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1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK
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3 CTEXT IP LLC,
4 Plaintiff,
5 v. 24 Civ. 8821 (JMF)
6 APPLE INC.,
7 Defendant. Teleconference

8 -----x
9 New York, N.Y.
10 July 28, 2025
11 3:35 p.m.

12 Before:

13 HON. JESSE M. FURMAN,
14 District Judge

15 APPEARANCES

16 STAMOULIS & WEINBLATT LLC
17 Attorneys for Plaintiff
18 BY: RICHARD C. WEINBLATT
19 GIBSON DUNN & CRUTCHER LLP
20 Attorneys for Defendant
21 BY: BRIAN A. ROSENTHAL
22 JAYSEN CHUNG
23 NATHAN SCHARN

24 Also Present: Tanya Manno, Apple in-house counsel
25

P7SVCTEC

(Teleconference)

THE COURT: Good afternoon. This is Judge Furman.
We're here in the matter of *CText IP LLC v. Apple*, 24 CV 8821.

Can I confirm that the court reporter, Martha, are you
on the line?

Before I take appearances from counsel, a couple of
quick reminders:

One, please mute your phones, if you can, to avoid
background noise.

Number two, remember to unmute it for when you wish to
say something, but don't hang up. And please make the first
thing you say your name so that the court reporter and I know
who's speaking.

Number three, remember this is a public conference,
just as it would be if we were in open court.

And number four, remember that the conference cannot
be recorded or rebroadcast.

With that, I'll take appearances, beginning with
counsel for plaintiff.

MR. WEINBLATT: Good afternoon, your Honor.

This is Rich Weinblatt, for CText.

THE COURT: Good afternoon.

And counsel for defendant, Apple?

MR. ROSENTHAL: Good afternoon, your Honor.

It's Brian Rosenthal from Gibson Dunn, on behalf of

P7SVCTEC

1 Apple. Also on the line with me are Jaysen Chung and Nathan
2 Scharn; and from Apple in-house, Tonya Manno.

3 THE COURT: All right. Great.

4 So let me begin by giving my ruling on defendant's
5 motion to dismiss, which I denied by bottom-line order on June
6 30th, 2025, for reasons that I would explain today. And then
7 we can turn to the other pending motion, which is the motion
8 for a stay, and I wanted to discuss that with the parties.
9 But, first, let me give you my ruling on the motion to dismiss.

10 Put simply, I denied defendant's motion because Claim
11 1 of the '857 patent - which defendant contends, without any
12 meaningful dispute from plaintiff, is representative of the
13 remaining claims of both patents - satisfies step one of the
14 framework established by the Supreme Court in *Alice Corporation*
15 *Proprietary Ltd. v. CLS Bank International*, 573 U.S. 208
16 (2014).

17 Under *Alice* step one, the question is whether the
18 claim is "directed to patent-ineligible subject matter" such as
19 "an abstract idea." *AI Visualize, Inc. v. Nuance*
20 *Communications, Inc.*, 97 F.4th 1371, 1378 (Fed. Cir. 2024).
21 The "directed to" inquiry goes further than asking "whether the
22 claims involve a patent-ineligible concept." That's from the
23 same page. Instead, the question is whether, viewing the
24 claim's "character as a whole," the "focus of the claimed
25 advance" is patent-eligible. *Affinity Labs of Texas, LLC v.*

P7SVCTEC

1 *DIRECTV, LLC*, 838 F.3d 1253, 1257 (Fed. Cir. 2016).

2 I conclude that Claim 1 of the '857 patent satisfies
3 step one of *Alice* substantially for reasons set forth in
4 *Wrinkl, Inc. v. Facebook, Inc.*, 2021 WL 4477022 (D. Del. Sept.
5 30, 2021). It is true that *Wrinkl* is an out-of-circuit case,
6 but that fact is less relevant here than it would be in other
7 contexts because all "district courts must follow Federal
8 Circuit precedent in cases arising under the patent laws."
9 *Radiancy, Inc. v. Viatek Consumer Products Group, Inc.*, 138 F.
10 Supp. 3d 303, 314 (S.D.N.Y. 2014). In other words, the
11 district court in *Wrinkl* was bound by and applied the same body
12 of precedent that binds me. In any event, it is only
13 persuasive authority, but I find it persuasive.

14 Succinctly, as the court in *Wrinkl* observed, there is
15 a line of Federal Circuit cases that addresses the
16 patentability of graphical user interfaces or GUIs under *Alice*
17 step one. See *Wrinkl*, 2021 WL 4477022, at *3. Under those
18 cases - including *Core Wireless Licensing S.A.R.L. v. LG*
19 *Electronics, Inc.*, 880 F.3d 1356 (Fed. Cir. 2018); *Data Engine*
20 *Technologies LLC v. Google LLC*, 906 F.3d 999 (Fed. Cir. 2018);
21 and *Trading Technologies International, Inc. v. CQG, Inc.*, 675
22 F. App'x 1001, 1003 (Fed. Cir. 2017) - a claim that "identifies
23 a problem that exists in prior art electronic messaging systems
24 and provides a solution that improves the capability of a
25 generic user interface in a particular way" is not directed to

P7SVCTEC

1 an abstract concept if it "identifies inefficiencies in the
2 typical user interface" and potentially resolves them. *Wrinkl*,
3 at *3. Or, as the Federal Circuit put it more recently in
4 *Broadband iTV, Inc. v. Amazon.com, Inc.*, 113 F.4th 1359 (Fed.
5 Cir. 2024), "claims involving a user interface" are patentable
6 if they involve "an improved structure or function" of the user
7 interface. That is at page 1368. In *Trading Technologies*, for
8 example, the Federal Circuit held that patent claims directed
9 to "solving a problem or improving the functioning of a known
10 system generally produce patent-eligible subject matter." 675
11 F. App'x at 1004-05.

12 Because the claims here improve the function of
13 electronic messaging applications and "disclose a specific set
14 of improvements to conventional messaging graphical user
15 interfaces," that is *Wrinkl*, at *3. They satisfy the Federal
16 Circuit's test in these cases. Indeed, plaintiff's patents are
17 strikingly similar to the patent upheld in *Wrinkl*, and
18 defendant's arguments here are strikingly similar to the
19 arguments that Facebook made and that the court rejected,
20 there.

21 The *Wrinkl* patent related disconnected electronic
22 messages together with "link" that allowed "association with
23 further messages" that were "included automatically" in those
24 messages once indicated by the user, that is at *1.
25 Plaintiff's patents here achieve a similar result through

P7SVCTEC

1 "visual cues" that associate related messages such as color,
2 background color, or proximity. See ECF No. 24-1, at 14-15.

3 I am not persuaded that the cases defendant cites to
4 the contrary are controlling. Most of those cases do not
5 address improvements to GUIs and, therefore, are not in the
6 same line of cases relied upon by the *Wrinkl* court or discussed
7 in *Broadband iTV*. The cases that defendant cites that do
8 address GUIs also do not require a contrary result. For
9 example, the court in *IBM Corporation v. Zillow Group, Inc.*, 50
10 F.4th 1371 (Fed. Cir. 2022), which discusses both *Core Wireless*
11 and *Trading Technologies*, points out that the method recited by
12 the patent claim at issue "had long been done by cartographers
13 creating paper maps," and that the "problem that the patent
14 purportedly solved was not specific to a computing
15 environment." That is at page 1381.

16 By contrast, there is no pre-computing analogy that
17 parallels the issue with electronic messaging that plaintiff's
18 patent addresses or the solution that it proposes. In any
19 event, to the extent that defendant argues that plaintiff's
20 patent has obvious analogs in other contexts, computing or
21 non-computing, see, e.g., ECF No. 26, at 15, "the eligibility
22 question is not whether anyone has ever used visual cues to
23 associate information," *Data Engine*, 906 F.3d at 1011. That
24 question is "reserved for §§ 102 and 103" of the Patent Act.
25 That is from the same page, and *Cf. Wrinkl, Inc. v. Meta*

P7SVCTEC

1 *Platforms, Inc.*, 2023 WL 6929359, at *1 (D. Del. Oct. 19, 2023)
2 (stating that 50 of the 54 claims asserted in the suit were
3 invalidated by the Patent Trial and Appeal Board after *inter*
4 *partes* review); see also *Neptune Generics, LLC v. Eli Lilly &*
5 *Company*, 921 F.3d 1372, 1378 (Fed. Cir. 2019) (noting that
6 "Congress expressly limited the scope of *inter partes* review to
7 a subset of grounds that can be raised under 35 U.S.C. §§ 102 &
8 103.").

9 In short, I concluded that the representative claim
10 satisfies *Alice* step one. In light of that conclusion, I need
11 not proceed to the second step of the inquiry. The claims are
12 patent-eligible under § 101." See *Core Wireless*, 880 F.3d at
13 1363.

14 So that is why I denied the motion to dismiss, and
15 that resolves that issue.

16 Let me turn then to the motion to stay and pose a
17 couple questions to both of you.

18 Let me start with you, Mr. Weinblatt.

19 I would say the strongest fact you have -- well,
20 actually, before I get there, you rely on some cases that
21 suggest that a stay shouldn't be granted, whereas, here, the
22 PTAB has not yet decided whether to institute IPR *inter partes*
23 review. But at least within the circuit cases that you rely
24 on, if I'm not mistaken, all predate 2018. And as Judge Abrams
25 notes in her decision in the *Nike* case, there were some

P7SVCTEC

1 significant events that occurred in 2018 that arguably alter
2 the relevant law in this area. Can you address that?

3 MR. WEINBLATT: So we think one of the differences
4 here, your Honor, compared to previously is what actually Dr.
5 Coke Morgan Stewart has been doing.

6 So the tides have started to turn at the patent
7 office, where previously it was more likely that an IPR
8 petition would be granted. More recently, with the change in
9 administrations, there is now greater than 50 percent
10 likelihood of a discretionary denial; in other words, that an
11 IPR petition is not likely to be granted. So we think that
12 that factor right now goes against a stay that hasn't been
13 involved in any of the prior cases that either the parties have
14 cited, because this is a new administration.

15 And then another aspect that doesn't support staying
16 now is that no *Sotera* stipulation has been filed in the
17 district court. And that's a stipulation where the IPR
18 petitioner agrees to not raise any invalidity argument that has
19 been raised or that could have been raised in the IPR
20 proceeding at the patent office.

21 If that were filed, then it may make sense for the
22 argument that the case could be simplified; but without it, the
23 whole notion of estoppel as to what the petitioner is able to
24 argue, prior art or the invalidity challenges, is really a
25 misnomer, because parties fight over it all the time. So,

P7SVCTEC

1 therefore, there's not anything to reduce the litigation
2 complexity in your court.

3 And finally --

4 THE COURT: I'm sorry. Go ahead.

5 MR. WEINBLATT: And finally, typically when looking at
6 the AIA and the statute, it's once a petition gets granted at
7 the patent office that the court is more likely to grant a stay
8 nationwide, not just when the petition is initially filed.

9 THE COURT: All right. I think I'll add -- and I'll
10 turn to Mr. Rosenthal in a second. But Judge Abrams in the
11 Nike decision cites two developments in 2018 that sort of
12 altered the calculus of whether to grant a stay even before
13 institution. Let me see if I can find where it speaks to that.
14 Hang on.

15 Well, while I'm looking for that, why don't I turn to
16 Mr. Rosenthal and ask you to just address the stipulation, the
17 Sotera stipulation issue that Mr. Weinblatt raised, if you can.

18 MR. ROSENTHAL: Yes, your Honor.

19 Brian Rosenthal, on behalf of Apple.

20 Three responses on the Sotera stipulation:

21 First of all, the typical time to send such a
22 stipulation is during the process of the director's
23 discretionary review process. That time has not yet happened.
24 So this is not a situation where there is no Sotera situation;
25 this is simply a matter of it has not yet been filed. That's

P7SVCTEC

1 number one.

2 Number two, none of the cases that the parties have
3 cited involved any analysis of whether there was a *Sotera*
4 stipulation at all. That's simply not a factor that this Court
5 or any of the courts in this circuit have looked at to
6 determine whether to grant the stay motion.

7 And that makes sense.

8 And that's the third basis: It makes sense because
9 the *Sotera* stipulation simply says if the patent office
10 institutes the IPR, then, at that moment, the party who filed
11 the IPR, the petitioner, Apple in this case, at that moment
12 would agree that it would not raise any art or arguments that
13 could have been -- reasonably could have been raised in the
14 IPR.

15 In other words, it simply accelerates when the
16 estoppel takes place. Rather than taking effect at the final
17 written decision at the conclusion of the IPR, it takes effect
18 by stipulation as of the institution date. It doesn't change
19 the scope of the estoppel, it doesn't change the scope of what
20 the IPR does or does not affect.

21 So the idea that the lack of a *Sotera* stipulation
22 should impact the stay really falls on itself because the
23 *Sotera* stipulation really just has an impact on whether the
24 patent office institutes or not. If the case is stayed, the
25 effect on the litigation is identical, whether there was a

P7SVCTEC

1 *Sotera* stipulation or not. The estoppel has exactly the same
2 scope as the *Sotera* stipulation would, it just takes effect at
3 an earlier time. So if the case is stayed and whatever happens
4 at the patent office happens, that is going to have the
5 identical impact on this case.

6 If the claims are invalidated, the presence or absence
7 of a *Sotera* stipulation has no impact. If any claims survive,
8 but there have been statements made about the scope of the
9 claims or distinctions over prior art, those are going to have
10 the identical impact. And the estoppel will be identical,
11 whether it operates because of the *Sotera* stipulation or
12 because of the statute.

13 So, for all of those reasons, the absence at this
14 particular moment of a *Sotera* stipulation really has no impact
15 at all on the assessment of whether a stay is appropriate. And
16 I'm not aware of a case in this circuit that has analyzed that
17 question and found the *Sotera* stipulation to be a factor at
18 all.

19 THE COURT: So I hear you. And, listen, forgive my
20 ignorance here; this is the first time I've ever even heard of
21 a *Sotera* stipulation.

22 But I guess the two questions I have in response are:
23 One, whether you have any objection to a *Sotera* stipulation,
24 even if it would normally be entered at a later date; and, two,
25 if not, any reason, if I were to grant a stay, not to condition

P7SVCTEC

1 it upon agreement to a *Sotera* stipulation, just to ensure that
2 that is addressed.

3 MR. ROSENTHAL: Yeah. So the answers to those
4 questions are, number one, I don't yet -- I can't tell you,
5 sitting in this call right here, that we will agree to a *Sotera*
6 stipulation, only because that requires some discussion with
7 our client.

8 However, on the second question, I can tell you
9 absolutely if the stay is conditioned on the entry of a *Sotera*
10 stipulation, Apple has no objection to that. And then Apple
11 can make a reasoned calculus and decide whether that's
12 something that ought to be entered.

13 Generally speaking, just for the Court's background, a
14 *Sotera* stipulation is not a necessity; it's not mandatory in
15 any sense. Basically, it's something -- the reason it's called
16 a *Sotera* stipulation is that there was a case called *Masimo v.*
17 *Sotera*, in which the party in that case entered into a
18 stipulation that if the patent office institutes, the parties
19 agree or the petitioner agrees that at that moment it would not
20 raise in the parallel district court action any prior art
21 grounds that reasonably could have been raised in the IPR
22 petition.

23 And the patent office granted the institution --
24 decided to go forward with the instituted trial -- in part, on
25 the basis that there would be minimal duplication of efforts

P7SVCTEC

1 with the ongoing litigation, since the petitioner had agreed to
2 not raise any of those grounds that reasonably could have been
3 raised in the IPR in the district court.

4 And so in that circumstance, the patent office said,
5 We are okay proceeding, even if this means parallel tracks,
6 because there will be zero duplication of invalidity grounds.
7 Because of that analysis, it became known as a *Sotera*
8 stipulation because it was sort of blessed by the patent
9 office. And so it became named that just because that was the
10 name of the case.

11 There are other stipulations the parties can enter
12 into. For instance, they could say, We're not going to raise
13 any prior art that was raised in the patent office; or, We're
14 not going to raise particular pieces of prior art. And those
15 stipulations have also been considered by the patent office.

16 So Apple's decision about which, if any, of those
17 stipulations it will ultimately enter into as part of the IPRs,
18 sort of, hasn't yet come; that will come shortly. But we would
19 have no objection to a stay that is conditioned on us entering
20 either a *Sotera* stipulation or something similar to it to
21 ensure that there wouldn't have been any overlap between the
22 district court case and the patent office case.

23 THE COURT: And just elaborate on the point you made
24 earlier, that the scope of estoppel is the same, it's just a
25 question of timing.

P7SVCTEC

1 MR. ROSENTHAL: Yes.

2 THE COURT: Explain. I'm not sure I caught the gist
3 there.

4 MR. ROSENTHAL: No problem.

5 So in the patent statute that authorized the *inter*
6 *partes* review proceeding in the first instance, back in 2000
7 and -- oh, geez, I can't remember now exactly when it was, '13
8 maybe. In that statute, there is a provision for IPR estoppel.
9 And what that means is the price of going to the patent office
10 and asking for an *inter partes* review petition is that once
11 that petition gets instituted and goes to final written
12 decision, the petitioner is statutorily estopped from raising
13 in a district court action any grounds that either were raised
14 or reasonably could have been raised in that IPR petition.

15 The idea there is you get your shot at the patent
16 office; we're going to give you access to this expedited and
17 statutorily enforced procedure. But your cost is you don't
18 then get to raise in district court those arguments that you
19 could have raised in the patent office. That's the statutory
20 estoppel.

21 What a *Sotera* stipulation says, it says, As soon as
22 you institute, Patent Office, as soon as you institute this
23 IPR, I am going to, by stipulation, agree that I'm not even
24 going to pursue -- during the pendency of the IPR, during that
25 one-year period before the IPR concludes, I am not even going

P7SVCTEC

1 to pursue those grounds that I would have been estopped from
2 raising after that proceeding terminates.

3 So it's basically exactly the same scope of what I
4 can't pursue in district court; but it kicks in as of the time
5 that the patent office institutes, as opposed to at the time
6 the proceeding concludes. So it basically accelerates the
7 estoppel by one year.

8 THE COURT: I gotcha.

9 MR. ROSENTHAL: The scope is identical.

10 I hope that -- that's a lot, but I hope that that
11 answers the question.

12 THE COURT: I think it does. And I thank you for
13 educating me.

14 Mr. Weinblatt, let me turn back to you.

15 On that score, if I understand correctly, then I don't
16 quite understand the import of the *Sotera* stipulation. Because
17 if I were to grant a stay, then it seems like the statutory
18 estoppel would kick in and the *Sotera* stipulation really only
19 matters if there are two proceedings proceeding, you know, in
20 tandem; that is to say, it ensures there is no overlap. But if
21 this matter were stayed pending a resolution, either
22 institution and then resolution of the PTAB proceedings, then
23 that concern seems to be absent.

24 Am I missing something?

25 MR. WEINBLATT: I'll put it this way: If the

P7SVCTEC

1 statutory estoppel was effective, then there would be no need
2 for a stipulation. But the defendants – and this goes back to
3 your question about *Nike*. This isn't just an Apple strategy.
4 But, oftentimes, defendants try to game the system and stall it
5 out or, like, make it take longer for the plaintiff to be able
6 to get their day in court.

7 So here, Apple knew about the patents in 2023. There
8 were discussions. Nothing occurred. No IPR was filed.
9 Lawsuit was filed. A month later, they filed a motion to
10 dismiss under 101. They waited for your Honor's ruling. Apple
11 lost. Then they filed an IPR based on prior art. That's
12 different prior art than what they had previously brought to
13 CText's attention, which can cause one to question how good is
14 their prior art then if they keep changing it. But it's a
15 strategy to delay, delay, delay, delay, delay.

16 And then by raising prior art at the patent office,
17 defendants oftentimes say, Well, I couldn't have raised that
18 then. So then they try to get around the statutory estoppel.

19 So I think a *Sotera* stipulation has some more legs
20 than Apple is saying; otherwise, there would never have been
21 one filed. So I hope that answers your question.

22 THE COURT: I think it does, or at least it speaks to
23 the question.

24 Let me circle back to -- I found the portion of Judge
25 Abrams' decision that I was looking for earlier.

P7SVCTEC

1 So the two developments that she cites in 2018 are
2 first the Supreme Court's decision in *SAS v. Iancu*, which held
3 that where the PTAB institutes IPR, it must address every
4 challenged claim in the petition. And second, regulations
5 promulgated in 2018 that made clear that when construing patent
6 claims for IPR proceedings, the PTAB shall apply "the same
7 claim construction standard that would be used by district
8 courts to construe the claim in a civil action under 35 U.S.
9 Code 282(b)." And she concludes that in the time since, courts
10 have recognized that the logic of granting a pre-institution
11 stay has been strengthened by those changes.

12 Anything you want to say on that score, since I think
13 you rely on at least within-circuit decisions that predate
14 those two developments.

15 MR. WEINBLATT: So that was pre changes by the
16 administration, which increased the discretionary denials. So
17 back then, when *Nike* was decided, it was more likely than not
18 that an IPR petition would get granted. And that is not the
19 current status of IPR petitions at the patent office. And
20 that's a big change that we do not believe should be
21 overlooked.

22 THE COURT: And you're saying that there's data on
23 that score since January 20th, is that the time period that
24 you're referring to?

25 MR. WEINBLATT: Yeah. So we cited it as -- we

P7SVCTEC

1 attached some exhibits to our opposition. There's Exhibit E
2 and Exhibit K.

3 (Indiscernible crosstalk)

4 MR. WEINBLATT: Sorry. I was pointing out where it
5 was in our brief, if you think that would be helpful.

6 THE COURT: No, I have it. That's fine.

7 Let me circle back to the point that you made a moment
8 ago regarding delay. And I'll put that to Mr. Rosenthal in a
9 minute.

10 But it strikes me that the most compelling fact in
11 your favor is the delay in Apple seeking IPR pending a ruling
12 on the motion to dismiss, which suggests to me that, you
13 know -- I mean, it's just not clear to me why Apple couldn't
14 have sought IPR while that motion was pending in order to save
15 the five or so months that have elapsed.

16 But the flip side is -- or, I guess, two things that I
17 want to press you on, Mr. Weinblatt.

18 Number one, the prejudice arising from that delay
19 seems to be less, in my judgment, because CText is not -- unless
20 I'm missing something -- an actual competitor in the market,
21 which is to say that to the extent that you have a valid claim
22 here, that you will be -- the harms would be remedied by
23 damages and there's no, sort of, ongoing damage per se.

24 The second is you, yourself, took some time before
25 filing a lawsuit, if I'm not mistaken. You brought the alleged

P7SVCTEC

1 infringement to Apple's attention roughly 18 months before you
2 filed a lawsuit. And I don't know exactly what was going on in
3 the interim, but given that you waited 18 months before filing
4 the lawsuit, at a minimum, between learning about the alleged
5 infringement and the filing of the lawsuit, it's hard to
6 complain about the five-month delay between the motion to
7 dismiss and seeking IPR. Can you address those two points?

8 MR. WEINBLATT: So during those 18 months, the parties
9 did have discussions to see if they could resolve the matter.
10 And then when it became clear that the parties were not able to
11 come to a resolution, CText filed suit. So it's not like CText
12 just sat on its hands and did nothing for a long period of
13 time.

14 And then as for -- are you talking about the other
15 prejudice? Well, there is some prejudice by granting a stay
16 this early, without knowing what the PTAB is going to do.
17 Because there is the potential that with some discovery in this
18 case, the parties may be able to reach a resolution. And
19 staying the case would stall all that. And as a patent owner,
20 to have patents in limbo in a situation is prejudicial to it.

21 THE COURT: And can you elaborate if there is any
22 particular discovery that you think would be helpful with
23 respect to reaching a resolution? Because one of the questions
24 that I was planning to pose to Mr. Rosenthal is, if I were to
25 grant a stay, is there perhaps some -- you know, should there

P7SVCTEC

1 be anything carved out of that stay in aid of a resolution?
2 And perhaps to the extent that your joint letter invited a
3 referral to the magistrate judge, perhaps allowing that to
4 proceed and any discovery needed, that to proceed, it might
5 make sense even during the stay, if I were to grant a stay.

6 Anything you would say on that score?

7 MR. WEINBLATT: I think, while we don't agree with a
8 stay, doing what your Honor just proposed of having limited --
9 limiting the discovery to aid ADR in the near term could be
10 beneficial to resolve the matter. Because if it gets resolved,
11 it could also resolve anything at the patent office as well,
12 which would decrease burdens on the patent office, your court,
13 and the parties.

14 And as for discovery, basic financial information on
15 iOS devices, such as iPhones, iPads, Apple watches that are
16 accused of infringement; such as numbers of units sold,
17 revenues, margins, starting with the number of iOS devices,
18 starting with the iOS 10 operating system.

19 THE COURT: All right. Mr. Rosenthal, let me turn to
20 you on the issues I just discussed with Mr. Weinblatt, but let
21 me take them in turn.

22 As I said to him, I think the strongest argument that
23 he has or the strongest fact that he has in his favor is the
24 delay between filing a motion to dismiss before me and seeking
25 IPR. Anything you want to say about that?

P7SVCTEC

1 MR. ROSENTHAL: Yes, your Honor. Two things on that.
2 This is Brian Rosenthal, for the record.

3 Two things on that.

4 First of all, there's a very specific reason why the
5 101 argument was made first, and the IPR was filed second.
6 Now, first of all, we were diligently working on the IPR as
7 soon as the infringement contentions were provided -- not the
8 infringement contentions, the complaint was provided without
9 even the benefit of their infringement contentions. We set out
10 immediately to go and try to find prior art.

11 There is a reason that the art that we found is
12 different from the art that we found in a quick search back in
13 2023. We did an exhaustive search, and we found very, very
14 strong prior art. The Chang reference in particular was not
15 one that immediately was located back in 2023. But when we
16 found that piece of prior art, we immediately set forth putting
17 that IPR together. It's a laborious process. We had to find
18 an expert, put together a declaration by the expert, etc.

19 But once we had that ready to go, we filed it almost
20 immediately. We did wait a short period of time to see if the
21 Court was going to rule on the motion on the pleadings. And
22 one of the reasons for that is that the patent office has, in
23 certain cases, said that one of the reasons that they do not
24 institute is if there's a pending motion for ineligibility
25 pending at the district court. So we took that into

P7SVCTEC

1 consideration.

2 And while that motion was pending, and we expected a
3 decision in the near term, we thought that it would be prudent
4 to wait a very short period of time to see if the Court was
5 going to issue a ruling on that, so that the patent office
6 would not be burdened with something that it would find to be
7 unnecessary if the Court ultimately invalidated the claims
8 under 101.

9 As soon as that decision came out -- and, by the way,
10 that was only seven months after the filing of the complaint;
11 so we're well within the statutory 12-month period to file an
12 IPR. But as soon as that decision came out, within a week we
13 filed the IPR. And then, within two days, we filed this motion
14 to stay. These facts are far faster than any facts in the
15 cases that we've cited in terms of how quickly we moved to file
16 the motion to stay, and how quickly we filed the IPR petition
17 after we had it and after the Court denied the pending motion
18 on the pleadings with respect to 101.

19 The other delay point that I would mention is that
20 there is longer than just the two-year delay that CText had in
21 filing this lawsuit. One of these patents issued in 2016.
22 That's almost ten years before they filed this lawsuit. And
23 this technology that's being accused is not new technology. So
24 there is a very long period of time where this patent is out
25 there that Apple doesn't hear anything about. And even after

P7SVCTEC

1 that letter is sent to Apple, there is a very short period of
2 discussions that went nowhere, and then silence, before this
3 lawsuit was filed.

4 So the idea that our waiting -- not waiting, but our
5 taking seven months to prepare a petition that we have 12
6 months to file is somehow inexcusable delay that warrants not
7 staying this case doesn't really comport with the facts as far
8 as CText's own delay.

9 The other point that's very important that courts
10 routinely -- in this circuit and otherwise routinely look at is
11 the fact that what are we talking about here? We're talking
12 about prejudice as a result of delay. We have a nonpracticing
13 entity that is not only not competing with us, is not in a
14 business of selling any products at all, which is fine.

15 But there is no prejudice to a company like that from
16 waiting until the patent office makes its decision, especially
17 when compared against the inefficiency of having the district
18 court go through discovery disputes, a claim construction
19 process, summary judgment motions and a trial on a patent -- or
20 patents -- that are likely -- as the statistics show, that are
21 likely to be either invalidated, in whole or in part, by the
22 patent office. So, in our view, any argument that there has
23 been some delay is far outweighed by those facts.

24 THE COURT: And last question: The second issue that
25 I discussed with counsel, that is, why not refer you to the

P7SVCTEC

1 assigned magistrate judge pending IPR, even if I were to grant
2 a stay and allow discovery in aid of settlement, that is to
3 say, why not carve that out of the stay on the theory that, you
4 know, there's always an opportunity to settle, even if it's
5 pending IPR?

6 MR. ROSENTHAL: We have no issue with that, your
7 Honor. We're always open to mediation, we're always open to
8 settlement discussions. If it would be helpful for us to
9 exchange some top-line sales and revenue information, I think
10 that the specifics of what they've asked for is a little bit
11 much for that kind of a discussion. I don't think they need
12 profit margins and, you know, invoice-level type of stuff for
13 that. I think what they need is some broad numbers. If that
14 is in aid of an ADR process, Apple is always open to that kind
15 of a process, and we would have no objection to proceeding with
16 that kind of a process in parallel with the patent office
17 proceeding.

18 The only other point that I wanted to mention, your
19 Honor, just because counsel has mentioned it a couple of times
20 and I want to make sure the Court has our position on it, is
21 the director's recent denials, discretionary denials that they
22 really pointed to as the change. And if the Court is
23 interested, I have a response to that as well.

24 THE COURT: Sure.

25 MR. ROSENTHAL: And that is that the two changes that

P7SVCTEC

1 happened in 2018 that Judge Abrams was focused on in the *Nike*
2 decision are still in effect today. In other words, that SAS
3 decision from the Supreme Court, what that really meant is that
4 when there is an institution decision, it's not going to be a
5 partial institution decision. It's all or nothing. Which
6 means either all of the claims are going to get reviewed by the
7 patent office or none of them will.

8 Prior to that decision, it was often the case that
9 some of the claims and some of the pieces of prior art were
10 instituted and some weren't. And that made pre-institution
11 stays a little bit of a -- more of a gamble. And so that was a
12 big factor. That decision remains in place today. The
13 institution decisions are all or nothing.

14 And the second thing that Judge Abrams pointed to was
15 the claim construction standard was aligned between the patent
16 office and the district court. That also remains true today.
17 Which means that whenever arguments are made in the patent
18 office, they are being made with respect to the very same legal
19 standard of what the claims mean and, therefore, they have
20 heightened importance when you get back to the district court
21 case. And so before that, what a lot of people would argue is,
22 Well, I said that in the patent office proceeding. But that
23 was using a broadest reasonable interpretation of the claims,
24 which is different from the interpretation of the claims that
25 the Court has to use. And that was another reason to not grant

P7SVCTEC

1 stays.

2 So what Judge Abrams observed in 2018 is that those --
3 or as of 2018, is that those things change, and exactly the
4 same analysis is true today. The only thing that counsel
5 pointed to is the fact that in the last four to six months,
6 with the new administration, there has been an increase in
7 discretionary denials. And that is true, there has been an
8 increase. It's now down -- rather than about 65 percent, it's
9 down to about 50 percent, as far as discretionary denials go.

10 First of all, it seems like a big amount. It really
11 doesn't change the overall analysis, which is that if these IPR
12 proceedings are instituted, there is almost certainly going to
13 be a radical impact on the scope of this case. There's going
14 to be statements that are made regarding how the claims read on
15 certain systems that is getting impact on what they mean and
16 how they should be interpreted in the district court.

17 If it turns out that the IPRs get denied
18 discretionarily, which now there is an increased chance of
19 happening somewhat, if that happens, the cost has been just a
20 six-month stay. In fact, all the prejudice that CText is
21 worried about is limited to a six-month delay. But, if, in
22 fact, it gets instituted, there's a huge benefit to the Court
23 and the Court's resources.

24 So, in our view, the recent practice -- there hasn't
25 been any changes in the law, but the recent practice of the

P7SVCTEC

1 interim director, I think, concededly, increases the chance by
2 a little bit that there will not be an institution -- although
3 it's still a 50-50 shot. But it doesn't change the analysis of
4 the propriety of granting a stay to let the patent office take
5 a look at these patents, decide whether there's anything that
6 needs to change or be canceled, and then proceed with the
7 district court case.

8 THE COURT: All right. Thank you.

9 Mr. Weinblatt, briefly, I'll give you the final word,
10 and then I will give you my ruling.

11 MR. WEINBLATT: All right.

12 So patents are presumed valid. And by doing what
13 Apple says, you're now presuming -- or your Honor would be
14 presuming invalidity, because it's putting Apple's IPR
15 petition, which is an attempt to invalidate, higher than the
16 presumption of validity, since the petition hasn't been
17 granted.

18 And one other item I wanted to point out was Apple
19 said that they did not find the Chang reference in 2023. Now,
20 one would think a company like Apple, when it is accused of
21 infringement of a feature that is in its software that is used
22 in some of its devices, would have found the Chang reference
23 when it was first approached by CText. And by hearing the
24 argument of, Well, we didn't find that in 2023, we found that
25 now, is a reason why the *Sotera* stipulation is more important

P7SVCTEC

1 than Apple is letting on. That argument of "we didn't find it
2 then, but we found it now" is an argument defendants raised to
3 say, Well, we shouldn't be estopped from using this in district
4 court because we didn't find it then, we found it now. And
5 that's an additional reason to not grant the stay.

6 THE COURT: All right. Thank you.

7 So I am going to refer the matter to Magistrate Judge
8 Netburn for purposes of settlement, and allow for limited
9 discovery in aid of that, the scope of which you should confer
10 on and hopefully agree on. And if you can't agree, you can
11 hash it out with Magistrate Judge Netburn. But, otherwise, I
12 am going to grant the motion for a stay, substantially for the
13 reasons stated by Judge Abrams in the *Nike* case. And for the
14 record, that is 2023 WL 2214884 (S.D.N.Y. Feb. 24, 2023).

15 As she makes clear there, the majority position in
16 this circuit appears to be in favor of imposing a stay even
17 before an institution decision, because it allows the PTAB to
18 apply its expertise before considerable judicial resources are
19 expended. CText's opposition here relies primarily on
20 decisions from other circuits, most prominently the Eastern
21 District of Texas and decisions that predated the two crucial
22 changes to the law governing IPR proceedings in 2018 that Judge
23 Abrams highlighted that we've discussed. I decline to follow
24 the reasoning of those opinions in the face of those
25 developments and the many well-reasoned opinions from this

P7SVCTEC

1 circuit that are to the contrary.

2 Turning to the relevant factors, first, I agree that
3 the PTAB's institution of any of the petitions brought by Apple
4 would likely simplify the issues in this case, if not resolve
5 them, regardless of the outcome of *inter partes* review, because
6 it could invalidate some or all of the claims at issue or
7 inform claim construction based on the positions the parties
8 take on the proper scope of the claims. See, for example,
9 *Synkloud Technologies, LLC v. Cartessa Aesthetics*, 2022 WL
10 1046261 at 2 (E.D.N.Y. Apr. 6, 2022).

11 Second, the very early stage of litigation in this
12 case also weighs in favor of a stay. Discovery has not yet
13 begun and I have not yet set deadlines for the close of fact
14 discovery or expert discovery or obviously issued a claim
15 construction order. Courts have found this second factor to
16 weigh in favor of a stay even in cases that are much further
17 along, for example, where the parties have already begun
18 exchanging discovery or the parties fully briefed the issue of
19 claim construction. See, for example, *Nike* at pages 2-3 and
20 *Molo Design, Ltd. v. Chanel, Inc.*, 2022 WL 2135628 at page 4,
21 (S.D.N.Y. May 2, 2022).

22 Finally, a stay pending IPR proceedings will not
23 unduly prejudice CText. Although it is true that Apple could
24 have petitioned for IPR earlier, Mr. Rosenthal has provided
25 persuasive reasons to me for the delay. In any event, it

P7SVCTEC

1 sought IPR well within the statutory deadlines. See *Synkloud*
2 *Technologies*, 2022 WL 1046261 at page 3. Moreover, CText
3 itself, as I noted, waited nearly 18 months to file its lawsuit
4 after first raising the issues with Apple, and arguably – as
5 Mr. Rosenthal has argued – delayed even more than that. And in
6 either case, that delay undermines CText's claims of prejudice
7 from Apple's supposed delay.

8 It is also significant that CText is a nonpracticing
9 entity and is not a competitor with Apple in the marketplace,
10 which may explain why CText did not rush to file its lawsuit.
11 See *Synkloud Technologies* at page 4. And it is, in any event,
12 well-established in this circuit that "mere delay in the
13 litigation does not establish undue prejudice." That is from
14 *Synkloud* at page 3. A stay would also not diminish any
15 monetary damages that CText could ultimately recover if it
16 prevails. That is at page 4 of *Synkloud*.

17 And, lastly, CText never sought a preliminary
18 injunction, which gives reduced weight to its claims of undue
19 prejudice. See *Nike* at page 3.

20 For these reasons, I grant Apple's motion to stay.
21 But I don't see any reason not to send you to Magistrate Judge
22 Netburn to see if you can resolve the matter while PTAB is
23 deciding whether to institute IPR. And if it does institute
24 IPR while those proceedings are ongoing, accordingly, while I
25 grant the motion to stay, I will carve out of that the referral

P7SVCTEC

1 to Magistrate Judge Netburn for settlement purposes and limited
2 discovery — emphasis on "limited" — in aid of that settlement.
3 But as I discussed, you should confer with respect to the scope
4 and timing of that; and if there are any disputes on that
5 score, you should raise them with Magistrate Judge Netburn, who
6 can resolve those disputes.

7 Any questions about any of that, Mr. Weinblatt?

8 MR. WEINBLATT: No, your Honor. Thank you.

9 THE COURT: Mr. Rosenthal?

10 MR. ROSENTHAL: No, your Honor. Thank you.

11 THE COURT: All right.

12 So in light of that, I obviously won't enter a case
13 management plan, but thank you for submitting that in
14 accordance with my prior orders.

15 I will enter a bottom-line order indicating that the
16 motion for stay is granted subject to the referral and limited
17 discovery in aid of settlement, and also enter a referral order
18 for that purpose.

19 And with that, we have taken care of all our business,
20 so we are adjourned.

21 I wish you all a pleasant day. Thank you very much.

22 MR. WEINBLATT: Thank you, your Honor.

23 MR. ROSENTHAL: Thank you, your Honor.

24 * * *