IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

SHOULDER INNOVATIONS, INC., Plaintiff, vs. CATALYST ORTHOSCIENCE, INC., Defendant.	NO. 24-CV-00266

TRANSCRIPT OF THE VIDEO MOTION CONFERENCE

BEFORE THE

HONORABLE JON P. MCCALLA

FRIDAY

NOVEMBER 22, 2024

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UNREDACTED TRANSCRIPT

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THE COURT: We're here to hear not only the motion but also to go over the organization of the matter and to try to make it more efficient. And I am very well aware of the -- I don't want to be unfair, but the relatively limited resources of the parties in the case. If that's incorrect, you can stand up and tell me that's completely wrong, but I think we've gone over this before.

So we have to be an efficient process that it's not going to make the presentation of the matters to the Court impractical because that's not the way it's supposed to work, and there's considerable criticism that that is the way that some cases proceed or have proceeded in the United States, so we don't want to do that. So we'll check and see what we need to do.

The question -- the first question probably is that we may need to, as a practical matter, bifurcate matters. I think everybody is aware that that's a distinct possibility and that is a practice that in Delaware is followed on occasion and would not be impractical in this case. We also recognize that by bifurcating the case, we might simplify the case in reality, but now let's hear what

the parties want to say about that.

Let's start with the defense on that question, and I'm not sure who is going to be responding for the defense. I assume it might -- well, Mr. Bennett? Or Mr. Linden?

MR. LINDEN: Mr. Linden, Your Honor, yes. I'll address the bifurcation issue.

THE COURT: That's fine.

MR. LINDEN: So --

THE COURT: What I'm concerned about because, I think -- I know people generally understand that's something we need to be concerned about -- is having the parties be able to proceed in an efficient way without you guys putting them out of business. I'm not picking on you. I'm just saying. If fees are so high that you can't present a matter to the Court, that's a problem.

MR. LINDEN: No, I understand that, Your Honor, and we're certainly cognizant of that for this case and all cases that we represent parties in patent cases nationwide.

THE COURT: In patent cases fees don't matter, but I might -- and my observation is in this case -- do I have any non-lawyers on here? Well, too bad I don't. I was kind of hoping.

If the client was there, they could either say, oh, we don't care or we are concerned. But that's fine. You

see what I'm getting at. I mean, we recognize what we have to do managerially.

MR. LINDEN: Your Honor --

THE COURT: Yes, go ahead.

MR. LINDEN: It's our position on the bifurcation issue, Your Honor, is that it makes sense to keep the claims together and try this case and do discovery in this case all in one shot. We note that all the cases that plaintiff has relied on in briefing for this motion rely on cases where there is an antitrust claim or counterclaim alleged in the pleadings.

And by antitrust claim or counterclaim, I'm talking about Section 1 or Section 2 of the Sherman Act counterclaim where the discovery is noted in almost all of those cases to be voluminous, burdensome, takes a lot longer than discovery for the patent claims at issue. You know, they rely on DSM, which is a Judge Bryson's decision sitting by designation here in Delaware, who specifically calls out that type of discovery for antitrust counterclaims.

We don't have that here. There is a sham litigation counterclaim at issue, but it is not pertaining directly to any type of Sherman Act antitrust counterclaim such that it would implicate or relate to those types of issues that are prevalent in Sherman Act claims like market definition, market power, things along those lines.

The sham litigation counterclaim is designed to strip the plaintiff of its *Noerr-Pennington* immunity for other claims like the tortious interference claim that we've also brought. And, ultimately, if we're able to show what we need to show first-hand litigation claim, it could be used for something later down the road for something like a Section 285 request for attorney's fees.

So we don't see the counterclaims that are subject to this motion are of the nature without an antitrust claim going along with them to justify bifurcating not only trial of the matter but discovery of the matter.

What plaintiff is envisioning by requesting not only bifurcation of trial but bifurcation of discovery is that we go through what the Court has set up for the patent litigation schedule, which, you know, prior to our last conference with Your Honor where you sort of pulled those dates back so that you can reevaluate them after claim construction. The date is set in March of 2026.

What plaintiff has in mind here is that we're going to go through discovery regarding infringement and invalidity not only of its patents but of Catalyst patents, reach a decision, and then, if warranted, start the process all over again where you're going to get some duplication on discovery taken and definitely some inconvenience for the parties if we have to start a case all over again. I mean,

we're talking about, if the plaintiff has its way, looking at resolving Counterclaims 6, 7, and 8 sometime likely in 2028. I mean, that's going to be prejudicial to defendant in several respects.

One, memories fade. Witnesses are going to be subject to deposition more than once, which isn't ideal and isn't favored, I'm sure, by the Court and certainly not those witnesses. And then you've got some -- you've got some inefficiencies with just document retention, document collection, and whatnot.

So defense position is that these claims, the Counterclaims 6, 7, and 8, should be part and parcel of the patent litigations that we're here to prosecute in the original complaint. Again, every case that they cited involves an antitrust counterclaim, which is well noted across the judiciary as being burdensome in discovery and fact intensive involving many experts and whatnot. That is not the case here.

And aside from that, I mean, there's some -- there's some citation of cases. I would suggest that plaintiff studiously avoided mentioning the antitrust claims that were in those cases.

Again, we don't have that here, and without that type of counterclaim at issue, the antitrust counterclaim, it doesn't justify bifurcating the case.

THE COURT: Okay. Let's hear from counsel opposite on that. I wasn't -- okay. Let's see what -- I'm not sure who is arguing that on this part.

It may be Mr. Gurka?

MR. GURKA: No, Your Honor. Mr. McElligott is going to address the bifurcation issue.

THE COURT: Okay. Fine.

MR. MCELLIGOTT: Good morning, Your Honor. Drew McElligott for Shoulder Innovations.

THE COURT: Right. Y'all --

MR. MCELLIGOTT: We -- sorry.

THE COURT: That's an interesting way to do your screen there, but, okay.

MR. MCELLIGOTT: If it would benefit Your Honor, we could try to zoom in.

THE COURT: That's okay. Go ahead.

MR. MCELLIGOTT: Your Honor, we see this case as similar to an antitrust case because these counterclaims are not tied to the underlying claims of the patent infringement suits. The patent infringement suit can be decided individually of this or independently of this, and then like an antitrust claim, these additional claims can be brought and addressed later.

Every single problem that Mr. Linden raised is the same type of issue that's in an antitrust case. The

potential risk that a witness might be deposed twice, although there have been no witnesses identified that would actually have to be deposed twice for these two different claims or these two different sets of claims, there may be a delay in getting to a result on these Counterclaims 6, 7, and 8, but there also exists the possibility that they're mooted.

Because if Shoulder Innovations succeeds on its patent claims, there can be no sham litigation. And sham litigation is a necessary prerequisite in order to vitiate *Noerr-Pennington* immunity and get to these counterclaims. So there's the possibility to just eliminate all of the work involved in this.

In addition to that, and aside from that, if we bifurcate and stay these claims, that issue of whether or not our claims are objectively baseless, a necessary question that must be addressed before you get to the counterclaims gets further developed.

We have evidence being cited by Catalyst in this matter that's invalidity arguments in their PGR. By the end of this case on the patent infringement claims, the PGR will be decided, and they have a claim construction dispute, which will also be decided.

Now, if Shoulder prevails and prevents that PGR from being instituted or prevails if it is instituted, and if we prevail on the claim construction dispute, then there is

no sham litigation here. It prevents the need to have what we do see as copious amounts of discovery that we would otherwise have to do simultaneously with addressing the patent infringement claims.

Now, we would be diving into -- we presume Catalyst would be diving into Shoulder's purported subjective bad faith, serving discovery requests and doing depositions targeting that specific issue. We, on our side, would be serving discovery requests seeking more information about the financials on the Catalyst side, digging into relationships with investors that were or were not impacted, the timing of those, the relationships and communications with customers, things along those lines.

These are all additional categories of discovery that involve third parties that we otherwise would not have to dive into if these claims were bifurcated and stayed.

Now, that's different than an antitrust case. An antitrust case, in those claims, typically you don't have to depose third parties and serve subpoenas. That's just a question of what is the market and what is the market share and maybe you have some expert testimony, but you don't have to burden third parties by investigating whether or not there was a tortious interference with a business relationship.

So we disagree fundamentally that that's a stark contrast between an antitrust type of claim and the sham

litigation claims being asserted here.

THE COURT: Let's have the counter to that, although, there's certainly some logic to what counsel just said.

So let's -- Mr. Linden, I know you've told me already. I think you've probably covered what you want to cover, but anything you want to add?

MR. LINDEN: Well, sure. So we disagree from the characterization from plaintiff's counsel that the counterclaims at issue here are just like antitrust or very similar.

THE COURT: Well, obviously, they're not just like. I mean, I think that's a simplification. But, obviously, if they -- we proceed on the patent claims in this matter, certainly as to the Shoulder -- as to the -- as to everything that Shoulder has and it turns out that Shoulder prevails, that exposes a lot of things, right?

MR. LINDEN: It does, and that kind of emphasizes the interconnectedness of the underlying patent claims with the counterclaims that are at issue here and why they should actually be tried together. A lot of the discovery that we will do related to subjective bad faith, assertion of the claims will be part and parcel of whether the claims are objectively baseless or weak or, you know, just the strength of those claims together.

I don't see the discovery of subjective -- I'm sorry, Shoulder Innovations' subjective bad faith in bringing the claims as being anywhere akin to the antitrust claims that the courts in the cases that Shoulder has cited, you know, calling out the concerns about the breadth and the complete separateness. All that market power, all that market definition is completely separate from what the usual proofs of a patent infringement claim are all about.

Here, we're talking about pretty much the same stuff. I mean, if you're talking about Shoulder Innovations telling consumers or customers or funders or advertising in some way these claims and these claims are weak or subjectively baseless, then those are all tied together and they should be tried in the same manner.

THE COURT: Of course, it certainly helps the plaintiff's side that the PTO has passed on these, has indicated these. We've got patents. We've got a presumption of validity. I'm just trying to think through it.

Okay. Well --

MR. LINDEN: Your Honor, may I respond to that quickly?

THE COURT: Sure.

MR. LINDEN: So there's a presumption of validity, and that's a procedural mechanism. What the procedural mechanism is, is it puts a burden on the

defendants to prove invalidity. It also puts on the standard of proof of clear and convincing evidence.

Now, we have petitions at the PTAB, Patent Trial and Appeal Board --

THE COURT: Right.

MR. LINDEN: -- which is a mechanism designed to reexamine or take a look again at the patentability of the claims that are at issue. We have petitions out for both patents that are at issue in this case, the '561 and the '254. Neither one of those petitions have been ruled on yet as far as the institution, but there is a presumption of validity, but the patentee can rely on that in bringing its claims.

But once it's pointed out to the patentee that there's significant issues with the validity or patentability of those claims to the point where those claims -- asserting those claims would be objectively baseless, then the patentee can't really rely on the presumption anymore.

THE COURT: Well, correct. But when would we expect to have a determination on institution?

MR. LINDEN: So for the petition for the '561 patent, the institution decision is expected sometime in January, maybe even late December. For the '254, it would be expected in April.

THE COURT: April, a little later. So if we

continue to monitor the matter closely, and focus perhaps on the patent claims only at this time, we should have a lot more information in January, and at the latest, April, hopefully, in terms of how this is going. Of course, we then don't know if it's going to be -- find out what's going to happen at least initially at the trial and appeal board. Okay, and that's what I understood.

Okay. Well, that's helpful. I do think we -- it's interesting how everybody's responded.

Well, let's just ask this question then as to the defense. The only detail that you seem to give about this third party -- of course, you're talking about third party in terms of someone who has said, I think, that we would have done business with you, if you'll recall that, is that it was going to invest with you, that is, invest with you, but decided not to because of litigation.

First of all, I'm just going to make sure: Who is the third party?

MR. BENNETT: Your Honor, good afternoon. Good morning, rather. This is John Bennett for Catalyst.

Who is the third party, Your Honor?

THE COURT: There he is. There he is.

MR. BENNETT: Yes, hello. The counterclaims don't identify the third party. The counterclaim identifies that it is a third party who --

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THE COURT: I said: Who is the third party?
I just didn't remember maybe. Maybe it's already there.
MR. BENNETT: It's not in the counterclaim. It doesn't identify it by name.
THE COURT: No, you're not understanding what I'm saying. Give me the name of the third party.
MR. BENNETT: I don't know the name of the third party. It's not in the counterclaim.
THE COURT: If you don't know the name, who -- then if you don't know the name, how -- then who does know the name?
MR. BENNETT: Oh, the client knows the name. Catalyst certainly knows the name.
THE COURT: And have you asked the client the name of the third party?
MR. BENNETT: Yes.
THE COURT: Okay. And, well, then, what did they say?
MR. BENNETT: This is outside the four corners of the pleading, but there was an e-mail or letter of some sort that was sent -- it's almost verbatim as pleaded in the counterclaim that because of the allegations, we are not providing -- I don't remember if it was fundraising or financing, but it was one of the two, and we're going to

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elect to pass, good luck with your efforts, essentially.
THE COURT: Okay. I'm just trying to make sure the other side has the name of the third party.
You do, right?
MR. MCELLIGOTT: We do not have the name of the third party.
THE COURT: Well, why haven't you given it to them?
MR. BENNETT: There hasn't been any discovery on this issue.
THE COURT: There's been 26(a)(1) Disclosure; is that right?
MR. BENNETT: There has been 26(a)(1) Disclosures.
THE COURT: You're required to. You failed to do it, right? This is part of the issue in terms of making things more efficient. You know, and I understand, it's -- things sometimes are applied differently in terms of what you need to do on your 26(a)(1) Disclosures.
But, clearly, you would rely on this party and this correspondence to support your claim, right?
MR. BENNETT: Absolutely, Your Honor. It's --
THE COURT: Excuse me, and under Rule 26(a)(1), you're required to disclose the identity of persons, and/or entities, but persons that you may call to support your

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claim, right?
MR. BENNETT: Yes, Your Honor.
THE COURT: But you didn't disclose that name, right?
MR. BENNETT: That's correct.
THE COURT: Okay. Which means that you can never use that person's name in this case. You can never call them. You can -- if you don't disclose them.
I want to be really clear on this point because this is designed to make the litigation cheaper for all of you, for every last one of you. Now, it applies to the other side too. You know, you play fencing with what you're going to do and you give a couple of names, and you say this is my 26(a)(1) Disclosure, but it's not.
And so failure to properly comply with the rule -- now, I realize not everybody is quite as clear on this point as I am, but failure to do that is a significant problem. And so I'm just pointing that out. You've got to do that.
And I'm just saying I'm going to let you do it now because you weren't clear. You didn't know how the judge was going to approach this, although it's clear from Rule 16 and Rule 26 and Rule 37 that that's how it's anticipated under the rules that it should be approached. And it's clear for lots of reasons, and you can read about that.

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MR. BENNETT: So that's my mistake, Your Honor. We were acting under sort of an informal unstated detente with regard to those claims. I apologize for that, Your Honor.
THE COURT: There is no informal avoidance of the requirements under 26(a)(1).
MR. BENNETT: Understood.
THE COURT: And I understand that both parties probably say, well, we're going to show a little bit of stuff, and we're not going to do very much. That happens all the time.
But I really have to come back and say to both sides, because I think that both sides are probably equally culpable on this point, that that may be the way it's been perceived.
So let me check with plaintiff's counsel on that and see what we're doing there.
MR. MCELLIGOTT: Your Honor, we consider our 26(a)(1) Disclosures to be current as of this date in terms of who we would be relying on.
THE COURT: Okay. Now, no, that's not -- that's not the rule.
MR. MCELLIGOTT: In terms of what we know who would have relevant information.
THE COURT: The rule doesn't say who I will be

relying on. The rule says "may." I'll read it to you, but you've got all sorts of skilled people around you to go over it if you want to.

The rule says "may," and so if you don't include them, if you have failed to be diligent in terms of your 26(a)(1) Disclosures, then I have to say that you will not be able to use them, and you can't patch that up between you. You can't say, well, we're going to ignore what the judge says. We're going to ignore what the Supreme Court says. We're going to ignore the Federal Rules of Civil Procedure. We're going to do it our own way. Now, if you file a stipulation to that effect, maybe we'll work that out, but we can't do that. We can't do that.

So you have to show the name and, if known, the address -- that's a real address. That's not, contact counsel, we'll tell you what it is if we feel like it -- the address and phone number of each individual likely to have discoverable information -- clearly, Mr. Bennett knows that this person is someone who is likely to have discoverable information -- along with the subject of the information that the disclosing party may use.

That's pretty clear. In fact, they say they will use, in all likelihood, use to support its claims or defenses unless it would be solely for impeachment. This isn't solely for impeachment on this. This is an essential part of that

claim.

So I'm just pointing this out because you can't do this, gentlemen. And if you do it -- well, if you try to do it, then under Rule 37, looking at Rule 16 and, of course, Rule 26, we would have to, on most circumstances, not allow the use of that witness. So that is designed to save you and your clients a lot of money.

Okay. Go back. I'm sorry, Mr. Bennett. Well, I'm sorry to cut you off there. I was just trying to make sure everybody understands. Y'all want a little time to update your 26(a)(1) so you're actually able to call these people, or are you just going to not call them, which is fine with me? It doesn't make any difference to me.

I suspect it doesn't matter at all to the counsel opposite on that. You don't care, right?

MR. MCELLIGOTT: If they don't want to update, that's their choice, Your Honor.

THE COURT: It applies to both sides. Right.

MR. MCELLIGOTT: Understood, Your Honor, yes.

THE COURT: Okay. You want to update that one so we've got a little more information, but also give information to the other side and hopefully save money. That's the idea.

MR. BENNETT: Yes, absolutely, Your Honor.

THE COURT: Okay. And I just want to -- I know

we're just trying to get reorganized on this a little bit. What is reasonable for you to do that, Mr. Bennett? because we're not here to beat you up. We're just trying to get everybody moving in the same direction.

MR. BENNETT: With the upcoming holiday, we can certainly provide one name, the one that's referenced in paragraph 59 of our counterclaim, but to be fulsome and thorough as the Court is -- as the rules require, I beg your pardon, I would think another week after next week so --

THE COURT: Absolutely. That is no problem at all. I mean, if you need more time than that. Then the point for both of you is let's get this done right and cut down on costs. So that's -- absolutely. I'm not going to make you work over the holidays. Who would have to do this? You wouldn't have to do it, but who on the -- a smile there. I see somebody --

MR. LINDEN: It's Ms. Bowden. Ms. Bowden would likely be the one having to do it. Ms. Bowden, she's off camera, I think.

THE COURT: She's smiling out there. She says, that's a real good idea, Judge.

MR. BENNETT: So we could have until December -- so with the Court's flexibility and with plaintiff's flexibility, if we could have until December 13th, maybe another extra week on top of that.

THE COURT: Absolutely. That's the way to do it because our job -- our task on this one for both sides, I want to make it clear to both sides, is to make it more economical and disclose more information so it's more useful.

Okay. I'm sorry. I just wanted to make sure we made that point early and everybody understands.

You can also, if you wish, I think it's a good idea, look at your 26(a)(1), look at your complete disclosures in terms of documents, identification, and/or sharing of documents. I think you've already exchanged all your core documents.

Is that right, Mr. Bennett?

MR. BENNETT: I'll ask Ms. Bowden, if you don't mind.

THE COURT: She's on the line.

MS. BOWDEN: Yes. We've disclosed the technical documents and the sales information that was required.

THE COURT: And that's what -- yes, and, Ms. Bowden, just so it's really clear, look at that "may" provision, that one that says "may." Because, you know, again, if you leave out something -- this happens, unfortunately, in other cases around the country that I've been in on -- then you end up not being able to use the document. So if you want to update that, I suggest that you go ahead and do that. I know that you've -- how much

material did you end up disclosing?

MS. BOWDEN: For the technical documents and the sales information?

THE COURT: Yes.

MS. BOWDEN: The technical documents, a few hundred, and then the sales information, a spreadsheet.

THE COURT: Okay. Probably not enough. You're probably going to run into a problem there. And, so, you know, please go back, take a look, feel comfortable. I'm never going to have to use this other, but not only that, something -- I may not have told this group.

I had an architectural copyright case, totally different, in which they actually made some serious mistakes in terms of disclosures, and so when they got to trial, they couldn't use a lot of material. So that doesn't sound like enough data, but I'm not sure there. So just take a look. Okay.

MS. BOWDEN: Understood, Your Honor. Thank you.

THE COURT: Yes, just to make sure that we've got it all covered.

Now, let's go back to counsel opposite and make sure that they're going to update a little bit of material too; is that right?

MR. MCELLIGOTT: We will take a look and make sure that we have everything current and all information

produced, Your Honor.

THE COURT: Now, don't -- you're using the word "current" and that's the wrong word, because if you didn't use due diligence in going back and making your examinations in individuals and/or documents and materials that were available to the client and they were in the client's possession, then you haven't hit that one. So just be sure. Just warn them, you know, that we've got to get this done.

Okay. Well, let's keep going. I'm not going to go too long today. We've got a pretty good idea of what we maybe need to do.

MR. MCELLIGOTT: Your Honor, may I respond to one point that Mr. Bennett made or just --

THE COURT: Sure.

MR. MCELLIGOTT: -- comment on it?

As Mr. Bennett said, the parties have not conducted any discovery at this point on these counterclaims, the 6 through 8. So with our close of fact discovery coming up, the amount of discovery that we're contemplating that we would have to squeeze into this window would potentially push the deadlines further out and require us to take a longer chunk of time for discovery in order to address these new counterclaims.

THE COURT: Right. Right now, you've got document production, which will be completely completed by

February the 12th. I think that's right. Is that correct?

And then we've got fact discovery deadlined as March the 19th. And your point is that you're focusing on right now not the counterclaims but on the initial patent claims themselves that Shoulder is bringing; is that right?

MR. MCELLIGOTT: Correct. Yes.

THE COURT: Logically, that makes sense to me and that's why I'm trying to figure out the defense thought on what's going to be efficient, economical, and so forth. And so you're saying that if we do the other, obviously, we'll have to push it out. The more we combine and put into this package, then you'll need more time.

MR. MCELLIGOTT: Correct, Your Honor, yes.

THE COURT: Okay. I think we've got that. Why do you think we ought to stick with this? We only have four claim terms to construe; is that right?

MR. MCELLIGOTT: I believe so, yes, Your Honor. It's four claim terms all from the '063 patent, which is a Catalyst patent.

THE COURT: They're not on the other patent. That's right. And they seem pretty straightforward, and you've given us some information in that regard. Is there a way that we should move up claim construction to go ahead and get that resolved quickly? Would that help?

MR. GURKA: Your Honor, this is Jon Gurka.

We already have the *Markman* hearing set for January 22nd. We are completing our final round of briefing. Our surreply papers will be due next week. We'll serve those on Catalyst's counsel. And then it's just a matter of putting all of that together in our claim construction brief, our consolidated brief to get to you. We certainly could be in a position to have a *Markman* hearing a little bit sooner, if the Court is inclined, but the 22nd is the date we're set to meet.

THE COURT: And what I'm saying is -- I think the deadline is going to be okay. I think we'll probably get everything done. We've looked at the terms and, I don't know, they didn't seem that complicated in this case. Would you agree with that?

MR. GURKA: I'm sure Your Honor has had more complex technology to deal with from a *Markman* hearing standpoint. You know, these are mechanical devices and, you know, you have the devices, I believe, so you've been able to visualize.

THE COURT: Got them out and played with them yesterday.

MR. GURKA: Yes. Yes, I think the claim construction briefing will help sort of illuminate the key issues between the parties. But, yes, I don't think -- for example, I don't think this *Markman* hearing needs to go an

entire day. I think --

THE COURT: That would be terrible.

MR. GURKA: Yes, yes. So, I -- you know, I think we can probably, once we get the briefs in, we'll be ready for the hearing. If there's a need to move it up, I think we could accommodate that from our side. But, hopefully, the briefs will help you.

THE COURT: Internally what we're thinking, because having really sort of looking at this for a little while, we're thinking that if everything comes in, we can review that, and it seems pretty clear as to what we ought to do, then the *Markman* hearing, I'm going to ask this question just to see what all of you think, could be actually quite abbreviated. We could rely on the briefings and the materials submitted and submit an order fairly close in time to the *Markman* hearing.

Now, that may change because I haven't seen everything you're going to submit. But we've seen enough to be thinking this might move much more quickly than some, than some situations where we've got a really odd term and takes us forever to figure it out or we're not quite sure. What do you think?

MR. GURKA: I would want to take that under advisement. If you're suggesting that we submit on the briefs, it sounds like that --

THE COURT: I'm not really because I think I've probably got to have a hearing. But I'm suggesting that I think it won't be that much new material at the hearing. What do you think?

MR. GURKA: Yes, I'm not sure there will be much new material. I think the briefing will allow the Court to understand, you know, the -- will frame the issues better for the Court, and so I think the briefing will be helpful in deciding the claim construction issues. But, again, you know, we're set to meet on the 22nd. If we get the material to you in early December, which I think is the timeline here -- I just want to look.

THE COURT: I think so. Yes, you've got December the 4th.

MR. GURKA: Right. Right. December 11th is when we file our amended joint claim construction chart.

THE COURT: Right.

MR. GURKA: And all of the briefing will be in as well. So, again, if we wanted to move up the hearing to try and expedite a decision on the claim construction issues with regard to the '063 patent, we would certainly be willing to do that.

THE COURT: And I'm not trying -- I'm just trying to look at my schedule, my overall schedule, and see what would be most beneficial to us.

What does counsel opposite think on that?

MR. BENNETT: Thank you, Your Honor. John Bennett.

Catalyst certainly would be amenable to moving it up. The Catalyst concern, Your Honor, would be just to make sure that the Court has an opportunity and the parties have an opportunity to consider all the briefing and to answer whatever questions the Court has. And as --

THE COURT: No problem. Do you think that there's going to be any anticipated -- and I don't think we're going to need it, but if you think we might -- any live testimony, expert testimony, at the hearing?

MR. BENNETT: I don't anticipate live testimony, Your Honor. There may be declarations that the parties have submitted, but I don't anticipate live testimony.

THE COURT: That's kind of what I thought was probably going to occur.

Let me go back to counsel opposite. Mr. Gurka, what about that?

MR. GURKA: We agree, Your Honor. We don't see the need for live testimony.

THE COURT: There is some reasons in terms of travel schedule and everything else and other things I've got to do that we may want to do that. So I'm not necessarily going to -- well, why don't we just change the date now and

just have it done.

I don't know if we've got a time to do it. I'm looking to -- it would have to be up pretty early. I don't know if I've got -- I always have to check and see exactly. I don't want to mess my situation up.

But I had a trial on, my goodness, on which day?

CASE MANAGER: Jefferson.

THE COURT: I do have Jefferson. Jefferson is going to trial?

CASE MANAGER: It's settled.

THE COURT: Right. Okay. And we had a -- we had a case that was supposed to take four or five days that we tried and the jury came back on the morning of the third day because the verdict -- it was -- it went pretty fast.

Okay. What day are we saying?

CASE MANAGER: We could move it up a week.

THE COURT: I'm thinking we will do this one because I can get it in -- I think --

CASE MANAGER: We can do Thursday, January 9.

THE COURT: Thursday, January 9. I don't want to mess everybody up. If you need me to keep it on the 22nd, I will. That's not a -- because I don't want to get in trouble with Ms. Bowden over here. I see several of you there. I want you to all check your calendars because if you've got things that you cannot -- it will not work for you. We need

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to make sure this works for everybody. January 9?
CASE MANAGER: Yes, Your Honor. We can do that at 9:30.
THE COURT: 9:30. Okay. I know you've got a lot of people online, so I just don't know how you're going to be sure that's okay.
But, Mr. Gurka, is that going to work for your team?
MR. GURKA: I'm just checking right now just to make sure, but I think that will. Yes, I think January 9th is fine, Your Honor.
THE COURT: Right.
Mr. Bennett, what about your team?
MR. BENNETT: I'll defer to Ms. Bowden as usual, Your Honor, but I believe that it would work for our team.
Ava, do you know?
THE COURT: Sure. Ms. Bowden, is that going to work for your team?
MS. BOWDEN: Yes, it will.
THE COURT: Okay. We're going to do that. I wish I had those executives on the line so they could hear I'm trying to save them money.
Okay. We're going to do that. We're very mindful of how it would simplify things if we could bring these claims along and have them resolved relatively quickly.

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Are there other suggestions from plaintiff's counsel about how to make that -- because I hear what Mr. Bennett is saying and I hear what Mr. Linden is saying, delay can result in also redoing things and redoing things and redoing things and can become very expensive, so it has to be an efficient process.
So, Mr. Gurka, is there anything else we need to do that will bring this matter along if we bifurcate that will make this work efficiently and not unfairly?
MR. GURKA: Well, Your Honor, I think one of the things that you raised when we met in July was the possibility of moving the trial date up or advancing the trial date from March of 2026, and I think that might be another avenue to help expedite getting the patent infringement issues resolved possibly even in calendar year 2025.
We'd have to look at the dates and make sure that we can fit that within the existing schedule. I think there's some time, as you alluded, to in the back end of the schedule, and I think a lot would depend on how much time you think you need for summary judgment motions and *Daubert* motions to resolve those prior to trial.
THE COURT: And that's a very fair question, and I have to always look at my staffing and what we can do and how fast we can do it. But we're thinking, now, that on this

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case -- we think we can move it faster. I'm never sure because we have a lot of things that come up in between.
And so if we could move the trial -- you're saying, look, move the trial to 2025, get this portion of the case concluded, probably saves everybody money and keeps the case together so that we don't have redo, redo, redo, which I, you know, I was -- I had some interesting trial matters when I was a trial lawyer and I just thought that the more we put things off, the more we ended up sort of redoing some things that we could have been more efficient about.
MR. GURKA: Right, Your Honor. And I also think that, you know, to the extent that it resolves the patent issues and whether there is a sham litigation or an objectively baseless case, those issues would presumably be resolved or that we would have a lot more clarity on those issues if we were to get to trial and try the case.
THE COURT: We're worried about when we get everything back from the appeals board, patent trial appeals board. Are we going to be able to -- how much can you move it, do you think, that's realistic in terms of what we can expect from their turnaround? And I sometimes look at their turnaround times, but I haven't looked at them recently.
MR. GURKA: You mean having parallel proceedings?
THE COURT: Yes. Well, I would like to see what they're going to do, but, yes. What I'm talking about is if

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they're hitting their timelines in terms of -- which we won't know some of the information until January or April -- then that makes a difference. But how far can you move it is the question and still be reasonably safe?
MR. GURKA: Well, I think there's a possibility -- again, we don't really know what will happen here, but we expect that there will be a decision, as Mr. Linden pointed out, on the '561 PGR petition in early January.
As far as the '254, that's April. If the petitions are granted and they proceed, then those are going to proceed in parallel with the litigation, and I think the parties expect that to occur. I don't want to speak for defendants because it's their petitions that they filed, but we certainly have no issue if that's ultimately what happens, you know, having to litigate the validity issues in the PTAB. I don't think that should impact the underlying trial.
THE COURT: I think that -- I know we can do that. And I always do -- things can change, so we can readdress that if we have to at a later point in time. So let's assume that.
Then when are you saying that -- to be as efficient as possible if it's bifurcated and we're just trying the initial issues, I think you're saying that we could do that, I don't know, July/August of next year?

MR. GURKA: I don't think we could move it up quite that far, Your Honor. While I'd love to be able to sit here and tell you that we could magically move everything and get all the discovery done, I think there's still some fundamental discovery that needs to take place, including expert discovery because as you know in these cases, we have to have experts, and that's scheduled to take place in the summer time frame.

And so I think, you know, realistically, we could probably, at a minimum, move the trial from March of 2026, into January. That's a couple of months, and I think that's significant. Whether we could then move it into 2025, again, I think a lot would depend on whether Your Honor would be in a position to rule on the summary judgment motions, which are likely to be filed, and the *Daubert*, so that we have a complete pretrial phase of the case leading into the trial.

So maybe that means we could do it in December. And I'm just trying to be realistic in view of the existing schedule and what I perceive to be the amount of work that the parties have to go through, including the expert discovery.

THE COURT: Okay. I think that's helpful. And we're going to adjust that --

Let's go back to -- Mr. Linden, are you in charge?

MR. LINDEN: I wouldn't say I'm in charge, Judge, because it really depends on what topic you want to talk about as to whether I --

THE COURT: Mr. Bennett smiled, so I don't know. I think that we need to make that effort. You see where I think we're going to end up going on these issues, some of these issues. I think it's the right management decision.

And so we're going to give you a December date. I'm thinking about -- it's going to be a little complicated.

CASE MANAGER: Yes, sir. We certainly have space in December.

THE COURT: We have lots of space in December. What day do you want to just put it on? It doesn't matter.

CASE MANAGER: How about the second week? That gives enough time for the Christmas holidays or maybe even the first week, December 1.

THE COURT: First week. Is it December 1? December 1. We're actually going to adjust that to December 1 because this needs to be our expectation of how we're trying to proceed. I've really listened to Mr. Linden and Mr. Bennett. I think this is probably the most efficient way in which to proceed.

MR. LINDEN: Judge, do you mind if I make a comment before you --

THE COURT: Absolutely. There is something

that's been on my mind, and I've been worrying about it. Or thinking about it is a better way to put that.

MR. LINDEN: Right. So just, you know, listening to what you're saying today and reflecting back on what we talked about in a similar vein back in July, you know, the claim construction hearing is set now for January 9th. We will get that first PGR decision on institution for the '561 before that. I think the deadline is January 3rd, but it could come before that.

So that will give you -- I mean, back in July, you talked about let's do the *Markman* and then revisit where we're at. So if the PTAB, and I'm just suggesting, institutes PGR, on the '561, just reading the tea leaves, it's not a deadlock, but it's likely to say that they're going to institute PGR on the '254 because they're related patents. They've got the same --

THE COURT: Releasing information for both you and me.

MR. LINDEN: Correct. And I think at the *Markman* hearing, we'll have at least that first piece of information. And then just keeping with Your Honor's theme of saving money for the parties, I think it's worthwhile to at least consider the idea that instead of concurrently proceeding cases, one in the PTAB and one in this district court, is to stay the '561 and the '254 so the PTAB can do its work with respect to

invalidity and then revisit it if those claims come back as patentable. That's usually a course of action for defendants in a case where you've got single patent or double patent going one way.

But I think in light of Your Honor's comments about really trying to save the money of the parties in this case, we should consider that as a possibility for this case even though there's cross claims of patent infringement.

THE COURT: And I'm -- I really want to get that information in early January and see -- have a better idea of exactly where we are. Our process is not set in stone. We have to always maintain a level of flexibility, but we want to set real dates, and they're not just aspirational, but real dates on what we're looking at at the time.

And then you're right. I mean, what you're saying is let's get that far. Let's go ahead and schedule it. Let's see what we need to do. There's some criticism of parallel proceedings, as you know, right? And we have typically not done that. So I appreciate the comments.

Okay. I think we've got a new -- a little bit of a schedule improvement here in terms of trying to move things along. We'll continue to re-sort everything. Let me make sure that I've got what I need here in terms of most of the rest of it.

Those are two -- that's the big points that I

wanted to cover. We have -- we had questions for both sides about -- you know, about objective baselessness and so forth, and we know that's a central issue in the case.

Mr. Bennett, did I get that right?

MR. BENNETT: Yes, Your Honor, it is a central issue. Mr. Linden will be handling the objective baselessness, but it is at least a key issue for tortious interference, yes.

THE COURT: And I think that everybody agrees with that, and I'm just going to reconfirm that because that's part of the process.

And that's -- Mr. Gurka, you agree with that, right?

MR. GURKA: Yes, Your Honor.

THE COURT: Okay. So we do understand that.

I think that we did talk about the fact that we needed more disclosures. I've really covered that. I had it done in a different way in the materials that we were going to talk about. I think we're going to get that Rule 26(a)(1) Disclosure, which is going to improve that.

There is going to always be under Rule 12 a hesitancy to dismiss claims, if there's adequate information provided to support that. I think we have a little bit of an *Iqbal* question here. I'm going to encourage parties who want to assert those claims, particularly perhaps the defendant,

to consider whether or not you are going to amend in connection with the counterclaims.

And is that something you would consider, you would want to do under certain circumstances?

MR. BENNETT: Your Honor, certainly with the Court's guidance, if there are any facts that are inadequately pleaded in order to have enough factual to push it into the plausible realm, by all means Catalyst would take that criticism from the Court and amend, absolutely. We, of course, feel there's more than enough, but, yes.

THE COURT: I think that there's a question there, and sometimes I just say, hey, if you've got material to put it in there and you want to put it in and what's going to happen is I'm going to issue an order one way and then we're going to come back and say I want to amend. Amendments are liberally allowed.

So I'm going to suggest that will you take a look at that. I'm not telling you to do it right now, but will you go back and take a look at that, consider amending to add some more specificity.

Mr. Linden, is that okay with you?

MR. LINDEN: That's perfectly fine with Catalyst, Your Honor. And just so I'm clear, are you specifically referencing the sham litigation counterclaim, or are you talking globally with respect to 6, 7, and 8?

THE COURT: Sham litigation counterclaim. But also, while you're doing it, look at your other two claims because you've got two additional claims that you certainly don't want to leave hanging out there.

Okay. I've got a -- anything else that I need to hear about? I know you want to tell me lots of things, but I think everything is adequately presented at this point in time. Anything else on the motion to dismiss from the plaintiff? I don't want to cut you off, but I think we're pretty good.

MR. GURKA: Well, Your Honor, the only thing that we were thinking might be worth discussing, and we don't want to belabor the hearing, but -- and Mr. McElligott was prepared to address this, is we don't believe sham litigation is a stand-alone counterclaim. But we've briefed that, and I don't know that we would add much more to the briefs.

But we believe sham litigation in this objectively baselessness test is really a test to determine whether *Noerr-Pennington* privilege applies to the abuse of process and to the tortious interference claims, but it is not a stand-alone claim on its own.

And I know there were some case law cited by defendants that we believe is really no longer good law. If you would like to hear argument on that, we would be prepared to deliver that. But if not, if you think you're prepared,

then we could certainly move on and submit on the briefs.

THE COURT: I think you can submit on the briefs. I think that's okay. I think we're -- well, I'll tell you what. Three minutes on that if somebody is there ready to pitch that. I think we better give you a couple of minutes just to make sure that you've covered what you want to real quickly, but I think it's briefed.

MR. MCELLIGOTT: Thank you, Your Honor. I will be very brief with it.

As Mr. Gurka alluded to, sham litigation is not a stand-alone claim. It's a means to an end. It's not an end in and of itself. It requires that another claim be pled.

For example, Your Honor, this would be -- this would result in an issue if Claims 7 and 8, due to independent failures to plausibly allege facts were dismissed and Count 6 were to remain in the case, Count 6 would have no impact on any cause for relief or any claim within this case. There is no statutory basis for sham litigation that that's founded in. There's no damages for sham litigation.

It is tied to Counts 7 and 8 in terms of the concept. It can't really exist by itself in its own claim. And as Mr. Gurka was alluding to, the case that counsel relies on is a case out of Delaware by Judge Sleet that was later overruled or superseded by another decision from Judge Sleet.

In his original decision, Judge Sleet was really just answering the question of: Could you raise sham litigation in the context of a patent infringement suit? He found that you could.

But in the later case, he found you can't raise it by itself. It's not a stand-lone claim. You have to plead the other elements of a claim.

And in other cases where sham litigation has been accepted as a stand-alone claim and in that earlier case from Judge Sleet where it was pleading specific facts about sham litigation, it was implied by Judge Sleet that that was referencing antitrust, that that was an antitrust counterclaim and led to the antitrust elements. It was tied to the antitrust claim so that it could survive. It couldn't survive by itself.

THE COURT: I'm going to hear that very brief response from counsel opposite.

I'm not sure which one, but yes, sir?

MR. LINDEN: That would be me, Your Honor, Mr. Linden. So I don't think the parties are actually that far apart on this issue. *Trueposition*, which is Judge Sleet's decision from the District of Delaware referenced by plaintiff's counsel says, and I quote: Plaintiff's urge that sham litigation is not a cognizable cause of action, the Court cannot agree.

It is a cause of action. It is a claim that can be pled. What Judge Sleet's later decision said, and I think it was *AstraZeneca* said, that doesn't relieve the claimant of also proving the elements of other claims, for instance, in that case, the antitrust claim that was at issue, you still have to prove all those elements.

We still have to prove all of those elements here. So we have a sham litigation that is a stand-alone claim. The remedies provided for that stand-alone claim are to strip the *Noerr-Pennington* immunity, and it can be applied in various ways. And as Judge Sleet referenced in his *Trueposition* case, courts have applied it in many cases. It's not solely for antitrust liability anymore. It can be used in the context of state tort law claims. It can be used in the context of patent claims, but it doesn't mean that it is not a stand-alone claim -- cannot be a stand-alone claim, and I think that that's pretty clear from the *Trueposition's* case that we've relied on.

THE COURT: Sure. And I've -- we've got that. I mean, I appreciate the comments there.

Let's make sure, anything else, then, that the defense wants to particularly point out, or simply rely on the materials that have been submitted? I don't know which one to look to because I'm looking to --

MR. BENNETT: I'll speak up. Sorry to interrupt,

Your Honor.

Catalyst is willing to rest on its briefs unless SI has something further to say about the tortious interference or abuse of process claims.

THE COURT: Sure. I appreciate that. Hold just one minute. I'm going to actually put you on mute for a second, if we can get back to the mute button. It's hidden. It should be right here. You know they change my computer every now and then, it's frustrating. Okay.

We've been talking about this in chambers for a while. I think we've covered what we need to. We've got the papers. And I appreciate everybody's cooperation and sort of continuing to fast track it. Please convey to your clients that we're all working really hard to make it efficient, which I think is a fair thing to say because we're concerned about everybody being considered in this matter. Thank you all very much.

MR. GURKA: Thank you, Your Honor.

MR. MCELLIGOTT: Thank you, Your Honor.

MR. LINDEN: Thank you, Your Honor.

MR. BENNETT: Thank you, Your Honor.

MS. BOWDEN: Thank you, Your Honor.

(Adjournment.)

CERTIFICATE

I, TINA DuBOSE GIBSON, do hereby certify that the foregoing 45 pages are, to the best of my knowledge, skill and abilities, a true and accurate transcript from my stenotype notes of the VIDEO MOTION CONFERENCE held on the 22nd day of November, 2024, in the matter of:

SHOULDER INNOVATIONS, INC.
vs.
CATALYST ORTHOSCIENCE, INC.

Dated this 27th day of November, 2024.

S/Tina DuBose Gibson

TINA DuBOSE GIBSON, RPR, RCR
Official Court Reporter
United States District Court
Western District of Tennessee