01:12:40 IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF DELAWARE

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

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

844 King Street
Wilmington, Delaware

BEFORE: THE HONORABLE MARYELLEN NOREIKA
United States District Court Judge

APPEARANCES:

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

-and-

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

Counsel for the Plaintiff

APPEARANCES CONTINUED:

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

Counsel for the Defendant

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P R O C E E D I N G S

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

09:22:20 THE COURT: Good morning. Please be seated.

09:29:49 Let's start with some introductions.

09:29:54 Ms. Palapura.

09:29:55 MS. PALAPURA: Good morning, Your Honor. Bindu

09:29:59 Palapura from Potter Anderson on behalf of plaintiff, Nuance

09:30:03 Communications. And with me today from Weil Gotshal &

09:30:06 1 Manges is David Lender.
09:30:07 2 MR. LENDER: Good morning, Your Honor.
09:30:08 3 THE COURT: Good morning.
4 MS. PALAPURA: Anish Desai.
5 MR. DESAI: Good morning.
6 THE COURT: Good morning.
09:30:15 7 MS. PALAPURA: Sudip Kundu, and Stephen Bosco.
09:30:15 8 Also with us from Nuance is Dave Greenbaum.
09:30:18 9 THE COURT: Good morning.
09:30:24 10 MR. RENCK: Good morning, Your Honor.
09:30:25 11 THE COURT: Good morning.
09:30:26 12 MR. RENCK: Richard Renck from Duane Morris here
09:30:28 13 in Wilmington on behalf of defendant MModal. I have with me
09:30:32 14 today my colleagues from Duane Morris, Tony Fitzpatrick,
09:30:36 15 Mr. Michael Gottfried, Ms. Alison Hutton, Daniel Tarr and
09:30:43 16 Jarrad Gunther. We also have two representatives from the
09:30:46 17 inhouse department at 3M who is the owner of MModal now, we
09:30:50 18 Christina Wang and Eileen Hunter.
09:30:51 19 THE COURT: Welcome.
09:30:52 20 MR. RENCK: Thank you, Your Honor.
09:30:53 21 THE COURT: Thank you.
09:30:55 22 So we are here on the motion to stay as well as
09:31:01 23 Markman issues. And I did get the letter that you all
09:31:05 24 submitted and I appreciate that you agreed on a few more
09:31:08 25 terms. But I thought after reading the papers we should

09:31:14 1 start with the motion to stay. So I will hear that first.
09:31:31 2 MR. GOTTFRIED: May I hand you up a slide?
09:31:33 3 THE COURT: Yes, please.
09:31:35 4 MR. GOTTFRIED: Thank you, Your Honor.
09:31:54 5 THE COURT: You may proceed.
09:31:55 6 MR. GOTTFRIED: Good morning, Your Honor. I
09:31:58 7 think the stay motion is certainly briefed in the papers,
09:32:01 8 but I wanted to just take a few minutes to highlight a
09:32:05 9 couple of what we think are the most important points for
09:32:07 10 the Court that spoke to a stay.
09:32:11 11 As the Court is well aware, you have broad
09:32:15 12 discretion to issue a stay. That's the Ethicon case. And
09:32:21 13 in determining whether you should exercise that discretion,
09:32:24 14 there are really three issues that you need to look at. The
09:32:26 15 first is whether a stay will simplify the issues in question
09:32:31 16 and the trial of the case. We think that's very strongly in
09:32:35 17 favor of the stay.
09:32:36 18 The second is whether discovery is complete and
09:32:38 19 whether a trial date has been set. Again, we also think
09:32:42 20 that speaks strongly in favor of a stay. And the third is
09:32:45 21 whether a stay would unduly prejudice or present a clear
09:32:49 22 tactical disadvantage to the nonmoving party. Again, we
09:32:54 23 think that strongly favors a stay in this case. We want to
09:32:57 24 highlight for the Court a couple of what we think are key
09:33:01 25 facts that are undisputed in our view in this case that

09:33:05 1 speak to the stay.

09:33:06 2 As the Court knows, IPRs have been instituted on

09:33:13 3 all asserted claims of three patents of the four remaining

09:33:16 4 in the case, the '933, '034, and the '946.

09:33:21 5 The outcome of these three IPRs could eliminate

09:33:26 6 these entire patents and accused technology from the case,

09:33:29 7 or simplify the case due to estoppel effects. I think the

09:33:35 8 institution decision in the '034 patent is particularly

09:33:38 9 instructive to the Court. At page eight of that decision,

09:33:45 10 the institution ruling states, "For the reasons explained

09:33:50 11 below, we determined that even if claim 8 requires

09:33:54 12 everything the patent owner contends, petitioner has

09:33:59 13 demonstrated a reasonable likelihood of establishing that

09:34:02 14 the challenge claims would have been obvious."

09:34:05 15 So if that holds true to course, that patent

09:34:07 16 would be found invalid. But just as importantly because you

09:34:10 17 can't presume that necessarily, they go on to say,

09:34:14 18 "Nonetheless, we welcome further briefing regarding whether

09:34:18 19 the challenge claims require simultaneous display of the

09:34:24 20 audio cursor and the text cursor. Additionally. We welcome

09:34:27 21 briefing on the broadest reasonable interpretation of the

09:34:30 22 claim term, cursor itself."

09:34:33 23 So looking at the '034 as a paradigm, there is a

09:34:37 24 possibility that patent gets eliminated. Certainly we would

09:34:41 25 estopped with respect to the art that is reviewed by the

09:34:43 1 Patent Office. But finally, given what the Patent Office
09:34:46 2 has specifically asked for, the intrinsic record will be
09:34:50 3 broader and more fulsome if that patent has to go to trial.
09:34:55 4 THE COURT: These are IPRs that are based I
09:34:57 5 think as you just said, broadest reasonable interpretation,
09:35:00 6 so the claim construction standard is not the same as the
09:35:04 7 one I would be looking at with respect to the IPRs; right?
09:35:09 8 MR. GOTTFRIED: That's true, Your Honor.
09:35:11 9 However, if they're invalidated, they are out of the case,
09:35:14 10 so we still think the intrinsic record would be helpful to
09:35:17 11 the Court if they're not.
09:35:18 12 THE COURT: Let me just ask this since you said
09:35:20 13 if they're invalidated they would be out of the case. One
09:35:24 14 of the issues that the plaintiff has raised is you have the
09:35:26 15 counterclaims.
09:35:27 16 MR. GOTTFRIED: Yes, Your Honor.
09:35:28 17 THE COURT: And I'm not sure I understand what
09:35:33 18 would happen, let's assume that the patents are invalidated,
09:35:38 19 so I just want to make sure if you're coming back, you're
09:35:43 20 not coming back to relitigate where we are going to now show
09:35:47 21 that those patents were never infringed, we're not going to
09:35:50 22 be dealing with infringement of invalid patents or
09:35:52 23 something, so can you explain to me how you expect it to
09:35:55 24 play out in either the circumstance where the patents are
09:35:59 25 not found to be invalid or where they are.

09:36:02 1 MR. GOTTFRIED: So let me just advance quickly
09:36:05 2 to a slide because I actually have a slide that deals with
09:36:09 3 -- I thought I had a slide that deals with that.
09:36:16 4 Here we go. Here is the slide that deals with
09:36:18 5 that, Your Honor. So as the Court knows, when the case was
09:36:23 6 filed, there were six patents-in-suit. After we filed --
09:36:27 7 THE COURT: I know, they got rid of two. I have
09:36:30 8 read all the papers.
09:36:31 9 MR. GOTTFRIED: They got rid of two.
09:36:33 10 THE COURT: Down to four.
09:36:34 11 MR. GOTTFRIED: Now we're down to the four. We
09:36:36 12 have the one pending. We have the three instituted. I
09:36:39 13 think the point is is that first of all, the counterclaim is
09:36:43 14 looking pretty good. There is a strong possibility now
09:36:46 15 that, 64 percent statistics, but that five out of the six
09:36:51 16 patents that they originally brought would be found to be
09:36:53 17 invalid on one ground or another.
09:36:56 18 And that would be the -- so that -- when you
09:36:59 19 talk about simplifying the case and focusing what needs to
09:37:03 20 be done with respect to the counterclaim, these IPRs would
09:37:08 21 absolutely do that, because the only other patent is the
09:37:12 22 '295 which expires in about a month from now. And that's a
09:37:16 23 patent that they actually went to trial on and non-infringed
09:37:20 24 which we think we have good invalidity grounds on that, we
09:37:24 25 think we have good non-infringement grounds on that.

09:37:26 1 So I think the focus of the counterclaim and the
09:37:28 2 weight of the IPRs if all those three initial patents are
09:37:33 3 invalidated would be on that point and we would not be
09:37:35 4 litigating whether they were infringed as well, it would be
09:37:38 5 sufficient to show that five out of the six patents that
09:37:41 6 they brought were invalid. That would be the focus.
09:37:44 7 Conversely, if they're not invalidated, that would be a
09:37:48 8 point that I'm sure Nuance would want to highlight with
09:37:52 9 respect to that.
09:37:53 10 THE COURT: If they're not invalidated,
09:37:55 11 presumably you would be trying infringement anyways to the
09:37:58 12 jury so you could make those arguments --
09:38:00 13 MR. GOTTFRIED: That's correct, Your Honor.
09:38:01 14 THE COURT: -- with respect to those.
09:38:03 15 MR. GOTTFRIED: That's correct, Your Honor.
09:38:04 16 Listen, there is a tremendous amount of work
09:38:07 17 that still needs to be done in this case. You know, we
09:38:10 18 haven't even completed document production. We certainly
09:38:13 19 haven't had the close of fact discovery; not a single
09:38:16 20 deposition has been taken. Expert discovery has not
09:38:19 21 occurred. Focusing this case post IPR on what's left, or
09:38:26 22 what's enhanced by whatever those rulings are, makes the
09:38:30 23 most sense for the Court and for the parties.
09:38:33 24 You know, and indeed, although Nuance, you know,
09:38:38 25 argues that they're prejudiced if the stay is granted, as

09:38:42 1 the Court knows from the papers, they proposed a deal where
09:38:45 2 they would agree to the stay which I think belies how
09:38:48 3 prejudicial a stay would be. I think the reality is that
09:38:51 4 the stay makes good common sense because it's impossible
09:38:55 5 really to argue that after these IPRs are decided that the
09:39:00 6 landscape is not changed in material ways that will affect
09:39:03 7 the future proceedings in the case.
09:39:04 8 So --
09:39:06 9 THE COURT: Are you -- the related litigation.
09:39:11 10 MR. GOTTFRIED: Yes, Your Honor.
09:39:12 11 THE COURT: They proposed a deal for you, I
09:39:15 12 think you just alluded to that, and you guys said no, no,
09:39:21 13 no, we don't know what's going to happen there. We don't
09:39:23 14 know if it's going to make sense or not. Explain to me why
09:39:27 15 that isn't somehow -- that that doesn't appear that you're
09:39:31 16 trying to get a tactical advantage where you want to move
09:39:35 17 ahead in your case but prevent them from moving ahead in
09:39:39 18 theirs.
09:39:39 19 MR. GOTTFRIED: Sure. Happy to answer that
09:39:41 20 question, Your Honor. I think there are several points to
09:39:43 21 be made about that. I think first in examining whether
09:39:45 22 there is a tactical advantage or prejudice, look first at
09:39:49 23 our conduct in this case. Six patents are sued on. Within
09:39:54 24 eight to nine months we file five IPRs. As you know, two
09:39:58 25 are gone, three get issued, in a span of about

09:40:01 1 two-and-a-half weeks, within I think it's eight days of that
09:40:06 2 IPR, the last IPR being instituted, we're moving to stay.
09:40:10 3 Of course, before that, we're meeting and conferring and the
09:40:13 4 like. So in terms of our activity in this case, I think we
09:40:16 5 acted very, very promptly.
09:40:18 6 Now, let's see where Georgia is. In Georgia,
09:40:23 7 they waited for two of the four patents that MModal sued
09:40:27 8 them on until two days before the one-year deadline expired.
09:40:31 9 So if there is a party here that is engaged in gamesmanship
09:40:35 10 and strategy if you will with respect to this, I would
09:40:39 11 submit that it's Nuance and not us.
09:40:41 12 When you look at the Georgia case, I don't think
09:40:44 13 it's -- I know it's not MModal's position that we would
09:40:48 14 never consider a stay in that case. I think our position
09:40:51 15 is, let's look at where we are on the ground right now. No
09:40:57 16 IPRs have been instituted in Georgia at all. We don't know
09:41:00 17 what the state of play will be in that case if any are
09:41:03 18 instituted. For example, the discovery schedule in that
09:41:08 19 case and the schedule in that case generally pivots off a
09:41:11 20 Markman decision, which we don't have a date for. And so we
09:41:16 21 don't know where that case will be. That case could be in a
09:41:20 22 situation when the IPRs are instituted where it might make
09:41:24 23 good sense to do it, or it might be that that case is so far
09:41:28 24 advanced or only one IPR is instituted that it doesn't make
09:41:33 25 sense.

09:41:33 1 Our view is really that it is premature to make
09:41:36 2 that decision now, that each of these cases should we would
09:41:40 3 submit be looked at individually on their own facts. And
09:41:42 4 what we were simply saying was the facts on the ground right
09:41:45 5 now where we don't know if it's one or four or three or two
09:41:50 6 that are going to be instituted or where that case will be
09:41:52 7 in the schedule doesn't make sense to agree to that now.
09:41:56 8 But it may be as those facts develop, it might be
09:41:59 9 appropriate; can't say one way or the other right now, but
09:42:02 10 to agree now doesn't make sense. Because in this case when
09:42:05 11 you focus on where we are in this case with so much still to
09:42:09 12 be done and with all of the three challenge patents
09:42:12 13 instituted, in this case it makes sense regardless of what
09:42:15 14 ultimately happens in Georgia.
09:42:17 15 THE COURT: Okay.
09:42:20 16 MR. GOTTFRIED: And again, you know, the big
09:42:23 17 takeaway for us is when you're talking prejudice, kind of
09:42:27 18 rings hollow when they're sitting there saying we agreed to
09:42:31 19 a stay. So everything we say, well, we all agreed to a
09:42:35 20 stay. I think, you know, let me go back and make sure I
09:42:38 21 pick up some of these points that I wanted to highlight for
09:42:42 22 you.
09:42:42 23 So we talked a little bit about where we are in
09:42:46 24 the case schedule. We have talked a little bit about
09:42:50 25 prejudice already, but I think one point that we didn't

09:42:53 1 highlight is we're talking about the '295 patent, you know,
09:42:57 2 a patent that is really kind of ancient, that certainly for
09:43:02 3 more than five years or about five years, we were competing
09:43:05 4 side-by-side. They did nothing about it. Not dispositive,
09:43:09 5 they didn't seek preliminary relief, and certainly after May
09:43:14 6 10th they won't be able to seek preliminary relief, so
09:43:18 7 waiting on that for a damage award whether it be six months
09:43:21 8 later or whatever that time would be for the IPRs to be
09:43:25 9 decided is really not any great prejudice for them.
09:43:28 10 THE COURT: And all of the IPRs should be
09:43:31 11 decided by February 20th?
09:43:33 12 MR. GOTTFRIED: That is correct, Your Honor,
09:43:35 13 that's the last date for them to be decided.
09:43:37 14 I think this is also an important slide and an
09:43:38 15 important point. This by the way is Nuance's tutorial.
09:43:42 16 That's why even if the '034 and the '933 get invalidated,
09:43:48 17 the entire technology regarding backend transcription and
09:43:55 18 correction of clinical narratives would be out of the case.
09:43:59 19 That would very much simplify it. The 946, the '034 and
09:44:01 20 '933, integration of clinical data into structured
09:44:05 21 documents, again, that technology could potentially be out
09:44:07 22 of the case.
09:44:08 23 THE COURT: Is the prior art for any of these
09:44:11 24 patents, does it overlap?
09:44:14 25 MR. GOTTFRIED: Certainly the '034 and the '933

09:44:17 1 do.

09:44:17 2 THE COURT: I'm sorry, in the three different

09:44:21 3 technology aspects?

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

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

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

09:44:25 7 THE COURT: So if one of the patents -- so if

09:44:27 8 one of the patents were taken out of the case, that would

09:44:32 9 remove all of the prior art with respect to that? I'm just

09:44:40 10 trying to make sure I understand. I know there are

09:44:42 11 different products that these are asserted against, and I

09:44:46 12 just want to make sure the art is still -- we would be

09:44:51 13 getting rid of art if we did this.

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

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

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

09:44:58 17 question.

09:44:59 18 So, again, I think regardless of what happens,

09:45:04 19 we pointed to three things, invalidity, we talked about the

09:45:08 20 intrinsic record, we talked about estoppel on each of these

09:45:11 21 that would be significant.

09:45:12 22 We talked already about the simplification with

09:45:16 23 respect to the counterclaim. I think that's definitely the

09:45:19 24 case. The timeline slide, you know, I basically highlighted

09:45:23 25 that a little bit. But we are here sort of a little left of

09:45:29 1 center in the middle. Today is the claim construction
09:45:32 2 hearing. But you haven't made a decision on claim
09:45:36 3 construction. You haven't had to actually do that. You
09:45:38 4 could certainly take all the information you get today and
09:45:45 5 decide to hold if that was your call.
09:45:46 6 But regardless of what you do on Markman, I
09:45:49 7 don't think that's dispositive in this case because of the
09:45:51 8 significant impact of three out of the four remaining
09:45:54 9 patents being instituted. We're talking about end of fact
09:45:57 10 discovery June 15th. As we said, not a single disposition
09:46:00 11 has taken place yet. I think the first one is scheduled for
09:46:03 12 April 17th. Expert discovery October 21st.
09:46:07 13 Just think about how the focus and the
09:46:09 14 efficiency of those two events, the conclusion of fact
09:46:15 15 discovery and expert discovery would be greatly enhanced by
09:46:19 16 knowing what happened with respect to the IPRs. So let them
09:46:22 17 do their job. That's why that procedure was put in place to
09:46:25 18 let people have a less expensive alternative here.
09:46:29 19 Dispositive motion deadline obviously impacted
09:46:31 20 by what happens in the IPRs. Final jury instructions. And
09:46:35 21 the last two dates as the Court has noted is February 20th
09:46:37 22 for the last IPR decision.
09:46:40 23 We talked a little bit again already about this,
09:46:44 24 about prejudice. We went through the facts regarding the
09:46:47 25 timing of our request for review, the timing of the request

09:46:51 1 for the stay, talked about the status of those proceedings.
09:46:54 2 The relationship by the parties is obviously an
09:46:57 3 important issue in this case because we are competitors.
09:47:00 4 It's interesting, I went back and looked at their opposition
09:47:04 5 to see what they were saying about this. It's interesting,
09:47:07 6 the only fact -- this struck me by the way. The only fact
09:47:10 7 that they really rely on with respect to that we're
09:47:14 8 competitors is the cite to our counterclaim where we say
09:47:17 9 that we're competitors.
09:47:18 10 THE COURT: There is no question that you guys
09:47:21 11 are very competitive.
09:47:23 12 MR. GOTTFRIED: Absolutely, but not the focus of
09:47:25 13 their brief, they talk about well, they have these
09:47:27 14 inflammatory counterclaim allegations. It goes without
09:47:32 15 saying, I looked at their website again this morning, their
09:47:35 16 press release is still on it. You can still link to the
09:47:39 17 original complaint where two of the six patents are already
09:47:42 18 out. You can go to our website, there is nothing about the
09:47:46 19 counterclaim in this case. We have not been out there
09:47:48 20 publicizing it. It's quite the opposite.
09:47:51 21 We have talked about the delay already. And I
09:47:57 22 think you know here really is the ultimate point, yes, we're
09:48:00 23 competitors, but they were prepared to agree to a stay.
09:48:04 24 THE COURT: Okay.
09:48:05 25 MR. GOTTFRIED: Thank you, Your Honor.

09:48:06 1 THE COURT: Thank you.
09:48:15 2 MR. DESAI: Good morning, Your Honor. Let me
09:48:22 3 start with the first factor of whether a stay would simplify
09:48:25 4 the issues for trial. We don't really believe that's the
09:48:28 5 case here because we have the '295 patent which has seven of
09:48:32 6 the seventeen asserted claims, that they're not an IPR and
09:48:37 7 they're going to be tried we believe. I think when we get
09:48:40 8 to the Markman hearing today, I think the Court will see the
09:48:42 9 claim construction positions that are being taken and that
09:48:45 10 in our view we're going to have a trial on that patent.
09:48:49 11 The second issue is that the asserted
09:48:53 12 counterclaims, they allege that the infringement claims in
09:48:55 13 this lawsuit are objectively baseless. And I think both
09:48:59 14 parties have agreed in the briefs that this will require
09:49:03 15 evaluating the merits of the infringement case. This is
09:49:06 16 from page 45 of MModal's reply brief they said, "Determining
09:49:12 17 whether Nuance's infringement claims are objectively
09:49:13 18 baseless requires an evaluation of the strength of Nuance's
09:49:17 19 infringement claims."
09:49:18 20 THE COURT: Right. But I think I just heard
09:49:19 21 them say that if the claims are held to be invalid in the
09:49:26 22 IPR, that they would not be asserting or asking for
09:49:31 23 infringement to be -- you know, to have a trial where they
09:49:38 24 would be arguing that it's objectively baseless and you have
09:49:42 25 to decide whether or not you should have asserted them for

09:49:45 1 infringement purposes, they would be instead focusing on
09:49:48 2 validity.
09:49:48 3 MR. DESAI: I wasn't necessarily sure that was
09:49:50 4 the outcome of what counsel was saying. I mean, I guess the
09:49:55 5 implication there is if the IPRs are granted -- sorry, if
09:49:59 6 the patents are found invalid, then the only issue would be
09:50:03 7 whether the lawsuit on both patents would be objectively
09:50:06 8 baseless because the patents are so clearly invalid.
09:50:10 9 THE COURT: That's what I understood them to be
09:50:12 10 saying.
09:50:13 11 MR. DESAI: If that's the situation, then I
09:50:15 12 guess the statement in their brief that requires evaluation
09:50:18 13 of the infringement claims.
09:50:19 14 THE COURT: I suppose if the patents were not
09:50:21 15 found to be invalid at the IPR, then they wouldn't want to
09:50:24 16 focus on infringement, but then that issue would be before
09:50:27 17 the jury anyway.
09:50:28 18 MR. DESAI: If we're taking that off the table,
09:50:30 19 it does change the situation a bit. But nonetheless, I
09:50:34 20 think we're still going to have to have claim construction
09:50:37 21 on these patents, even if it's just focusing on the
09:50:40 22 invalidity aspect. We're going to have expert discovery on
09:50:45 23 the --
09:50:45 24 THE COURT: Can you explain to me if the patents
09:50:47 25 were -- assuming they were found to be invalid, I certainly

09:50:50 1 understand that if the patents come back, we need claim
09:50:52 2 construction on them.
09:50:53 3 MR. DESAI: Right.
09:50:54 4 THE COURT: But if the patents were found to be
09:50:56 5 invalid in the IPRs, would we need to have claim
09:50:59 6 construction?
09:50:59 7 MR. DESAI: I believe we would because it's a
09:51:02 8 different claim construction standard. The broadest
09:51:04 9 reasonable interpretation, there is a different --
09:51:06 10 THE COURT: But the patents would be invalid.
09:51:08 11 MR. DESAI: Right. But the issue in the
09:51:10 12 counterclaims is whether our case was objectively baseless.
09:51:15 13 And the Patent Office uses a different standard for claim
09:51:18 14 construction, the Patent Office uses a different standard
09:51:21 15 for invalidity, preponderance of the evidence versus clear
09:51:24 16 and convincing. I think we would still be litigating the
09:51:27 17 issue of whether our positions in this case in light of the
09:51:30 18 prior art were objectively baseless.
09:51:34 19 And to add to that, the prior art that's being
09:51:35 20 asserted in the '034 and the '933 IPRs is the prior art that
09:51:42 21 was examined by the examiner during the prosecution. There
09:51:43 22 was only seven references before the examiner. They are
09:51:47 23 relying on the exact same prior art which at one point in
09:51:51 24 time was blessed by the Patent Office, and then we have a
09:51:53 25 litigation and an IPR was filed and the Patent Office said

09:51:57 1 well, let's take another look.
09:51:58 2 THE COURT: All of the art that is now before
09:52:01 3 the Patent Office was previously before the Patent Office?
09:52:04 4 MR. DESAI: For the '933 patent and the '034
09:52:07 5 patents, the references they were relying on which was
09:52:10 6 Schulz and Sumner, definitely Schulz and I'm virtually
09:52:14 7 certain that Sumner was also before the Patent Office during
09:52:16 8 prosecution. And it wasn't the situation where it was a
09:52:20 9 prosecution history where you had thousands of references
09:52:23 10 being cited, there were only seven references before the
09:52:26 11 examiner.
09:52:28 12 Ultimately the net conclusion is we're going to
09:52:32 13 be litigating over those patents regardless of the outcome
09:52:35 14 of the IPR. It's not going to simplify anything in this
09:52:38 15 case. I think the first factor weighs in our favor in
09:52:41 16 denying the stay.
09:52:43 17 The second issue is the status of the
09:52:45 18 litigation. We are two months away from the close of fact
09:52:48 19 discovery, so it's not done, but I think we're 85 percent of
09:52:52 20 the way there, 80 percent of the way there. A lot of money
09:52:55 21 has been spent producing documents, getting ready for
09:52:58 22 depositions which are starting next week. If we pause this
09:53:01 23 case now, we're going to have to restart that. And there is
09:53:04 24 inefficiency there. These depositions are going to take
09:53:09 25 place regardless of what happens in the IPRs. It's the same

09:53:11 1 witnesses for MModal, the same witnesses for Nuance. We're
09:53:15 2 just delaying the depositions, we're not simplifying them.
09:53:19 3 That does not weigh in favor of a stay.
09:53:21 4 We already have a trial date. That's one of the
09:53:24 5 factors, whether there is a trial date. It is in April
09:53:28 6 2020. I think the fortunate part there is it is after
09:53:32 7 February when the IPRs will come down, so there is
09:53:35 8 opportunity time there to take into account what happens in
09:53:38 9 the IPRs. It would be a different situation if the IPRs
09:53:41 10 were being decided in May or June of 2020, I could see that
09:53:46 11 might be a reason to delay the trial a few months to get the
09:53:50 12 benefit of those decisions. Here we're going to have the
09:53:52 13 benefit of those decisions in February and the trial will
09:53:55 14 take place in April. And as I said, we're going to have a
09:53:58 15 trial in the '295 patent regardless.
09:54:00 16 The last issue is the issue of prejudice and
09:54:04 17 tactical advantage. We do think that the Georgia case here
09:54:08 18 is driving a lot of this issue. I mean, MModal could have
09:54:13 19 filed its patent infringement counterclaims in this district
09:54:17 20 and we could have had parity in the decision making. But
09:54:20 21 they chose to go to Georgia. Now there was some argument
09:54:23 22 that we waited to file our IPRs in that case and there are
09:54:28 23 circumstances there that warranted what we did which is when
09:54:31 24 MModal filed that case, they asserted over 130 claims. We
09:54:37 25 fought quite hard to get an order in that case to narrow the

09:54:40 1 number of asserted claims. That took a long time. I think
09:54:43 2 it was only until October or November that we got an order
09:54:47 3 from the Georgia court reducing the number of asserted
09:54:51 4 claims from I think a hundred, it was well over a hundred to
09:54:54 5 down to about thirty. Once we got the reduced set of
09:54:57 6 asserted claims, we proceeded to file IPRs in a few months.
09:55:03 7 So those are the circumstances that took place
09:55:04 8 in Georgia. Frankly it's quite different from what happened
09:55:07 9 here in Delaware which was when we filed a case there was
09:55:11 10 agreement almost within a few months about getting a
09:55:14 11 schedule of a reasonable number of asserted claims, so there
09:55:16 12 was a very different set of facts that took place in Georgia
09:55:20 13 which is why it took longer to get those IPRs on file. You
09:55:26 14 can imagine IPRs on 130 claims would have been unreasonable
09:55:29 15 and we wouldn't have been able to do that, so there was a
09:55:32 16 reason why it took a little longer.
09:55:35 17 So I think that allowing that case to proceed in
09:55:37 18 front of this one, particularly here where we have a patent
09:55:40 19 that is not an IPR that we're going to have a trial on does
09:55:44 20 present a tactical advantage to MModal.
09:55:48 21 THE COURT: What about the argument that Nuance
09:55:50 22 waited five years before filing suit, so it was happy to
09:55:54 23 have that competition and now it's telling me, oh, no,
09:55:58 24 waiting a few more months is going to be a problem.
09:56:02 25 MR. DESAI: SO the issue there was MModal was in

09:56:05 1 bankruptcy and when they came out of the bankruptcy, they
09:56:10 2 started transitioning their business from backend to
09:56:12 3 frontend, this is part of the case that we're developing the
09:56:15 4 discovery. Prior to the bankruptcy, MModal was primarily a
09:56:20 5 backend transcription company and since the bankruptcy they
09:56:24 6 have been transitioning to the frontend which is why they
09:56:27 7 have been encroaching on Nuance's space within the past few
09:56:31 8 years.
09:56:31 9 THE COURT: So they weren't competing with you
09:56:33 10 for that five-year period?
09:56:35 11 MR. DESAI: I think the competition was
09:56:38 12 increased over that period of time is how I would frame it.
09:56:39 13 THE COURT: Okay.
09:56:41 14 MR. DESAI: So, you know, again, for the
09:56:44 15 prejudice issue I think it's more about the tactical
09:56:47 16 advantage of allowing the Georgia case to proceed. We did
09:56:50 17 offer that compromise. I think it was a fair compromise.
09:56:54 18 If our IPRs are granted, any one of them, we should pause
09:56:57 19 the Georgia case. They said no. Right? I think that to me
09:57:01 20 demonstrates that they're trying to at least leave open the
09:57:04 21 possibility of gauging a tactical advantage in the Georgia
09:57:08 22 case.
09:57:08 23 THE COURT: Okay. Anything else?
09:57:11 24 MR. DESAI: That's it, Your Honor.
09:57:12 25 THE COURT: Anything you want to say in reply?

09:57:16 1 It's your motion, so I'll give you the last word.
09:57:19 2 MR. GOTTFRIED: Thank you, Your Honor.
09:57:23 3 I think what I would like to do is to just
09:57:26 4 clarify a couple of things in response to a couple of
09:57:28 5 questions that you asked so that you understand exactly what
09:57:31 6 the state of play is.
09:57:32 7 THE COURT: Right. And I do want to understand
09:57:34 8 the position on the assertion that, MModal's position on the
09:57:42 9 assertion that because the claims if invalidated in the IPRs
09:57:46 10 would be done under a different standard in order to deal
09:57:49 11 with your counterclaims, we would still need to address
09:57:54 12 those issues.
09:57:55 13 MR. GOTTFRIED: I'll answer that question first.
09:57:57 14 I think that's just wrong. If they're invalid, they're
09:58:00 15 invalid, and that's the answer to that question.
09:58:02 16 THE COURT: Okay.
09:58:03 17 MR. GOTTFRIED: Second, you asked the question
09:58:05 18 about the art between the '034 and the '933. So on the
09:58:17 19 '034, the Schulz reference and the Sumner reference were not
09:58:20 20 cited. They were cited in the '933. The '933 there was
09:58:26 21 literally no real activity in the Patent Office. That
09:58:29 22 patent got issued almost immediately. There was a rather
09:58:32 23 lengthy prosecution that I think the patent was issued 2012
09:58:41 24 on the '034.
09:58:42 25 But the Patent Office -- by the way, it's

09:58:43 1 interesting, it's is the same panel that is actually looking
09:58:46 2 at all three of these patents. So the same panel that
09:58:50 3 instituted on the '034 and the '933, that's the exact same
09:58:55 4 panel and they looked quite closely at the fact that Schulz
09:59:00 5 was cited and Sumner was cited and they decided to use these
09:59:04 6 anyway and they explained that in detail. That's an
09:59:07 7 important point again just so you understand what the facts
09:59:10 8 are with respect to that.
09:59:11 9 Lastly, the product that they accuse on to the
09:59:16 10 '295 patent was, in fact, issued and out publicly more than
09:59:22 11 five years, or about five years ago. They have answered an
09:59:24 12 interrogatory answer saying they closely watch what their
09:59:29 13 competitors do and that they essentially knew that when it
09:59:32 14 happened.
09:59:32 15 THE COURT: Is there anything to the argument
09:59:34 16 that the nature of the competition was changed over a period
09:59:39 17 of time?
09:59:40 18 MR. GOTTFRIED: I don't think so. I really
09:59:42 19 don't think that's correct. I think if you want to know
09:59:44 20 what's happened here, our counterclaim tells that story.
09:59:47 21 These parties were competing side-by-side, neither at that
09:59:51 22 point was asserting patents. They had the mal ware attack.
09:59:56 23 We were starting to take some business from them as a result
09:59:59 24 of that. They were down for over a month, and all of a
10:00:02 25 sudden to stabilize the market, they brought these six

10:00:05 1 patents forward. We obviously don't think there is much to
10:00:10 2 them. They have conceded now as to two, there wasn't
10:00:14 3 anything to them. We think there is a good chance that
10:00:16 4 three more will also be invalid. That's really what's going
10:00:20 5 on here. I think their delay is not excused by that at all.
10:00:23 6 THE COURT: Okay.
10:00:24 7 MR. GOTTFRIED: Thank you, Your Honor.
10:00:26 8 THE COURT: So I want to just take a quick break
10:00:30 9 here and chat and think about these issues and then I will
10:00:34 10 come back.
10:00:36 11 (A brief recess was taken.)
10:18:09 12 THE COURT: Please be seated.
10:18:12 13 Okay, counsel, thank you. Thank you for the
10:18:14 14 argument. After reading the briefs and the declarations and
10:18:17 15 hearing the argument today, I am prepared to rule on
10:18:22 16 MModal's motion to stay. And I am granting the motion.
10:18:25 17 In addressing the motion to stay, the Court has
10:18:28 18 broad discretion, I think we have all agreed to that. I
10:18:31 19 reached my decision by weighing the competing interests of
10:18:34 20 the parties in reviewing the factors that the Court
10:18:36 21 typically looks at in these circumstances.
10:18:39 22 Whether the stay will unduly prejudice or
10:18:42 23 present a clear tactical disadvantage to Nuance, the moving
10:18:47 24 party. Whether the stay will simplify the issues in
10:18:51 25 question in the trial of the case. And whether discovery is

10:18:52 1 complete and whether a trial date has been set.
10:18:54 2 I'm going to start with the last of those. Here
10:18:58 3 fact discovery is ongoing and scheduled to conclude in the
10:19:01 4 middle of June. The document portion of discovery appears
10:19:04 5 to have been maybe not completely, but largely completed,
10:19:10 6 but while a number of depositions have been noticed for the
10:19:13 7 upcoming months, it does not appear that any have yet
10:19:17 8 occurred.
10:19:18 9 Expert discovery does not begin until July
10:19:23 10 followed by case dispositive motions and then trial in April
10:19:27 11 of 2020, a year from now. So it seems like there is still a
10:19:31 12 lot of work and expense on both sides as well as work for
10:19:34 13 the Court. Some or all of that could be avoided potentially
10:19:37 14 based on the results of the IPR which has been instituted on
10:19:40 15 three of the four patents left in the case. And there is a
10:19:43 16 risk that some of the discovery were I to let it go forward
10:19:47 17 would be wasteful.
10:19:48 18 It could, as MModal points out involve products
10:19:52 19 that may no longer be accused if certain patents drop out or
10:19:55 20 it could involve claims that are later changed or amended
10:19:58 21 during the IPR.
10:19:58 22 So when I consider the status of the case as
10:20:02 23 well as the status of the IPR which has already -- three
10:20:05 24 IPRs which have already been instituted, I think that factor
10:20:08 25 favors the stay.

10:20:09 1 As to simplifying the issues, the potential for
10:20:14 2 simplification here is substantial. I understand that the
10:20:17 3 IPRs address only three of the four patents and ten of the
10:20:21 4 seventeen asserted claims, but that is well over half of the
10:20:24 5 claims at issue. And it could be that one or more claims
10:20:27 6 will not survive the IPR. That would reduce the number of
10:20:31 7 claims asserted and simplify the issues remaining.
10:20:35 8 And even if all of the claims emerge from the
10:20:38 9 IPR, the estoppel effects of the IPR, meaning that any
10:20:41 10 published prior art that was raised or reasonably could have
10:20:45 11 been raised or any inter partes review could not be asserted
10:20:49 12 as a basis for invalidity later in this litigation.
10:20:52 13 Additionally, the record in the PTAB and
10:20:54 14 statements about the prior art in claim construction that
10:20:56 15 will become part of the intrinsic record may be informative
10:20:59 16 if we need to go forward on the three patents.
10:21:01 17 I understand that Nuance asserts that because of
10:21:07 18 MModal's state law counterclaims, the Court may still need
10:21:10 19 to address validity in these issues and claim construction
10:21:14 20 issues on the currently asserted claims regardless of the
10:21:17 21 IPR results. I have taken that into account and believe
10:21:20 22 that the risk of that adding issues to the case layer is
10:21:23 23 outweighed by the potential for simplification that I have
10:21:26 24 already noted.
10:21:27 25 So in this case, we cannot achieve maximum

10:21:30 1 simplification where all claims are determined to be
10:21:34 2 invalid, but even if just one does not survive, the case
10:21:37 3 will be somewhat simplified and that weighs in favor of a
10:21:40 4 stay.
10:21:40 5 And lastly, looking at prejudice, I have
10:21:44 6 considered the four factors the courts review in addressing
10:21:47 7 undue prejudice and tactical disadvantage. With respect to
10:21:51 8 the timing of the request for review and the request for
10:21:54 9 stay, MModal acted with dispatch. It had a year to file the
10:21:59 10 IPR petitions after the suit was filed. It nevertheless
10:22:02 11 filed the petitions in June and July of 2018, approximately
10:22:06 12 three to four months into that year period.
10:22:08 13 Similarly, MModal moved for the stay within days
10:22:14 14 of institution of the IPRs. This suggest that they, MModal,
10:22:18 15 has acted consistently and expeditiously. It does not
10:22:22 16 suggest a tactical advantage in the timing of either its
10:22:26 17 request for IPR or to stay.
10:22:28 18 I understand that Nuance asserts that because
10:22:32 19 MModal has not agreed to stay the case in Georgia involving
10:22:36 20 MModal's patents, that suggest that the stay is really a
10:22:38 21 tactical ploy to move MModal's litigation ahead of this one.
10:22:43 22 I accept in connection with this motion that MModal's
10:22:46 23 refusal to agree to Nuance's representation is based on
10:22:50 24 other factors including that the status of institution on
10:22:53 25 any one or more of the IPRs in that case is still up in the

10:22:57 1 air. And I assume that should the IPRs play out such that
10:23:01 2 MModal finds itself in a similar situation to Nuance here,
10:23:05 3 Nuance will point out how MModal's arguments may be
10:23:09 4 inconsistent with positions it takes before the Georgia
10:23:13 5 court if it has to address the stay there.
10:23:15 6 With respect to the status of the IPR
10:23:18 7 proceedings, the PTAB as instituted on all of the asserted
10:23:22 8 claims of all three patents, the final decision of the PTAB
10:23:26 9 is due by February 20th, 2020, which is before the currently
10:23:30 10 scheduled trial date in this case. And as I noted before,
10:23:33 11 the decision of the PTAB may simplify issues and save
10:23:37 12 potentially wasted efforts. The one patent that is not the
10:23:40 13 subject of the IPR is going to expire next week, so no
10:23:43 14 injunctive relief could be obtained on that patent past next
10:23:48 15 month and any damages regarding that patent will not
10:23:50 16 continue after its expiration whether the case is tried in
10:23:54 17 April of 2020 or somewhat later.
10:23:57 18 Finally, the parties' relationship. They are
10:24:01 19 competitors and that weighs against a stay. And while I
10:24:04 20 understand this is not necessarily a two-party market, there
10:24:08 21 does not seem to be any disagreement that the parties do, in
10:24:11 22 fact, compete. But in evaluating prejudice, I am also
10:24:15 23 taking into account that the MModal products currently
10:24:19 24 accused of infringement have been sold since 2012, but
10:24:24 25 despite having patents at issue, Nuance took no action until

10:24:28 1 October of 2017. Whatever the reasons were, it is a fact
10:24:33 2 that Nuance did not press this action for more than five
10:24:36 3 years, even though it apparently knew about its competitor
10:24:40 4 MModal's activities. So while I am sensitive to the fact
10:24:43 5 that the parties are competitors, Nuance was willing to wait
10:24:47 6 to sue until 2017, and then to wait until a trial in 2020
10:24:52 7 for its patent rights to be adjudicated.
10:24:55 8 Taking all of this together, I find that Nuance
10:24:59 9 will not be unduly prejudiced or tactically disadvantaged by
10:25:03 10 the stay. So for the same reasons, the case is stayed
10:25:08 11 pending final written decision of the last and now
10:25:09 12 instituted IPRs. The parties should update me within a week
10:25:13 13 of any final decision by the PTAB as to patentability of the
10:25:17 14 claims.
10:25:17 15 If the asserted claims survive the PTAB
10:25:20 16 proceedings, we can discuss where things stand and whether
10:25:22 17 it would be appropriate at that point to expedite the
10:25:27 18 remaining proceedings so that trial and any delay in this
10:25:31 19 case can be minimized.
10:25:32 20 So that's my ruling on the motion to stay.
10:25:34 21 Are there any questions?
10:25:37 22 MR. DESAI: One question, Your Honor. Given
10:25:40 23 that we do have the one patent that's not an IPR and our
10:25:44 24 position that there will be a trial, I understand this Court
10:25:48 25 has a very busy docket. Would it make sense to potentially

10:25:51 1 put a trial date on the calendar, if we're going to remove
10:25:55 2 the April 2020 calendar trial date, to put a trial date for
10:25:59 3 slightly later in 2020 so that we could once the IPRs are
10:26:02 4 concluded we could expeditiously move to have a trial?
10:26:07 5 THE COURT: I think that would be better to do
10:26:12 6 once we know what the outcome is so that we can figure out
10:26:17 7 if we're talking about completing discovery and expert
10:26:21 8 discovery on four patents or one patent, and what the
10:26:25 9 products and the issues are. But I will tell you that once
10:26:32 10 we get to that point where we understand it, I understand
10:26:35 11 that Nuance is going to want to move expeditiously and we
10:26:41 12 will do our best to fit you on the calendar sooner than we
10:26:44 13 otherwise would if the case was brought at that point.
10:26:48 14 MR. DESAI: I guess the other case is the
10:26:50 15 Markman. The parties are here and prepared. Should we go
10:26:53 16 forward today?
10:26:53 17 THE COURT: I was thinking about that. I would
10:26:55 18 like to hear from you, but my take is that I expect that the
10:26:59 19 parties are going to have a lot to say about what happened
10:27:02 20 in the PTAB, or what will happen in the PTAB in arguing
10:27:08 21 claim construction. And so it doesn't seem like a good use
10:27:12 22 of my time to hear the Markman issues at this point and then
10:27:17 23 risk having to have a second go around where we have new
10:27:21 24 arguments or perhaps new constructions that are proposed,
10:27:25 25 even the claims could be amended and there might be

10:27:28 1 additional issues. So my thinking is that it doesn't seem
10:27:31 2 to make sense to go forward right now, but I'm willing to
10:27:34 3 hear from the parties on what your positions are on that.
10:27:37 4 MR. DESAI: I think Nuance's position is that
10:27:40 5 with respect to the '295 patent, nothing is going to change,
10:27:42 6 and that's the bulk of the terms that are at issue today. I
10:27:46 7 believe there is just two terms at issue in the other
10:27:50 8 patents. I think for those terms as well, at least my
10:27:53 9 perspective having read the IPRs and knowing the positions
10:27:56 10 there, that those terms are not even at issue really in the
10:28:00 11 IPRs. The issue in the IPRs is whether or not the prior art
10:28:04 12 discloses the use of two cursors. Our position that it
10:28:08 13 discloses a single cursor, it's not a claim construction
10:28:11 14 issue. There was no claim construction issues raised in the
10:28:14 15 petition.
10:28:15 16 So I think Nuance's position is that we're here,
10:28:17 17 we're prepared, and the arguments are not -- we don't
10:28:21 18 believe they're going to change, certainly not with respect
10:28:24 19 to the '295 patent.
10:28:25 20 THE COURT: Okay.
10:28:27 21 MR. FITZPATRICK: Thank you, Your Honor. Two
10:28:32 22 points. First of all, with respect to the '933 and the
10:28:37 23 '034, as Mr. Gottfried pointed out during his argument, the
10:28:41 24 PTAB has expressly invited claim construction regarding
10:28:45 25 meaning of cursors and whether or not cursors need to be

10:28:49 1 simultaneously displayed, so that is part of the issue with
10:28:52 2 respect to the '034. And that's part of what has been
10:28:57 3 briefed between the parties. In fact, as to the one
10:29:00 4 remaining claim term in dispute on the '034, that's really
10:29:04 5 the nub of the issue I would say is whether or not the two
10:29:07 6 cursors need to be displayed at the same time. So that is
10:29:10 7 going to be addressed it appears by the -- in the IPR.
10:29:13 8 As to the '295, it seems to me if Your Honor is
10:29:18 9 going to stay the case, it doesn't make sense to proceed
10:29:23 10 with an argument. It makes sense to as Your Honor said, see
10:29:27 11 what happens with the IPRs and then have perhaps a new
10:29:33 12 Markman date then at that point to address all of the
10:29:37 13 remaining claims, whatever they are, '295 plus if there are
10:29:41 14 any claims that remain from the other three patents. That
10:29:45 15 would seem to us to be the more efficient way to proceed at
10:29:49 16 this point.
10:29:50 17 THE COURT: Okay. And I agree with that. I
10:29:56 18 don't want to risk that we have Markman proceedings that if
10:30:01 19 we have to have multiple Markman decisions, multiple Markman
10:30:05 20 proceedings. I do apologize that you came here today
10:30:09 21 prepared to argue those terms, but I was not sure what I was
10:30:12 22 going to do with the transfer motion until after I heard the
10:30:17 23 arguments here today.
10:30:19 24 So I think at this point we will recess. You
10:30:23 25 can let me know when you hear anything from the PTAB, and to

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

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

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

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