them. So there's no
11 harm to them that can't be compensated by damages.
12 They will collect prejudgment interest if they are
13 ultimately successful in the litigation. So money
14 damages are sufficient here, and there's no undue
15 prejudice to them.
16 So those are the three factors. They all
17 weigh in favor of a stay.
18 I think the one issue that SoundClear raises
19 in its brief is the speed of this litigation. They
20 place a lot of weight on the fact that the case
21 schedule in this case would likely be very fast. The
22 courts in the district actually recognize that that's a
23 reason to stay the case. That supports staying the
24 case.
25 And so there's a couple of sentences in the

1 *Security First* case that I'll just read to the Court,
2 which I think resolves this issue and show why their
3 argument is not true.
4 The court in *Security First* said that the
5 relatively fast pace of litigation in this district,
6 that is precisely why this district does not disfavor
7 stays before IPR is instituted. Given this pace,
8 courts are generally mindful that in the months leading
9 up to the PTAB's decision whether to grant IPR, the
10 parties and the court would have spent many resources
11 in litigation that could be rendered unnecessary by the
12 outcome of IPR.
13 If the Court waits to grant a stay until the
14 PTAB institutes the IPR petitions, the parties will
15 necessarily engage in litigation efforts that would be
16 duplicative of their efforts before the PTAB, which is
17 precisely what a stay seeks to avoid.
18 So we cited three or four cases from this
19 district in our briefing. All of them find that
20 staying the case will simplify the issues. And
21 especially in a district where the case schedule moves
22 pretty quickly as it does here, that's even more reason
23 to stay. They seem to suggest that that's a reason not
24 to stay because we will reach a decision in this case
25 faster, but the reality is we would get all the way to

1 trial and then have to redo everything depending on the
2 outcome of the IPR proceedings.
3 THE COURT: Do you know what currently the
4 PTAB's track record is in terms of how long they take
5 to actually decide a petition they accept? Do they
6 take a whole year? Do they, in fact, extend for six
7 months? Do you have any sense of how quickly they move
8 over there?
9 MR. HEIDEMAN: Yeah. So the institution
10 decision -- there's a deadline for the institution
11 decision that's six months.
12 THE COURT: Assuming they accept it and then
13 decide?
14 MR. HEIDEMAN: Well, the petitions have been
15 accepted. So they have three months to file their
16 brief.
17 THE COURT: Right.
18 MR. HEIDEMAN: Three months after that, the
19 board will issue its decision whether it will institute
20 a trial or not.
21 THE COURT: Right. If they decide to
22 institute a review, then how long does it take
23 typically?
24 MR. HEIDEMAN: Then by statute they have one
25 year to issue their final --

1 THE COURT: Right. Do they take the whole
2 year? Do they take 18 months? Do you know what the
3 current experience is over there?
4 MR. HEIDEMAN: They take one year from that
5 time period, and that's normal because you have --
6 there's expert declarations that are submitted.
7 There's depositions. There's oral argument. There's a
8 whole process.
9 THE COURT: Okay.
10 MR. HEIDEMAN: But even the initial six
11 months, when they file their brief three months from
12 now, that becomes a part of --
13 THE COURT: They could file earlier and
14 shorten that time.
15 MR. HEIDEMAN: They can. They can also waive
16 it and speed the process up. And so the process can be
17 sped up, but the deadlines are statutory. There's six
18 months. So in September, we will get our first
19 institution decision. And if they get instituted, the
20 board has a year then to reach the final written
21 decision.
22 Of course, in six months, in September, if
23 they're not instituted, then we would pick this case
24 back up, and we would keep going. But at least then we
25 would have the full record from the patent office. We

1 would have their brief. They can make statements in
2 their briefing that significantly changes the scope of
3 the patents.
4 The same is true in the institution decision.
5 Even if the board denies institution, they can construe
6 claim terms. That decision becomes part of the file
7 history, part of the record of the patent office that
8 this Court is supposed to then consider in its claim
9 construction.
10 THE COURT: I understand. All right.
11 MR. HEIDEMAN: That's all I have, Your Honor.
12 THE COURT: Thank you.
13 Counsel.
14 MR. REYNOLDS: Good morning, Your Honor.
15 Steven Reynolds.
16 Maybe I'll just start with that last point.
17 THE COURT: All right.
18 MR. REYNOLDS: There is an option for the
19 PTAB to extend the final written decision by six
20 months.
21 THE COURT: By six months. Right, I
22 understand. Are they doing that? Do you know what
23 their practice is over there? Do they need that extra
24 time typically?
25 MR. REYNOLDS: That was going to be my next

1 point. Unfortunately I don't have those numbers for
2 you.
3 THE COURT: Yes.
4 MR. REYNOLDS: But as we cited in our papers
5 and as I'm sure the Court is aware, there's some
6 significant upheaval going on at the PTAB right now.
7 THE COURT: Right.
8 MR. REYNOLDS: The former director, Kathi
9 Vidal, has said that this upheaval will force
10 additional discretionary denials on challenges and it
11 will force the PTAB to avail themselves of the
12 additional six months to issue decisions.
13 THE COURT: All right.
14 MR. REYNOLDS: So this is a former director
15 saying that this is very likely to happen. I don't
16 have the exhibit. I think it might be Exhibit 4 in our
17 paper.
18 THE COURT: All right.
19 MR. REYNOLDS: But we can certainly expect
20 that. And it's certainly reasonable to expect that the
21 institution rates are coming down.
22 Earlier this week, the chief judge -- one of
23 the chief patent judges issued some guidance on what
24 was commonly known as a Fintiv memo. We can talk about
25 the Fintiv memo, but the upshot of it was that it

1 reduced denials due to the speed at which district
2 courts proceed. The patent office has now withdrawn
3 that memo and said, no, they will very much now
4 consider how quickly district courts get to trial when
5 they determine whether to institute an IPR. So these
6 are changes that are recent, and they are absolutely
7 going to happen at the PTAB.
8 Getting to the factors. Amazon cites a lot
9 of cases in its brief, but it kind of narrows down on
10 this *Security First* case that Mr. Heideman talked
11 about. In that case, that case was going to proceed to
12 trial on a longer schedule than this one -- it's a
13 Norfolk case -- not a whole lot longer but a little bit
14 longer. And there the court said that the first factor
15 was neutral. So at bottom, that is a neutral factor.
16 What Amazon does not address is this issue
17 raised of fault. Whose fault is it that discovery has
18 not proceeded? In this case, Amazon has done two
19 things. They filed a lot of dispositive motions on
20 affirmative defenses early, and then they've refused to
21 participate in discovery. We gave you one example.
22 The prior art documents that they rely on in their IPR
23 were due back in October. So if the prior art that
24 they had needed to have been produced, they didn't
25 produce that until we started pounding the table for

1 it. And we got it finally either last week or the week
2 before.
3 So what Amazon has done is Amazon has chosen
4 to go the dispositive motion to dismiss route, and then
5 it chose to not do discovery here while it prepared its
6 IPRs.
7 THE COURT: When did the Court initially
8 dismiss the case?
9 MR. REYNOLDS: November 8, I believe.
10 THE COURT: When was it reinstituted? In
11 February?
12 MR. REYNOLDS: January 20.
13 THE COURT: January. All right.
14 MR. REYNOLDS: Clearly, they used that time
15 to prepare the IPRs and that -- the prior art, those
16 individual documents, they would have had those, and
17 those would have absolutely been responsive the minute
18 the case started on January 10. Some of this will be
19 handled on the motion to compel, but the point being --
20 THE COURT: Would there have been any reason
21 to institute an IPR after the case had been dismissed
22 and before it was reinstituted?
23 MR. REYNOLDS: I could see them taking a
24 pause during that time in preparing the IPRs.
25 THE COURT: Right.

1 MR. REYNOLDS: But whether the prior art
2 existed before then certainly is an open question
3 because that would have been responsive back in
4 October. So we still would've had -- at the end of
5 October -- maybe we still would've had the beginning
6 part of November for that prior art to be produced.
7 And then most certainly back on January 10, when the
8 case got going again, that prior art should have been
9 produced.
10 THE COURT: All right.
11 MR. REYNOLDS: So that's the notion that
12 makes this different, and every case is different. So,
13 you know, even under the *Security First* case, it's at
14 best a wash, but there was no notion of fault, of one
15 party kind of holding back on discovery in that case.
16 And this case will move even faster. It's an
17 Alexandria case. That was a Norfolk case. So for
18 those reasons, we don't think that case is very
19 persuasive.
20 The second factor, simplicity. Just a little
21 brief history that maybe the Court is aware of. Until
22 the end of 2018, the PTAB used a different standard for
23 claim construction, broadest reasonable interpretation.
24 District courts used the *Philips* standard. They're
25 completely separate. So until the end of 2018, parties

1 were used to the ability to go to the PTAB and say, "We
2 won't construe claims because we have a different
3 standard," while reserving their right in the district
4 court to come and operate under a different standard.
5 That went away in 2018. Okay. Now both bodies apply
6 the same standard.
7 So this notion that they -- Amazon has filed
8 their petitions and told the PTAB, "We need no claim
9 construction, all plain and ordinary meaning." And in
10 this case, we've negotiated a schedule because Amazon
11 has said they need claim construction and they need
12 even expert declarations serving as extrinsic evidence
13 for claim construction. So they are already planning
14 to take two divergent routes under the same standard.
15 Okay.
16 And they raise a case on reply, *Nidec*. The
17 case has nothing to do with that. It's a complete thin
18 read. That case handled review looking back on a case,
19 and the Federal Circuit said the appellant claims that
20 a claim construction mistake was made. But looking
21 back on the case, the judge said, "Well, it wouldn't
22 have mattered. Because under the construction, whether
23 the preamble is limiting, you would have lost." Under
24 the construction the court gave -- sorry -- the board
25 gave, the preamble is not limited. You would have

1 lost. So that's a retroactive look.
2 But there is nothing in the law that says you
3 can prepare to take completely divergent positions
4 before two different bodies, and that's the tactics
5 that they're trying to deploy here. That's where the
6 prejudice comes in. They are going to go to one body
7 and say, "I want to keep the claims broad so I try to
8 invalidate the patents. And if I lose there, I will
9 come back and here, and I'll make my infringement
10 arguments." And Mr. Heideman just said, "We are going
11 to do a claim construction here." Defendants usually
12 do claim construction 95 percent of the time to narrow
13 those claims down to support their non-infringement
14 positions.
15 THE COURT: But wouldn't it be precluded
16 under the statute since it would be an issue as to
17 validity that was or could have been asserted?
18 MR. REYNOLDS: So there certainly is a -- so,
19 like, we certainly believe that they should be, but
20 they'll argue it. There are motions of judicial
21 estoppel. There's a factor. We think we win on that
22 test, but we expect they're going to argue it.
23 And, you know, there's -- collateral estoppel
24 determines whether the board ruled in their favor or
25 not. But either way, it doesn't simplify the issues

1 when they're taking a left turn at the PTAB and a right
2 turn here.
3 THE COURT: Well, one thing counsel said that
4 I hadn't really focused on -- is it the case that you
5 would have the ability to amend your patent claims
6 during the PTAB proceedings in response to rulings by
7 the PTAB?
8 MR. REYNOLDS: That's correct.
9 THE COURT: All right.
10 MR. REYNOLDS: It's very rarely done.
11 THE COURT: Right.
12 MR. REYNOLDS: It's very rarely done,
13 2 percent of the cases. I can't right now say we won't
14 do it, but the expectation -- it just -- all I can say
15 is it's very rarely done.
16 THE COURT: All right.
17 MR. REYNOLDS: This question does deal with
18 some uncertainties, right. What's the likelihood
19 they're going to institute? What's the likelihood some
20 claims are going to come out? We are working with some
21 unknowns here, but that falls on the side of the ledger
22 that's very low probability.
23 THE COURT: I understand.
24 MR. REYNOLDS: So we've addressed institution
25 rates, this claim construction issue.

1 And then on prejudice, I think that it's only
2 logical to look at the change in delay that will be
3 caused, right, by going the IPR route versus going the
4 district court route.
5 THE COURT: I understand you'd like to get
6 paid sooner rather than later. What other prejudice is
7 there?
8 MR. REYNOLDS: Sure. So there is -- courts
9 have recognized that there's evidentiary limitations.
10 Witnesses' memories fade. Some courts --
11 THE COURT: There will be discovery conducted
12 during the PTAB proceedings; wouldn't there?
13 MR. REYNOLDS: Yes. It's more limited.
14 THE COURT: Right.
15 MR. REYNOLDS: It's limited to the issues
16 raised in the case. You don't automatically -- yes,
17 it's far more limited than in this case. And since
18 it's dealing with prior art, I would say most of the
19 memories are likely more important on the infringement
20 side of the case, which this Court would deal with, and
21 not as much on the PTAB side, the prior art side,
22 because it's all based on what the disclosure of those
23 prior art documents is. You don't really rely on
24 witnesses' memories. You don't really rely on
25 third-party documents. You're just relying on these

1 publications.
2 So there certainly is prejudice and
3 evidentiary concerns, and other courts have recognized
4 that, you know, justice delayed is justice delayed.
5 Obtaining monetary relief over a longer
6 period of time is a prejudice. Now, a lot of district
7 courts move slower than this court. So the difference
8 between going the IPR route and, you know, where they
9 would proceed in that court might not be so
10 substantial. But here it's very substantial because --
11 THE COURT: Is there any specific discovery
12 that you would not be able to pursue in the PTAB that
13 you would pursue here -- I understand infringement is
14 not an issue -- if it were to get that far? But on
15 prior art and so on, you say it's a little bit
16 different, but you wouldn't be precluded to take
17 depositions of those people; would you?
18 MR. REYNOLDS: In the PTAB, I am not sure
19 that you automatically get depositions. I'd have to
20 check the rules, but I think you might have to ask.
21 THE COURT: Okay.
22 MR. REYNOLDS: The other issue is Amazon has
23 identified seven pieces of what we call product prior
24 art or system prior art that they will raise in this
25 case. No discovery is going to be conducted on that

1 before the PTAB. That's all going to be discovery
2 that's going to be done in this case. So that's
3 another point that makes this --
4 THE COURT: Would the prior art go to
5 validity, though, before the PTAB?
6 MR. REYNOLDS: Yes. The statute that allows
7 for PTAB proceedings only allows invalidity based on
8 publications --
9 THE COURT: Okay.
10 MR. REYNOLDS: -- not on actual existing
11 products. So a lot of defendants save -- you know,
12 they'll find actual product prior art that is not
13 estopped in the district court.
14 Now, it's not quite that black and white
15 because if there's overlap -- if, you know, the
16 plaintiff can show that the publications at issue in
17 the PTAB basically describe the exact same product,
18 then some courts say, no, you're not allowed to run
19 that exact same argument before the district court.
20 But there certainly is at least some room to
21 raise product prior art in the court regardless of what
22 happens in the PTAB. So what we have now is they have
23 two primary references addressing the patents. They're
24 pretty straightforward references. These aren't
25 references where you really need the PTAB's expertise.

1 But then they have seven product prior art references
2 that they're going to bring in this court regardless.
3 So this is what's different about this case
4 than all the other cases they cite. The PTAB procedure
5 is relatively simple in terms of their two primary
6 pieces of prior art, and it's going to be much more
7 voluminous here in this court.
8 And this all goes to this notion when
9 Mr. Heideman read -- I think it was *Security First* --
10 about wasting time in a court like this, which goes to
11 trial so quickly. Well, that all depends; doesn't it?
12 THE COURT: But if your patents were found
13 valid before the PTAB, that's it in terms of validity
14 in this court, correct, when they come back?
15 MR. REYNOLDS: Not necessarily. Amazon will
16 raise those seven pieces of product prior art, and they
17 will contend --
18 THE COURT: If the claims are found valid by
19 the PTAB in the face of whatever prior art claims they
20 make and --
21 MR. REYNOLDS: Uh-huh.
22 THE COURT: -- they come back here, you're
23 saying that they could still claim the patents are
24 invalid based on prior art?
25 MR. REYNOLDS: They said they will, yes.

1 THE COURT: Well, in your view, can they do
2 that? Will the Court have to, again, rule on validity?
3 MR. REYNOLDS: If they identify product prior
4 art, actual existing products or systems that are not
5 duplicative of the prior art raised, yes, they will
6 have strong argument that they can bring those prior
7 art to trial here.
8 THE COURT: Well, those other prior art
9 bases, could they raise those, if they wanted, before
10 the PTAB?
11 MR. REYNOLDS: If they're not duplicative,
12 no, they cannot raise product prior art before the
13 PTAB.
14 THE COURT: Okay.
15 MR. REYNOLDS: They cannot raise anything
16 that -- the way I think of it is they can't real
17 (phonetic) in the system to the PTAB and say this
18 existed at the time. They can only find publications,
19 whether they're issued patents or journal articles.
20 It's a paper proceeding so to speak. So that's our
21 point is these -- more invalidity issues are likely to
22 be tried here --
23 THE COURT: So you think they may claim that
24 there's prior art embodied in products that's not
25 reflected in publications?

1 MR. REYNOLDS: Yes, that would be the
2 argument. For instance -- I'm trying to think of one
3 of the pieces of product they identified. Maybe the
4 Google Nest product. They'll go find one that predates
5 the patents in this case, and they will argue that that
6 product -- the existence of that product by itself
7 invalidates the claims. Google may not have produced a
8 journal article. Google may not have filed a patent on
9 that. I don't know. There may be no publication out
10 there, but they will bring that prior art to this
11 court.
12 THE COURT: I understand.
13 MR. REYNOLDS: And they've identified seven
14 of them.
15 THE COURT: All right.
16 MR. REYNOLDS: So just quickly on this notion
17 that because this court will move quickly time will be
18 wasted. And I ended my last statement by saying, well,
19 that's the question; isn't it? Well, it's kind of a
20 balanced assessment because this Court is going to deal
21 with issues that will not be obviated. If this Court
22 construes the claims, then that is not an obviated
23 issue.
24 THE COURT: What strikes me, though, is that
25 if this case were to proceed while the PTAB proceeding

1 proceeds, aren't we shooting at a moving target in this
2 court during this litigation?
3 MR. REYNOLDS: Are you talking about in terms
4 of claim construction?
5 THE COURT: In terms of a lot of things,
6 including what the claims ultimately will be, what the
7 patents ultimately will be if you have the ability --
8 and I understand you think it's a low probability. But
9 it's possible that the claims could get reformed in
10 some fashion before the PTAB.
11 MR. REYNOLDS: Well, I would say that the
12 opposite is more troubling because there they've gone
13 to the PTAB and said there needs to be no claim
14 construction. But they have already said here that
15 they're going to raise claim construction. So it's
16 kind of got to be one or the other. If we're going to
17 do claim construction, this court is probably better
18 able to do claim construction applying *Philips* than the
19 PTAB, and they're going to get there quicker than the
20 PTAB will. And when this Court rules on claim
21 construction, then the PTAB will have that indication
22 as it moves forward.
23 THE COURT: Again, I get back to this notion
24 that if the claims are found valid, they're precluded
25 from challenging validity. You're saying that they're

1 going to go to the PTAB and say, "We don't need claim
2 construction. It's a plain and ordinary meaning." All
3 right. They lose. The PTAB finds claims valid. Then
4 they come here and say, "Oh, the claims are invalid
5 because you need claims construction that makes them
6 invalid." Isn't that something they could have raised
7 in the PTAB? Couldn't they have made that argument
8 before the PTAB, that these are invalid under certain
9 claims construction? Isn't that something they could
10 have raised before the PTAB and they chose not to?
11 MR. REYNOLDS: Yeah. Yeah.
12 THE COURT: Because they would be barred from
13 attacking validity on that ground here; wouldn't they?
14 MR. REYNOLDS: Well, attacking validity of
15 the prior art raised before the PTAB.
16 THE COURT: No. You said claims
17 construction. They're going to go to the PTAB and say,
18 "We don't need claims construction." Then if they
19 lose, they're going to come here and say, "Based on
20 claims construction, the patents are invalid," after
21 the PTAB has said they are valid.
22 MR. REYNOLDS: Right. What I think they'll
23 do is they'll come here and they'll try to do claim
24 construction to help the non-infringement position, and
25 then they will also apply that to invalidity. But then

1 this Court is now going to be addressing invalidity
2 under a different construction than the PTAB.
3 THE COURT: Okay.
4 MR. REYNOLDS: I'm sorry if I'm not --
5 THE COURT: Okay. If they're precluded from
6 challenging validity because they have lost before the
7 PTAB and they lost based on their position that you
8 don't need claims construction, even though they could
9 have challenged validity based on notions of claims
10 construction, how can they then challenge validity
11 based on claims construction here?
12 MR. REYNOLDS: Would you give me just a
13 moment.
14 THE COURT: Yes.
15 (Counsel confer.)
16 MR. REYNOLDS: Okay. If I understand
17 correctly -- and I apologize if this isn't sinking in.
18 THE COURT: That's all right.
19 MR. REYNOLDS: Essentially, when they address
20 different prior art here, they can say, "Well, claim
21 construction needs to be done anew because we have a
22 different piece of prior art here than we addressed
23 before the PTAB."
24 THE COURT: Okay.
25 MR. REYNOLDS: So they can use that as a

1 wedge to start everything over.
2 THE COURT: All right.
3 MR. REYNOLDS: And so from my standpoint, it
4 seems that they're almost asking the PTAB for an
5 advisory opinion. Hey, would this be invalidated under
6 plain and ordinary meaning under the breadth of the
7 claims? We might end up there in the district court,
8 but we might not.
9 And just to reground us, it's bedrock patent
10 law under *Markman* that claim construction must be done
11 first and then infringement invalidity be decided.
12 It's bedrock law. And the Supreme Court says that for
13 a reason. Claims should not be construed based on the
14 issues in the case. We need what the constructions
15 are. Then we proceed with the case.
16 THE COURT: Okay.
17 MR. REYNOLDS: So even though we're having
18 this discussion about what constructions would be done
19 with what issues has turned patent law on its head.
20 The courts are going to have to grapple with this at
21 some point following the fact that now the PTAB and the
22 district courts are applying the same standards. We
23 need to do one claim construction, and it needs to
24 apply to everything.
25 The last thing I'll raise is this factor in

1 the *Sunbeam Facet Technologies* case we discussed about
2 hardship or inequity. That comes from the Supreme
3 Court. Okay. So whether it's been raised or
4 challenged in other cases is of no moment. It's the
5 law of the land. The reason it's there is because a
6 movant has to establish that there is a baseline reason
7 for a stay and that it will suffer some hardship or
8 inequity without the stay.
9 Now, this dovetails with the three-factor
10 analysis because, as we've cited, some courts recognize
11 that a dilatory motive or tactics by the party moving
12 to stay can undercut the first and the third factors,
13 both of them. When you look at the Supreme Court's
14 case -- it was *Landis* -- what it's basically saying is
15 if a defendant moves for a stay for its own tactical
16 reasons because it wants it, that's not good enough
17 because then they wouldn't satisfy any hardship or
18 inequity.
19 So that is why the tactics here, the desire
20 to kind of hold off on discovery and then go to another
21 body where they will use a different claim
22 construction, that brings in the *Landis* factor because
23 they've completely ignored showing how proceeding with
24 this case would create some inequity or hardship on
25 Amazon. And it just simply wouldn't. They just want

1 to go to the PTAB at this point.
2 That's all I have.
3 THE COURT: All right. Thank you.
4 Counsel, I'll give you the last word on this.
5 MR. HEIDEMAN: Thank you, Your Honor.
6 Just to kind of start, I will try to go point
7 by point if I can.
8 THE COURT: All right.
9 MR. HEIDEMAN: It started by relying on the
10 Fintiv memo and some stuff that's going on in the
11 patent office. None of the case law discusses that.
12 These cases were stayed before the Fintiv memo went
13 into effect at the patent office. Cases are being
14 stayed now. Whether cases are stayed, if you look at
15 the three factors, none of them depend on the guidance
16 or the memo that the PTAB is operating under.
17 Next, with respect to the stage of the
18 litigation, they're trying to blame the stage of the
19 case on Amazon. They ignore that we brought a 101
20 motion to dismiss on the pleadings, which is the proper
21 time to bring it, and the Court granted it. And the
22 case was over for a period of a couple of months.
23 There's been no delay on Amazon's part. We moved to
24 dismiss when it was appropriate. As soon as the case
25 was revived on January 10, we finalized IPRs and filed

1 them three weeks later, the first one.
2 With respect to the stage of the case, if you
3 look through the cases that we've cited in our briefs,
4 it's clear that this case is at the early stages.
5 There are no cases that don't have a schedule where
6 there's been hardly any depositions, there's been
7 hardly any document production that find that it's a
8 late stage of the case. So the first factor clearly
9 weighs in favor of a stay here.
10 With respect to simplifying the issues --
11 THE COURT: We've not issued a scheduling
12 order yet; have we?
13 MR. HEIDEMAN: Pardon me?
14 THE COURT: We haven't issued a scheduling
15 order yet?
16 MR. HEIDEMAN: No. There was one in effect
17 before the Court's earlier decision.
18 THE COURT: Right.
19 MR. HEIDEMAN: With respect to the simplicity
20 of the issues, this discussion about the claim
21 construction happening in two places makes no sense.
22 None of the cases look at that. If the rationale
23 they're giving for denying the stay here depended on
24 things like the claim construction in the two bodies,
25 you would never stay the district court case. The

1 things they're referring to are common to all cases.
2 The reality is the proceedings that are happening in
3 the patent office will affect claim construction in
4 this case.
5 So both parties are going to make statements
6 to the patent office. They will be in the file history
7 of the patents, and this Court is supposed to consider
8 that complete record when it does claim construction
9 here.
10 The idea that Amazon will somehow argue for a
11 certain construction there and then argue for a
12 different construction here, first of all, is
13 speculative. Second of all, it doesn't make any sense
14 precisely because the same standard applies in both
15 cases. And third, if that were the case, we should be
16 completing that record at the patent office so that the
17 Court can rely on it here. We shouldn't be having
18 these claim construction proceedings happening at the
19 same time.
20 There's no inconsistency between Amazon's
21 positions, and we try to explain this in our reply
22 brief. When you have a patent claim -- and, Your
23 Honor, if you don't want me to rehash this, I won't.
24 But if you have a patent claim -- we used an example in
25 our reply brief. If the patent claim is to -- a red

1 truck is the example we used because the patent
2 describes a fire engine, right. It's a red truck. It
3 has flashing lights. It has a siren. And their claim
4 says a red truck. And we have prior art that we're
5 telling the patent office, "Please review the validity.
6 Here's prior art that disclosed a red truck. It's a
7 fire truck. It was red. It had sirens. It's exactly
8 what they described in their patent." No claim
9 construction is necessary of what a red truck is for
10 the patent office to resolve that validity question.
11 If at the same time they're suing somebody
12 for driving a pink ice cream van with a loud speaker on
13 it and normal headlights, there might be claim
14 construction that has to happen in the district court
15 for the jury to know whether that pink van infringes.
16 Is red as it's used in the patent broad enough to
17 include pink or the specific shade of pink? Something
18 with a siren, does that include a loud speaker that the
19 van plays music through? When the patent says a light,
20 does that include a headlight like a normal van or is
21 that limited to a flashing light like emergency
22 vehicles have?
23 Those are claim construction issues the Court
24 might have to decide so that it can instruct the jury
25 on the proper scope of the patent so that the jury can

1 decide whether a pink van infringes this patent that
2 was really about a red fire truck.
3 But if the prior art at the patent office is
4 a magazine about a red fire truck, the patent office
5 doesn't have to get into that level of detail on claim
6 construction. So what we said in our briefs, in our
7 IPR petitions is that there's no claim construction
8 necessary to resolve the invalidity issues before the
9 patent office, and that's true.
10 Does that mean that there's no claim
11 construction issues whatsoever that the jury might need
12 to have? No, it doesn't. You can say there's no claim
13 construction necessary to resolve those validity
14 issues, but there is claim construction necessary for
15 other issues in the case. And that happens all the
16 time. There's nothing nefarious about that. It's
17 common. That's just how it is.
18 But like I said, even if there were
19 inconsistencies that would support staying this case so
20 that the record at the patent office would be complete,
21 then Your Honor would know the positions that both
22 sides took when we're addressing claim construction in
23 this proceeding.
24 With respect to validity, I want to make sure
25 we're clear on the estoppel and the validity issues.

1 THE COURT: Yes.
2 MR. HEIDEMAN: IPR proceedings only involve
3 patents and printed publications. And so we have
4 dozens of prior art references in this case. He
5 characterized it as if we only relied on two. We have
6 dozens of prior art describing what their patent
7 claims -- which is calculating the distance between the
8 device and the user, changing the output and changing
9 the --
10 THE COURT: Those will all be presented to
11 the PTAB?
12 MR. HEIDEMAN: They will. So of those
13 dozens, we had to pick our best ones, put them in our
14 petition, and file it with the patent office. That's
15 what we've done. We've selected our best references.
16 They are before the patent office. The patent office
17 will decide validity based on those references.
18 The estoppel that results when they reach a
19 final decision, we're estopped from raising in
20 litigation any ground that was raised or could have
21 been raised at the patent office, which means
22 invalidity based on patents and printed publications.
23 So the dozens of patents and publications that we've
24 identified, all of those would be out of the case.
25 Now, does that mean that all invalidity

1 issues are resolved? No. There are invalidity grounds
2 that we can't raise at the PTAB that would still be at
3 issue in the court. Section 101 is a good example.
4 All right. We raised that issue on our motion to
5 dismiss. We will raise it again on summary judgment.
6 That invalidity issue will not be estopped because of
7 what's happening in the patent office. If their claims
8 are indefinite under Section 112, that's not going to
9 be resolved by --
10 THE COURT: I understand.
11 MR. HEIDEMAN: So I just -- I want to make
12 sure we've been transparent. It's not that all
13 validity issues will be resolved by the patent office.
14 THE COURT: I understand.
15 MR. HEIDEMAN: But the courts widely
16 recognize that you don't have to resolve all validity
17 issues for it to simplify the proceeding. It
18 simplifies the proceeding because it takes out a huge
19 chunk of invalidity, which is invalidity based on
20 patents and printed publications.
21 With respect to prejudice, the cases say over
22 and over that the passage of time alone is not enough.
23 That's what they seem to be relying on here. Their
24 company is a company formed for the sole purpose of
25 litigating. They're not -- they don't need a judgment

1 to protect market share. They're not losing revenue.
2 Their entire company is based around litigation. They
3 can't then claim that the time lines inherent in all
4 litigation are unduly prejudicial to their business.
5 It makes no sense. That is their business.
6 On the infringement side, they're talking
7 about memories being lost. That's just the passage of
8 time. On the infringement side, what this case will
9 ultimately come down to is how do these products work
10 and do they infringe the claims. Well, how the product
11 works is captured in the code, right. That's not based
12 on memories. It's how the products work. And you
13 compare that to the claims, and there's infringement.
14 They haven't identified any issues in this
15 case that actually depend on anyone's memory. So
16 there's no prejudice. The passage of time alone is not
17 prejudicial.
18 So I just end with -- Your Honor mentioned
19 we're shooting at a moving target. It's definitely
20 that. It's not at a minimum, right. The worst case is
21 we're litigating this entire case when there is no
22 target, when the patents will be invalidated.
23 So the courts in this district routinely stay
24 cases in this situation where it's early in the case.
25 There's no question that it will simplify the issues

1 because all of the claims are being challenged, and
2 there's no undue prejudice because monetary damages
3 will be sufficient in this case.
4 THE COURT: All right. Thank you.
5 MR. HEIDEMAN: Thank you, Your Honor.
6 MR. REYNOLDS: Could I just very briefly --
7 THE COURT: Go ahead.
8 MR. REYNOLDS: I'll just spend 30 seconds.
9 This doesn't happen in every case. There's a record of
10 divergence in this case. Amazon has said plain and
11 ordinary meaning to the PTAB. It's negotiated a
12 schedule here for claim construction. There's a record
13 here. This doesn't necessarily happen.
14 This pink ice cream truck example, if this
15 were on appeal looking back, it's one thing. But
16 they're starting out at the beginning of this case.
17 Instead of addressing the issues in this case, they've
18 picked an example that's really good on invalidity and
19 really bad on infringement. Well, I could pick edge
20 cases too.
21 But the more problematic issue is that if
22 they really thought they would be justified, they
23 should address issues in this case. Here is why our
24 prior art is so clear and we don't need claim
25 construction. Here is why infringement is closer and

1 we do need claim construction. Well, there is no
2 record of that. They are just talking in
3 hypotheticals.
4 And then in terms of business or in terms of
5 prejudice, there certainly is the issue of why Amazon
6 made the business decision to implement these
7 functions. That's not in the source code. That would
8 need to come from witnesses. That's just one example
9 that I thought of as we're sitting here.
10 Thank you.
11 THE COURT: All right. Thank you.
12 When I was a practicing lawyer in this court,
13 I learned pretty quickly that the concept of a stay was
14 not a useful concept. The court really has a
15 disinclination to stay anything because of other
16 proceedings. That changed somewhat in terms of the
17 culture of the court with these IPR proceedings under
18 the American Invents Act. That's one area where the
19 court will consider, despite its disinclination to stay
20 matters, to enter a stay.
21 The issue really comes down to the factors
22 that both of you have discussed. The first is the
23 stage of litigation. We are at a point where it is
24 relatively early. As I mentioned, there's no
25 scheduling order. I understand the case has been a

1 while, but that's because of the Court's prior rulings
2 and then reinstituting this litigation. There's no
3 scheduling order. I understand there's been some
4 discovery but not much. I think for the purposes of
5 the analysis, we would be at a point that's deemed
6 relatively early in the litigation.
7 The most important factor really in the
8 Court's mind is whether the stay would simplify the
9 issues before the Court. It's hard to see how --
10 whatever the outcome is before the PTAB -- the issues
11 would not be affected and to that extent simplified.
12 Whether the claims are valid, invalid, claims are
13 construed, the patents are amended, it would certainly
14 affect what is going to be before this Court to
15 ultimately adjudicate.
16 We get to the final factor on prejudice. I
17 understand the plaintiff's position, but the fact is
18 that damages is the relief that they're seeking. I
19 understand that there some issues in terms of
20 discovery; although, nothing concrete has been
21 identified as far as how the delay in discovery will
22 materially affect the ability of the plaintiffs to
23 proceed were this case to come back here.
24 So for all of those reasons, the Court is
25 going to grant the motion and stay this matter pending

1 the outcome before the PTAB.
2 All right. Anything further?
3 (No response.)
4 THE COURT: All right. The Court will issue
5 its order.
6 All right. Thank you. Thank you for the
7 presentation. It was very helpful.
8 All right. The Court will stand in recess.
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Time: 10:48 a.m.
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22 I certify that the foregoing is a true and
accurate transcription of my stenographic notes.
23
24
25 /s/
Rhonda F. Montgomery, CCR, RPR