

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
BEFORE THE HONORABLE JEFFREY S. WHITE, JUDGE
ROBERT JACOBSEN,
PLAINTIFF,
VS. NO. C 06-0190
MATTHEW KATZER AND KAMIND
ASSOCIATES, INC., PAGES 1 - 34
DEFENDANTS.

 COPY

SAN FRANCISCO, CALIFORNIA
FRIDAY, APRIL 11, 2008

TRANSCRIPT OF PROCEEDINGS

APPEARANCES:

FOR THE PLAINTIFF:

VICTORIA K. HALL, ATTORNEY AT LAW
3 BETHESDA METRO
SUITE 700
BETHESDA, MARYLAND 20814

FOR THE DEFENDANTS:

FIELD & JERGER LLP
610 SW ALDER, SUITE 910
PORTLAND, OREGON 97205

REPORTED BY: KATHERINE WYATT, CSR, RPR, RMR
OFFICIAL REPORTER, USDC
COMPUTERIZED TRANSCRIPTION BY ECLIPSE

1 APRIL 11, 2008

11:00 O'CLOCK A.M.

2

3 P R O C E E D I N G S

4 **THE CLERK:** CALLING CASE NUMBER C-06-1905, ROBERT
5 JACOBSEN VERSUS MATTHEW KATZER.6 COUNSEL, PLEASE STEP FORWARD AND STATE YOUR
7 APPEARANCES.8 **MS. HALL:** GOOD MORNING, YOUR HONOR. VICTORIA HALL
9 FOR ROBERT JACOBSEN.10 **THE COURT:** GOOD MORNING.11 **MR. JERGER:** GOOD MORNING, YOUR HONOR. SCOTT JERGER
12 REPRESENTING MATTHEW KATZER AND KAMIND ASSOCIATES.13 **THE COURT:** GOOD MORNING.14 **MR. JERGER:** MAY I GRAB A CLASS OF WATER, PLEASE?15 **THE COURT:** SURE.16 ALL RIGHT, COUNSEL. HAVE YOU SEEN THE COURT'S
17 TENTATIVE RULING AND THE QUESTIONS?18 **MS. HALL:** YES.19 **MR. JERGER:** YES, YOUR HONOR.20 **THE COURT:** ALL RIGHT. AND IT WOULD BE HELPFUL EVEN
21 THOUGH I KNOW THE PARTIES SUBMITTED SUPPLEMENTAL AUTHORITIES, IN
22 PARTICULAR ON BEHALF OF THE PLAINTIFF, THERE ARE -- THEY ARE
23 QUITE SUBSTANTIAL IN VOLUME. SO IT WOULD BE VERY HELPFUL, WOULD
24 BE, IF YOU WOULD, WHEN YOU ARE ARGUING, IF YOU COULD BRIEFLY
25 POINT THE COURT TO THE REASON WHY AND THE PROPOSITION FOR WHICH

1 YOU SUBMITTED THE AUTHORITY SO THAT WHEN I GO BACK TO READ THEM,
2 AGAIN, I WILL KNOW EXACTLY WHAT I SHOULD BE LOOKING FOR.

3 ALL RIGHT, COUNSEL?

4 **MS. HALL:** YES.

5 **MR. JERGER:** YES.

6 **THE COURT:** ALL RIGHT. I THINK YOURS ARE -- I
7 UNDERSTAND YOURS WERE SHORTER, AND I UNDERSTAND YOU SUBMITTED
8 YOUR AUTHORITY, WHICH WAS PRINCIPALLY TO THE POINT.

9 BUT LET'S START WITH QUESTION NUMBER ONE HAVING TO DO
10 WITH -- WE'RE NOW TALKING ABOUT THE DEFENDANTS' MOTION TO
11 DISMISS COUNTS ONE THROUGH THREE AS MOOT. AND SO THE FIRST
12 QUESTION GOES TO PLAINTIFF.

13 **MS. HALL:** YES. YOUR QUESTION IS WHAT OTHER -- "IN
14 ORDER TO MAINTAIN SUBJECT MATTER JURISDICTION
15 OVER A DECLARATORY JUDGMENT ACTION, THE COURT MUST
16 FIND THAT THERE IS AN ACTUAL CONTROVERSY. WHAT OTHER
17 KATZER PATENTS -- WHAT ARE THE OTHER KATZER PATENTS
18 THAT PLAINTIFF ALLUDES TO FOR WHICH HE HAS A
19 REASONABLE APPREHENSION OF IMMINENT SUIT?"

20 I WANT TO POINT OUT THAT THERE HAS BEEN A CHANGE IN
21 THE DECLARATORY JUDGMENT STANDARD DUE TO THE SUPREME COURT
22 DECISION AND --

23 **THE COURT:** I'LL LET YOU ARGUE THAT, MS. HALL.

24 **MS. HALL:** OKAY.

25 **THE COURT:** BUT I NEED TO KNOW -- THIS CAN BE

1 ANSWERED WITH A NUMBER.

2 **MS. HALL:** A NUMBER, OKAY.

3 **THE COURT:** YOU USED THE PLURAL FOR KATZER PATENTS,
4 SO THAT'S EASY. AND THEN, IF YOU WANT TO EXPLAIN I'LL LET YOU
5 DO THAT. I'M NOT TRYING TO PAINT YOU INTO A CORNER. SO ARE
6 THERE SPECIFIC ONES THAT I CAN GO LOOK UP AT THE PTO OR WHATEVER
7 WEBSITE GETS ME TO THAT POINT?

8 **MS. HALL:** YES. I'LL SAY ALL ISSUED PATENTS AND
9 THAT'S BASED ON THE PRIOR CONDUCT AND BASED ON --

10 **THE COURT:** ALL ISSUED PATENTS?

11 **MS. HALL:** YES. THEY ARE ALL THE ONES THAT ARE
12 CURRENTLY ENFORCEABLE, WHICH ARE TWELVE.

13 **THE COURT:** WHERE DO I FIND THOSE LISTED?

14 **MS. HALL:** YOU CAN FIND THEM AT THE USPTO.

15 **THE COURT:** HOW DO I -- I KNOW THAT, OBVIOUSLY. BUT I
16 MEAN, WHERE DO I FIND REFERENCE TO THE NUMBERS? YOU'RE SAYING
17 ALL ISSUED PATENTS.

18 **MS. HALL:** YES.

19 **THE COURT:** BY WHOM? DURING WHAT PERIOD OF TIME?
20 RELATING TO WHAT SUBJECT MATTER?

21 **MS. HALL:** THEY ARE ALL RELATED TO MODEL TRAIN
22 CONTROL SYSTEM SOFTWARE. THEY STEM FROM ONE --

23 **THE COURT:** ARE THEY LISTED IN YOUR BRIEFS ANYWHERE
24 WHERE I CAN GO LOOK UP THE NUMBERS AND SAY:

25 "AH, THIS IS ONE WHERE THE PLAINTIFF HAS A

1 REASONABLE APPREHENSION OF BEING SUED"?

2 **MS. HALL:** THERE IS ONE PARTICULAR THAT IS DISCUSSED
3 THAT IS THE ORIGINAL PATENT THAT ISSUED. THAT IS U.S. PATENT
4 6-065-406. AND I BELIEVE THAT IS MENTIONED IN THE COMPLAINT.

5 THERE ARE A NUMBER OF OTHER PATENTS WHICH EXIST, BUT
6 WE HAD NOT LISTED IN THE COMPLAINT BECAUSE USING THE OLD
7 DECLARATORY JUDGMENT STANDARD WE BELIEVE THAT '329 WAS THE MOST
8 RELEVANT AND THE ONE THAT WE HAD A BASIS FOR.

9 NOW, DEFENDANTS HAVE SAID IN LETTERS TO MY CLIENTS'
10 EMPLOYER, THEY HAVE REPRESENTED TO THIS COURT IN BOTH THEIR
11 FILINGS AND THEIR ARGUMENT THAT MY CLIENTS ENGAGED IN
12 INFRINGEMENT OF MULTIPLE PATENTS. AND FURTHER WHAT DEFENDANTS
13 HAVE HISTORY OF DOING IS TELLING AN ALLEGED INFRINGER:

14 "YOU INFRINGE ONLY ONE OR TWO CLAIMS OF THIS ONE
15 OR TWO PATENTS."

16 AND WHAT THEY DO IS THAT THEY FILE SUIT, AND THEY HIT
17 THAT PERSON WITH ALL ISSUED PATENTS AND ALL CLAIMS.

18 THAT'S WHAT THEY DID TO DIGITOYS. THAT'S WHAT THEY
19 DID TO FREIWALD SOFTWARE.

20 **THE COURT:** BUT THAT'S NOT BEFORE ME. YOU'RE TALKING
21 ABOUT A GENERAL CONVERSATION. SO '406 IS ONE PATENT.

22 **MS. HALL:** YES.

23 **THE COURT:** THAT YOU NAME AS TO WHICH YOUR CLIENT HAS
24 AN APPREHENSION ABOUT BEING SUED.

25 **MS. HALL:** HE WOULD, YES.

1 **THE COURT:** ON WHAT BASIS?

2 **MS. HALL:** ON THE BASIS THAT THEY -- THAT DEFENDANTS
3 HAVE SHOWN A HISTORY OF SAYING TO AN ALLEGED INFRINGER:

4 "You ONLY INFRINGE THIS PATENT OR THAT PATENT,

5 AND THEREFORE, YOU -- AND THEREFORE JUST -- WE
6 BELIEVE THAT YOU OWE US ROYALTIES."

7 BUT WHAT THEY DO, IN FACT, IS THAT THEY SUE THEM FOR
8 ALL, ALL 342 CLAIMS OF THREE ISSUED PATENTS. THAT'S WHAT THEY
9 DO. THAT'S THEIR TACTIC.

10 **THE COURT:** THAT'S WHAT THEY DO? THAT'S WHAT THEY
11 DID? YOU'RE SAYING THEY SUED YOUR CLIENT HERE?

12 **MS. HALL:** NO, THEY DID THAT TO DIGITOYS AND
13 FREIWALD. THEY DO SHOW A PATTERN OF DOING THAT. AND UNDER THE
14 NEW FEDERAL CIRCUIT DECISION ISSUED FEBRUARY 29TH, MICRON VERSUS
15 MOSAID, THEY HAVE A SIMILAR SITUATION.

16 AND MOSAID -- INITIALLY, THE DISTRICT COURT, THE
17 NORTHERN DISTRICT COURT CALIFORNIA JUDGE HAD DISMISSED THAT
18 DECLARATORY JUDGMENT ACTION WHEN MICRON HAD SOUGHT DECLARATORY
19 JUDGMENT OF A SERIES OF PATENTS, INCLUDING PATENTS THAT HAD NOT
20 BEEN IN DEMAND LETTERS.

21 AND FOUR YEARS HAD PASSED BETWEEN THE TIME THE FIRST
22 LETTER WAS SENT AND THE SUIT. SO IT'S NOT EVEN IN THERE AT THAT
23 POINT IN TERMS OF THE INTERACTION BETWEEN MOSAID AND MICRON.

24 IN THAT INSTANCE, THE FEDERAL CIRCUIT LOOKED AT THE
25 SITUATION AND SAID:

1 "THERE IS DECLARATORY JUDGMENT JURISDICTION
2 HERE, "AND REVERSED THE DISTRICT COURT.

3 WE HAVE A SIMILAR SITUATION -- I'VE LAID THIS OUT IN
4 MY SURREPLY IN SOME DETAIL -- WHERE YOU SEE A BUILDUP OF THREATS
5 AGAINST MY CLIENTS, JUST LIKE MOSAID HAD DONE WITH MICRON AND
6 ITS COMPETITORS.

7 AND AS A RESULT OF THAT MY CLIENT HAD REASON TO
8 BELIEVE THAT, YEAH, IN A PARTICULAR SENSE HE MENTIONED THAT
9 DEFENDANTS HAVE SAID THAT MY CLIENT INFRINGES MULTIPLE PATENTS.
10 HE HAS REASON TO BELIEVE THAT, YES, IT COULD BE ANY ONE OF THEM.
11 IT COULD BE ALL.

12 THESE PATENTS ARE ALSO CLOSELY-RELATED; THAT IN MANY
13 INSTANCES THERE'S A SMALL VARIATION OF A WORD, OR A
14 REARRANGEMENT OF CLAIM LANGUAGE. AND FOR THAT REASON WE BELIEVE
15 THAT THE DECLARATORY JUDGMENT JURISDICTION DOES EXIST.

16 WE THINK THAT IF THE COURT DOES NOT RETAIN
17 JURISDICTION WE'RE LOOKING AT A SITUATION WHICH IS CAPABLE OF
18 REPETITION, YET EVADING REVIEW.

19 **THE COURT:** ALL RIGHT. COUNSEL?

20 **MR. JERGER:** WELL, FIRST, THE ONLY DEMAND LETTER MY
21 CLIENT HAS EVER SENT TO PLAINTIFF MENTIONED ONLY THE '329
22 PATENT. AND THAT'S WHAT IS ON THIS LITIGATION.

23 THE LAWSUITS THAT PLAINTIFF'S COUNSEL MENTIONED WERE
24 FILED, BUT WERE NEVER SERVED. AND BOTH APPROXIMATELY
25 FIVE-AND-A-HALF YEARS OLD.

1 THERE IS NOTHING IN THE RECORD THAT PLAINTIFF CAN
2 POINT TO TO SHOW THAT THEY ARE EITHER UNDER A REASONABLE
3 APPREHENSION OF SUIT OR UNDER -- OR THAT THERE'S A SUBSTANTIAL
4 CONTROVERSY OF SIGNIFICANT AND IMMEDIATE REALITY UNDER THE
5 MEDIMMUNE STANDARD. OTHER THAN THE FACT THAT THE ORIGINAL
6 DEMAND LETTER SAYS "PATENTS," THAT IS REALLY ALL THEY HAVE TO
7 LATCH ON TO, THE PLURAL OF THE WORD "PATENTS."

8 **THE COURT:** WHAT DID YOUR CLIENT HAVE IN MIND WITH
9 THE S?

10 **MR. JERGER:** I'VE TALKED TO MY CLIENTS' PATENT
11 ATTORNEY ABOUT THAT, AND HE SAID IT WAS A MISTAKE, AND HE DID
12 NOT MEAN THAT TO REFER TO ANYTHING OTHER THAN --

13 **THE COURT:** SO YOU'RE REPRESENTING TO THE COURT THAT
14 THERE'S NO OTHER PATENTS THAT YOUR CLIENT HAS IN MIND OR HAS
15 EVER HAD IN MIND AS FAR AS CONTENDING THAT THE PLAINTIFF HAS
16 INFRINGED?

17 **MR. JERGER:** AT THIS POINT, YES.

18 **THE COURT:** "AT THIS POINT." YOU'RE SAYING AT
19 ANOTHER POINT YOU MIGHT?

20 **MR. JERGER:** I DON'T KNOW TEN YEARS FROM NOW WHAT
21 THEIR SOFTWARE IS GOING TO LOOK LIKE.

22 **THE COURT:** WELL, YOU'RE SAYING ON THE CURRENT
23 RECORD.

24 **MR. JERGER:** YES.

25 **THE COURT:** I WASN'T BEING FACETIOUS.

1 **MR. JERGER:** YES.

2 **THE COURT:** ALL RIGHT. WHAT ABOUT THIS ARGUMENT THAT
3 PLAINTIFF MAKES CONCERNING THIS SORT OF GENERAL REPUTATION OR
4 COURSE OF CONDUCT OF GOING AFTER PEOPLE? SHE SAYS YOUR
5 CLIENT -- PLAINTIFF CLAIMS YOUR CLIENT DOES, YOU KNOW, ON THE
6 SORT OF SCORCHED EARTH POLICY OF SUING THEM ON ALL ISSUED
7 PATENTS.

8 **MR. JERGER:** AGAIN, THOSE LAWSUITS NEVER CAME TO
9 FRUITION. THEY WERE FILED. THEY WERE NEVER SERVED. THE SCREEN
10 SHOT WEBSITE FREQUENTLY ASKED QUESTIONS THAT PLAINTIFF ATTACHED
11 TO HER SURREPLY THAT'S NOT ON THE INTERNET ANYMORE.

12 THERE ISN'T AN ATMOSPHERE SURROUNDING KAM OR THEIR
13 WEBSITE WHICH WOULD PUT ANYONE IN REASONABLE APPREHENSION AT
14 THIS POINT.

15 THE OTHER THING I WOULD SAY IS THAT I DISAGREE WITH
16 PLAINTIFF'S CHARACTERIZATION OF THE MICRON CASE IN THAT THAT
17 SOMEHOW CHANGES THE STANDARD, DECLARATORY ACTION JURISDICTION.
18 THAT CASE IS REALLY ABOUT VENUE.

19 IN THAT CASE, THE LAWSUIT FROM THE DEFENDANT HAD
20 ALREADY BEEN FILED IN THE EASTERN DISTRICT OF TEXAS. AND ALL
21 THEY ARE REALLY ARGUING ABOUT IS THE FORUM: SHOULD THIS TAKE
22 PLACE IN NORTHERN CALIFORNIA -- NORTHERN DISTRICT OF CALIFORNIA
23 OR THE EASTERN DISTRICT OF TEXAS?

24 IN MICRON MOSAID, THE DEFENDANT, HAD SENT
25 INFRINGEMENT LETTERS SPECIFICALLY TO THE PLAINTIFF ALLEGING

1 INFRINGEMENT OF SPECIFIC PATENTS; HAD, IN FACT, SUED A WHOLE
2 ARRAY OF FOLKS ON THESE PATENTS AND HAD ALREADY FILED SUIT
3 AGAINST MICRON THE DAY THE NORTHERN DISTRICT OF CALIFORNIA
4 ACTION WAS FILED.

5 **THE COURT:** ALL RIGHT. COUNSEL?

6 **MS. HALL:** FIRST, THE ACTION IN TEXAS WAS NOT FILED,
7 IF MEMORY SERVES ME CORRECT ABOUT MICRON VERSUS MOSAID, THE DAY
8 THAT MICRON FILED ITS SUIT HERE IN THE NORTHERN DISTRICT. IT
9 WAS FILED THE NEXT DAY TO SAVE A FIRST-TO-FILE SITUATION.

10 IT IS NOT A CASE ABOUT VENUE. IT IS A CASE WHERE
11 PEOPLE ARE HEEDING IN TERMS OF THE KIND OF LETTERS OR KIND OF
12 ACTIVITIES THAT CAN CREATE DECLARATORY JUDGMENT JURISDICTION.

13 DEFENDANTS SAY THAT THERE WAS ONLY ONE LETTER. THERE
14 WAS NOT ONE LETTER. THERE WERE THREE LETTERS.

15 THERE WAS A LETTER TO LAWRENCE BERKELEY LAB, WHICH
16 ALLEGED MULTIPLE INFRINGEMENTS.

17 INITIALLY, THE ROYALTY WAS ONLY \$19 PER COPY. IT
18 WENT UP TO 29.

19 **THE COURT:** LET ME ASK YOU THIS, YOU KNOW, JUST IN
20 TERMS OF -- LET'S DO A REALITY CHECK HERE.

21 LET'S ASSUME THE COURT FOUND IT HAD JURISDICTION AND
22 LET THIS CASE PROCEED. DO YOU ENVISION, THEN, THAT WE WOULD
23 THEN BE DOING MARKMAN HEARINGS AND DOING DISCOVERY ON EVERY
24 ISSUED PATENT THAT MIGHT CONCEIVABLY APPLY TO YOUR CLIENT TO
25 EXTINGUISH ANY CLAIM, OR WOULD IT BE SUFFICIENT IF, IN RESPONSE

1 TO A REQUEST FOR ADMISSION THE OTHER SIDE SAID AND YOU SAY:

2 "ADMIT THAT YOU'RE NOT CLAIMING INFRINGEMENT ON
3 ANY OF THE FOLLOWING PATENTS OR ANY OTHER PATENTS"?

4 HOW WOULD THIS CASE BE LITIGATED?

5 **MS. HALL:** I THINK PART OF IT IS WHAT YOU JUST
6 SUGGESTED. I THINK --

7 **THE COURT:** WHAT PART?

8 **MS. HALL:** WELL, OBVIOUSLY, WE COULD DO IT BY WAY OF
9 ADMISSIONS.

10 **THE COURT:** RIGHT.

11 **MS. HALL:** I THINK THAT WE CAN BIFURCATE IT AND TAKE
12 PART OF IT IN REEXAMINATION. WE ALSO HAVE FOUR REJECTIONS BASED
13 ON PRIOR ART. AND THESE ARE DEVASTATING REJECTIONS. THEY HAVE
14 HAD TO ABANDON THEIR PATENT APPLICATIONS AS A RESULT OF IT.

15 **THE COURT:** WOULD THEY THEN EVEN BE IN THE LAWSUIT?
16 WHAT I'M THINKING ABOUT IS LET'S SAY I BUY THE ARGUMENT ABOUT
17 ATTORNEY'S FEES; THAT THE COURT CAN MAINTAIN DECLARATORY
18 JUDGMENT JURISDICTION JUST BASED UPON THE EXISTENCE --

19 **MS. HALL:** YES.

20 **THE COURT:** -- OF ATTORNEY'S FEES, POSSIBLE LIABILITY
21 FOR ATTORNEY'S FEES.

22 ARE YOU SAYING THAT THIS CASE WOULD BE LITIGATED ON
23 THE BASIS OF ALL PATENTS EVEN IF THEY SAY:

24 "WE DISCLAIM ANY ARGUMENT THAT YOUR CLIENT
25 BREACHED ANY OF -- ANY PATENTS THAT YOU SUBMIT TO

1 THEM?"

2 **MS. HALL:** I DON'T THINK THAT WE NEED TO DO IT ON
3 THAT BASIS. I THINK THAT WE COULD DO IT ON THE BASIS OF WHAT
4 HAPPENED WITH THE '329. AND THE EVIDENCE THAT WE HAVE CURRENTLY
5 IN THE RECORD, I THINK, SUPPORTS A FINDING OF INEQUITABLE
6 CONDUCT, ALTHOUGH I'M NOT GOING INTO THAT RIGHT NOW.

7 I THINK IT'S ACTUALLY GOING TO BE A LOT EASIER. I
8 MEAN, WE HAVE -- BECAUSE OF THE REJECTIONS WE HAVE ESTABLISHED
9 FACT THAT THERE ARE REFERENCES AND MATERIALS WHICH WERE NOT
10 PRODUCED. WE HAVE A PATTERN OF CONDUCT. IN PARTICULAR WITH
11 SECTION 101 DOUBLE PATENT REJECTIONS THAT SHOW AN INTENT TO
12 DECEIVE.

13 THERE'S MANY, MANY INSTANCES WHERE NORMALLY YOU WOULD
14 HAVE TO GO TO CLAIM CONSTRUCTION IN TERMS OF FINDING WHETHER OR
15 NOT A REFERENCE IS MATERIAL. HERE YOU DON'T HAVE IT. AND THE
16 REASON IS BECAUSE YOU ALREADY HAVE IN THESE REJECTIONS A PATENT
17 EXAMINER SAYING:

18 "THIS REFERENCE IS MATERIAL. I AM GOING TO
19 REJECT CLAIMS ON THE BASIS OF THIS PARTICULAR
20 REFERENCE."

21 THIS IS THE DIGITOYS REFERENCE WHICH THEY LATER SUED
22 THEM ON AND SAID:

23 "THIS INFRINGES," SO --

24 **THE COURT:** ALL RIGHT. FINE.

25 ANYTHING YOU WANT TO SAY?

1 **MS. HALL:** . THANK YOU.

2 **MR. JERGER:** JUST TO CLARIFY AND THEN JUMP INTO THE
3 SECOND QUESTION. BUT I JUST WANT TO CLARIFY THAT OUR POSITION
4 IS THAT, YOU KNOW, IF PLAINTIFF IS IN REASONABLE APPREHENSION OF
5 SUIT UNDER THESE OTHER PATENTS THAT IS IMMATERIAL TO THE ISSUE
6 OF WHETHER THIS COURT RETAINS JURISDICTION OVER THE THREE
7 DECLARATORY ACTIONS FOR THE '329 PATENT.

8 AND THAT'S IN OUR BRIEFS CITING SUPER SACK, AMANA AND
9 THE BENITEC DECISION.

10 I THINK THAT THEY CAN -- AND THIS IS JUMPING INTO
11 QUESTION TWO.

12 **THE COURT:** WHY DON'T WE SEGUE TO QUESTION NUMBER
13 TWO, BECAUSE SPECIFICALLY YOU'VE -- THE PLAINTIFF'S CONCEDED AS
14 THE COURT CITED --

15 **MR. JERGER:** RIGHT.

16 **THE COURT:** -- THAT THE NONINFRINGEMENT INVALIDITY
17 ASPECTS OF THE '329 PATENT WERE MOOT. THE CLAIMS, THIS
18 DISCLAIMER DOES NOT SAVE ANY LITIGATION OVER INEQUITABLE
19 CONDUCT.

20 SO DO YOU HAVE ANY LEGAL AUTHORITY?

21 **MS. HALL:** ACTUALLY, I JUST WANT TO STEP BACK A
22 MOMENT NOW.

23 **THE COURT:** NO, I DON'T WANT YOU TO STEP BACK. I WANT
24 YOU TO STEP FORWARD.

25 **MS. HALL:** JUST THAT THE REASONABLE APPREHENSION --

1 **THE COURT:** I'LL LET YOU --

2 **MS. HALL:** -- HAS BEEN --

3 **THE COURT:** -- AT THE END IF YOU WANT TO ADD
4 SOMETHING --

5 **MS. HALL:** I WILL. ALL RIGHT.

6 **THE COURT:** BUT I WANT US TO KEEP ON MY AGENDA. SO
7 DO YOU HAVE ANY AUTHORITY?

8 **MS. HALL:** MONSANTO VERSUS MONSANTO VERSUS BAYER
9 BIOSCIENCE AND NILSEN, N-I-L-S-S-E-N.

10 **THE COURT:** THAT IS THE CASE -- THE MONSANTO CASE IS
11 THE CASE CITED BY THE COURT IN THE THIRD QUESTION WITH RESPECT
12 TO ATTORNEY'S FEES.

13 **MS. HALL:** YES. I BELIEVE IT IS, YES.

14 **THE COURT:** ALL RIGHT. AND THAT STANDS FOR THE
15 PROPOSITION THAT EVEN WHERE AN INFRINGEMENT INVALIDITY ARE NO
16 LONGER IN THE CASE, THAT THE COURT SHOULD -- THE COURT STILL HAS
17 JURISDICTION TO DECIDE THE QUESTION OF INEQUITABLE CONDUCT.

18 **MS. HALL:** YES.

19 **THE COURT:** ALL RIGHT. WHAT'S YOUR RESPONSE?

20 **MR. JERGER:** WELL, WE STRONGLY DISAGREE WITH THAT.
21 FIRST, THAT'S NOT -- THAT'S NOT WHAT MONSANTO STANDS FOR.
22 FIRST, THERE'S NO SUCH THING AS A CHARGE OF -- A CLAIM OF
23 INEQUITABLE CONDUCT. IT'S A CLAIM OF PATENT ENFORCEABILITY.

24 WHAT MONSANTO SAYS IS TO THE EXTENT THAT A COURT
25 RETAINS JURISDICTION TO HEAR A CLAIM FOR ATTORNEY'S FEES UNDER

1 285, THAT COURT NEEDS TO LOOK INTO OR IS ALLOWED TO LOOK INTO
2 INEQUITABLE CONDUCT OF THE PATENT OFFICE TO DETERMINE WHETHER
3 THERE ARE EXTRAORDINARY CIRCUMSTANCES FOR DETERMINING FOR ANY
4 PARTY ATTORNEY'S FEES.

5 AND THAT IS THE LIMIT OF THE AMOUNT OF JURISDICTION
6 THAT THE COURT --

7 **THE COURT:** SO COULD THE COURT -- I DON'T MEAN TO
8 INTERRUPT YOU, BUT IT DOES TO SOME EXTENT OVERLAP QUESTION
9 NUMBER THREE. WOULD THE COURT RETAIN JURISDICTION TO DETERMINE
10 WHETHER THE PLAINTIFF HAS INCURRED ANY ATTORNEY'S FEES AS A
11 RESULT OF THE EXTRAORDINARY CONDUCT?

12 **MR. JERGER:** NO. EVEN ASSUMING THAT MONSANTO AND THE
13 FEDERAL HIGHWAY (SIC) CASE ALLOW COURTS TO RETAIN JURISDICTION
14 UNDER 285, THIS COURT IN MY OPINION AT THIS POINT COULD REFUSE
15 TO MAINTAIN JURISDICTION UNDER ITS DISCRETIONARY POWERS BECAUSE
16 AS A MATTER OF LAW UNDER BUCKHANNON, THERE'S NO POSSIBLE WAY
17 THAT PLAINTIFF IS THE PREVAILING PARTY.

18 AND 285 IS THE PREVAILING STATUTE. AND BUCKHANNON
19 ANALYSIS APPLIES TO SECTION 285. WHAT BUCKHANNON SAYS IS:

20 "TO BE A PREVAILING PARTY, A PLAINTIFF MUST
21 ACHIEVE ACTUAL RELIEF ON THE MERITS THAT MATERIALLY
22 ALTER THE LEGAL RELATIONSHIP BETWEEN THE PARTIES."

23 IN THIS CASE, THE DEFENDANTS HAVE DISCLAIMED THE
24 PATENT WITH THE U.S. PATENT OFFICE COMPLETELY VOLUNTARILY AND
25 INDEPENDENTLY OF ANYTHING THAT EITHER PLAINTIFF OR THIS COURT

1 HAS DONE.

2 AND THAT'S WHY I CITED THAT RICHARDS CASE CITING THE
3 BARRIOS CASE IN MY SUPPLEMENTAL AUTHORITY YESTERDAY TO FLESH OUT
4 A LITTLE MORE WHAT THE DEFINITION IS OF A CHANGE IN A LEGAL
5 RELATIONSHIP BETWEEN THE PARTIES IS.

6 **THE COURT:** SO ANY CONDUCT THAT OCCURRED PRIOR TO THE
7 DISCLAIMER YOU'RE SAYING THE COURT WOULD NOT HAVE JURISDICTION
8 OVER THAT CONDUCT. IF THERE WAS EXTRAORDINARY CONDUCT BY YOUR
9 CLIENT BEFORE THE DISCLAIMER, IS THAT WHAT YOU'RE SAYING?

10 **MR. JERGER:** IN TERMS OF ASSESSING ATTORNEY'S FEES?

11 **THE COURT:** CORRECT. CORRECT.

12 **MR. JERGER:** WELL, I'M SAYING THAT EVEN IF MONSANTO
13 AND FEDERAL HIGHWAY (SIC) LEAD YOU TO BELIEVE THAT THIS COURT
14 WOULD MAINTAIN JURISDICTION TO HEAR A CLAIM FOR AN ATTORNEY'S
15 FEE PETITION THE PLAINTIFF COULD BRING, AS A MATTER OF LAW
16 PLAINTIFF IS NOT A PREVAILING PARTY. AND I THINK IT WOULD BE
17 APPROPRIATE TO FIND THAT AT THIS POINT --

18 **THE COURT:** IS THAT A JURISDICTIONAL ISSUE, THOUGH?

19 **MR. JERGER:** TO THE EXTENT THAT YOU HAVE THE
20 DISCRETION TO DENY JURISDICTION HERE IN TERMS OF YOUR
21 DECISION --

22 **THE COURT:** SO IT IS A PRUDENTIAL MATTER?

23 **MR. JERGER:** YES.

24 **THE COURT:** MS. HALL.

25 **MS. HALL:** OKAY. I THINK, THOUGH, THE DEFENDANTS ARE

1 KIDDING THEMSELVES IF THEY DON'T THINK THAT THEY -- THEY THINK
2 THAT THEY DID THIS VOLUNTARY AND INDEPENDENTLY.

3 THEY WERE SUBJECT TO AN ORDER FROM JUDGE LAPORTE TO
4 PROVIDE THEIR POSITION ON CLAIM CONSTRUCTION, INVALIDITY,
5 INFRINGEMENT AND INEQUITABLE CONDUCT.

6 **THE COURT:** DOES IT MATTER, THOUGH?

7 **MS. HALL:** WHAT THEY DID, INSTEAD, THEY DISCLAIMED.

8 **THE COURT:** DOES IT MATTER WHY THEY DISCLAIMED?

9 **MS. HALL:** I THINK IT DOES. IT SHOWS THAT IT WAS
10 BROUGHT ABOUT BY A JUDICIAL ACTION. AND, INSTEAD, THEY HAVE
11 NEVER PROVIDED ME ANY OF THIS INFORMATION ABOUT INFRINGEMENT,
12 INVALIDITY OR INEQUITABLE CONDUCT FOR TWO YEARS.

13 YOU KNOW, THROUGH THEIR ANTI-SLAPP THEY KEPT SAYING
14 MY CLIENT, HE INFRINGES. THEY HAVE BEEN DEMANDING \$200,000 FROM
15 HIM, PLUS ATTORNEY'S FEES, GOD ONLY KNOWS, TREBLE DAMAGES.

16 **THE COURT:** SO YOU'RE DISPUTING THE VOLUNTARINESS OF
17 THE DISCLAIMER.

18 **MS. HALL:** I'M DISPUTING THE VOLUNTARINESS. I
19 BELIEVE IT WAS BROUGHT ABOUT BY JUDICIAL ACTION.

20 **THE COURT:** FOR WHAT? WHERE IS THE LEGAL CONSEQUENCE
21 OF THAT?

22 **MS. HALL:** BECAUSE IT HAS THE JUDICIAL IMPRIMATUR.
23 IT THEREFORE MEANS THAT PLAINTIFF IS PREVAILING PARTY. THEY
24 DESTROYED THEIR RIGHTS. THEY DESTROYED THEIR RIGHT BECAUSE OF
25 SOMETHING THAT WE BROUGHT ABOUT BECAUSE OF A JUDICIAL ORDER THAT

1 JUDGE LAPORTE ISSUED. AND IN ORDER TO GET OUT OF PRODUCING THE
2 INFORMATION THAT THEY DID -- PRODUCING THE INFORMATION THEY WERE
3 REQUIRED TO PRODUCE, WHICH, BY THE WAY, THEY HAVE YET TO
4 PRODUCE, THEY DISCLAIMED.

5 **THE COURT:** ALL RIGHT. BUT WHAT ABOUT THE
6 INEQUITABLE CONDUCT? YOU CITED MONSANTO AND THE OTHER CASE THAT
7 YOU MENTIONED. THAT IS THE AUTHORITY FOR THE PROPOSITION THAT
8 EVEN WHERE DISCLAIMER WAS MADE WITH RESPECT TO A PATENT RIGHTS,
9 THAT YOU MADE THE COURT STILL HAS JURISDICTION TO DEAL WITH
10 INEQUITABLE CONDUCT?

11 **MS. HALL:** OKAY. YES. THE TERM IS NOT
12 "EXTRAORDINARINESS" BUT "EXCEPTIONALNESS." AND ONE OF THE
13 THINGS THAT IS CONSIDERED IN DETERMINING WHETHER THE CASE IS
14 EXCEPTIONAL IS INEQUITABLE CONDUCT.

15 THERE IS ALSO A BASIS FOR OTHER INFORMATION OR OTHER
16 EVIDENCE SUCH AS THIS CASE HAS BEEN GOING ON FOR TWO YEARS.
17 THEY COULD HAVE DISCLAIMED TWO YEARS AGO. INSTEAD, THEY BROUGHT
18 ANTI-SLAPP, AND THEY TURNED A QUICK BUCK OFF OF THAT. AND
19 THEY --

20 **THE COURT:** WELL, THAT'S TOTALLY UNCALLED FOR. THEY
21 WERE SUCCESSFUL IN THAT, WEREN'T THEY?

22 **MS. HALL:** THEY WERE. BUT THEY SAID THAT -- THEY
23 SAID THEY HAD A REASONABLE BELIEF OF INFRINGEMENT. AND, WELL,
24 WHEN TIME COMES TO PUT FORWARD THAT EVIDENCE, WHAT HAPPENS?
25 THEY ARE UNDER SUBJECT OF AN ORDER, AND WHAT HAPPENS? THEY

1 DISCLAIM.

2 **THE COURT:** ALL RIGHT. LET ME MOVE ON TO THE NEXT
3 POINT BEFORE I -- AND THEN I'LL HEAR FROM DEFENSE COUNSEL.

4 WHAT DAMAGES WOULD PLAINTIFF ASSERT OTHER THAN
5 ATTORNEY'S FEES RESULTING FROM INEQUITABLE CONDUCT?

6 **MS. HALL:** I'M SORRY?

7 **THE COURT:** WHAT DAMAGES -- IT'S IN THE QUESTION.

8 **MS. HALL:** OH.

9 **THE COURT:** WHAT DAMAGES BESIDE ATTORNEY'S FEES WOULD
10 PLAINTIFF MAINTAIN HE INCURRED AS A RESULT OF THE ALLEGED
11 INEQUITABLE CONDUCT?

12 **MS. HALL:** ANTI-SLAPP. AND I'LL TELL YOU WHY. THEY
13 PUT FORWARD DECLARATIONS --

14 **THE COURT:** WELL, ANTI-SLAPP, THAT DESCRIBES A
15 LAWSUIT. SO YOU'RE TALKING ABOUT THE ATTORNEY'S FEES INCURRED
16 AND PAID?

17 **MS. HALL:** I'M TALKING ABOUT THAT. BUT LET ME
18 ADDRESS IT A LITTLE BIT FURTHER. IN ORDER -- WHAT ANTI-SLAPP
19 DOES IS IT ALLOWS A PARTY TO STRIKE A CLAIM IF THEY ENGAGE IN A
20 PROTECTED ACTIVITY AND THEY PREVAILED IN SAYING THAT THEY HAD A
21 GOOD FAITH BELIEF OF INFRINGEMENT.

22 OKAY. TIME COMES TO PRODUCE THAT GOOD FAITH BELIEF OF
23 INFRINGEMENT, AND WHAT HAPPENS? SUDDENLY, THIS DISCLAIMER.

24 WHAT WE HAVE IS WE HAVE EVIDENCE -- SOME EVIDENCE;
25 NOT COMPLETE YET -- THAT SUGGESTS THAT, ONE, THEY NEVER HAD THAT

1 GOOD FAITH BELIEF OF INFRINGEMENT BECAUSE THEY NEVER DID THE
2 INFRINGEMENT ANALYSIS. IN FACT, I DON'T EVEN THINK THEY DID THE
3 CLAIM CONSTRUCTION ANALYSIS.

4 AND, TWO, OKAY, ON THAT BASIS, THAT MEANS THAT THEY
5 DID NOT HAVE A GOOD FAITH BELIEF OF INFRINGEMENT, AND,
6 THEREFORE, THEY WOULD NOT HAVE BEEN PERMITTED TO PREVAIL ON
7 ANTI-SLAPP.

8 TWO, WE BELIEVE --

9 **THE COURT:** SO YOU'RE SAYING THAT FRAUD IS
10 PERPETRATED ON THE COURT IN INDUCING THE COURT TO GRANT THE
11 MOTION TO STRIKE.

12 **MS. HALL:** EXACTLY. AND ALSO, THERE'S ANOTHER --

13 **THE COURT:** AND THE REMEDY IS A LAWSUIT. WOULDN'T
14 THE REMEDY BE SOME SORT OF MOTION FOR SANCTIONS OR -- NOT THAT
15 I'M SUGGESTING THIS -- MALICIOUS PROSECUTION OR ANYTHING OF THAT
16 NATURE?

17 **MS. HALL:** IT COULD POSSIBLY BE A MOTION FOR
18 SANCTIONS, BUT THE ISSUE OF LITIGATION OF MISCONDUCT IS AND IS
19 EVIDENCE THAT YOU TAKE INTO CONSIDERATION IN DETERMINING WHETHER
20 THE CASE IS EXCEPTIONAL.

21 THAT IS ONE OF THE ELEMENTS THAT THEY DO TAKE INTO
22 CONSIDERATION.

23 AND I WANT POINT OUT NOT ONLY IS IT AN ASSERTION THAT
24 MY CLIENT INFRINGED, AND THEN THEY GOT THIS ANTI-SLAPP AWARD,
25 AND THEY PRODUCED DECLARATIONS TO THAT EXTENT, FOR MULTIPLE

1 PATENTS. THEY HAVE BEEN SAYING "MULTIPLE PATENTS." ANOTHER
2 BASIS IS IS IF THEY KNEW THAT THE CLAIM WAS INVALID, AND THAT
3 THEY PROCURED THE PATENT BY INTENTIONALLY WITHHOLDING MATERIAL
4 REFERENCES WITH INTENT TO DECEIVE, THAT IS WALKER PROCESS FRAUD.

5 THAT IS ANY ACTION WHEN YOU ARE ENGAGED IN WALKER
6 PROCESS FRAUD IS ALSO UNPROTECTED ACTIVITY UNDER THE FIRST
7 AMENDMENT. SO, THEREFORE, THEY WOULD NOT BE ABLE TO HAVE
8 RECEIVED THAT ANTI-SLAPP AWARD.

9 **THE COURT:** AND DAMAGES WOULD BE ATTORNEY'S FEES,
10 RIGHT?

11 **MS. HALL:** ESSENTIALLY RETURNING THE -- REVERSAL OF
12 THOSE AWARD AND ALSO, I THINK, PROBABLY GRANTING PLAINTIFF'S
13 COUNSEL'S FEES.

14 **THE COURT:** ALL RIGHT.

15 **MR. JERGER:** WHAT PLAINTIFF FAILS TO UNDERSTAND IS
16 THAT AN ECONOMIC DECISION TO DISCLAIM A PATENT DOESN'T MEAN THAT
17 MY CLIENTS DO NOT HAVE A GOOD FAITH BASIS THAT PLAINTIFF WAS
18 INFRINGING.

19 IT JUST DOES NOT FOLLOW. MY CLIENTS CHOSE TO FILE THE
20 DISCLAIMER INSTEAD OF LITIGATING THIS, PERIOD. THAT'S ALL YOU
21 CAN INFER FROM THAT.

22 SECOND, JUST TO TOUCH ON THIS IDEA FROM PLAINTIFF'S
23 COUNSEL THAT THERE IS SOME SORT OF JUDICIAL IMPRIMATUR TO THE
24 DISCLAIMER, JUDGE LAPORTE ISSUED A SCHEDULING ORDER ASKING US TO
25 PROVIDE SOME INFORMATION AT THE SETTLEMENT CONFERENCE.

1 AT THAT POINT, WE DECIDED TO DISCLAIM THE PATENT FOR
2 WHATEVER STRATEGIC AND ECONOMIC REASONS MY CLIENTS WANTED TO
3 USE.

4 THAT SCHEDULING ORDER IS CLEARLY NOT JUDICIAL RELIEF
5 ON THE MERITS. AND I THINK THAT THE BARRIOS CASE THAT I CITED IN
6 MY SUPPLEMENTAL AUTHORITY REALLY DEFINES THIS AND FLESHES THIS
7 OUT WELL.

8 IT EXPLAINS THAT A LEGAL RELATIONSHIP IS ALTERED WHEN
9 THE PLAINTIFF IS ENTITLED TO FORCE A JUDGMENT, CONSENT DECREE OR
10 SETTLEMENT.

11 IN OTHER WORDS, THE RELATIONSHIP BECOMES ALTERED WHEN
12 THE PLAINTIFF CAN POINT TO SOME DOCUMENT AND SAY:

13 "I'M FORCING YOU, DEFENDANT, TO DO SOMETHING.

14 HERE'S A JUDGMENT. HERE'S A CONSENT DECREE. OR
15 HERE'S A SETTLEMENT WE HAVE ENTERED INTO."

16 MY CLIENTS 100 PERCENT AND COMPLETELY VOLUNTARY
17 DISCLAIMED THE PATENT WITH THE PATENT OFFICE OF THEIR OWN
18 VOLITION.

19 PRIOR TO BUCKHANNON, BEFORE THE SUPREME COURT HAD
20 DISAVOWED THE CATALYST THEORY THAT MIGHT HAVE BEEN ENOUGH TO
21 ALLOW YOU TO DECLARE THEM PREVAILING PARTIES. BUT AFTER THE
22 DISAVOWAL OF THE CATALYST THEORY WHEN YOU HAVE AN ACTION THAT IS
23 COMPLETELY AND A HUNDRED PERCENT VOLUNTARY ON THE PART OF THE
24 DEFENDANTS THEY CANNOT AS A MATTER OF LAW BE THE PREVAILING
25 PARTY.

1 **THE COURT:** AND THAT EXCEPTIONAL CONDUCT GOES OUT THE
2 WINDOW. THAT'S JUST -- THAT'S WHERE YOU SAY THE COURT SHOULD
3 REFRAIN FROM EXERCISING JURISDICTION.

4 **MR. JERGER:** EXACTLY. BECAUSE IF YOU READ SECTION
5 285 THERE'S TWO REQUIREMENTS THAT WOULD -- TWO STEPS THAT WOULD
6 HAVE TO BE MET FOR YOU TO FIND THAT THEY ARE ENTITLED TO
7 ATTORNEYS FEES. ONE, THAT THEY WERE PREVAILING PARTIES. AND,
8 TWO, THAT THERE WERE EXCEPTIONAL CIRCUMSTANCES.

9 I'M SAYING THAT THE PREVAILING PARTIES IS A THRESHOLD
10 ISSUE. THERE'S NO REASON TO EVEN GET TO THE SECOND ISSUE OF
11 EXCEPTIONAL CIRCUMSTANCES OR INEQUITABLE CONDUCT AT THE PTO,
12 BECAUSE AS A MATTER OF LAW PLAINTIFF CANNOT BE A PREVAILING
13 PARTY UNDER BUCKHANNON AND ITS PROGENY.

14 **THE COURT:** ALL RIGHT.

15 **MS. HALL:** YES.

16 **THE COURT:** DO YOU WANT TO REPLY BRIEFLY? LOOKS LIKE
17 YOU HAVE A LETTER THERE.

18 IS THIS A SMOKING-GUN DOCUMENT?

19 **MS. HALL:** YES, ACTUALLY, IT IS. BUT --

20 **THE COURT:** ALL RIGHT.

21 **MS. HALL:** -- I NEED HIS PERMISSION TO GIVE IT TO THE
22 COURT.

23 **THE COURT:** WELL, I DON'T WANT TO SEE ANYTHING --

24 **MR. JERGER:** IT'S A DOCUMENT WE SUBMITTED TO THE
25 SETTLEMENT JUDGE FOR SETTLEMENT PURPOSES. I DON'T KNOW WHY

1 THAT'S RELEVANT.

2 **THE COURT:** I DON'T WANT TO GET INTO THAT.

3 **MS. HALL:** I DID HAVE SOMETHING FURTHER.

4 **THE COURT:** ALL RIGHT. THIS IS UNDER QUESTION FOUR,
5 IF YOU DO HAVE SOMETHING YOU WANT TO ADD, BRIEFLY.

6 **MS. HALL:** SANDISK VERSUS STMICROELECTRONICS
7 RECOGNIZED THAT MEDIMMUNE CHANGED THE REASONABLE APPREHENSION
8 OF IMMINENCY STANDARD, AND THEY REJECTED THAT STANDARD ON THE
9 DIRECTION OF MEDIMMUNE.

10 TWO, THIS WAS BY FAR DEFINITELY NOT VOLUNTARY
11 CONDUCT. IF YOU TAKE A LOOK AT THE TIMING OF WHEN JUDGE LAPORTE
12 ISSUED HER ORDER THERE'S NO SCHEDULING ORDER BY ANY STRETCH OF
13 THE IMAGINATION. IT IS ORDER NUMBER 199. THAT WAS -- IT WAS
14 DATED JANUARY 23RD.

15 THEY WERE GIVEN UNTIL JANUARY 31ST TO PRODUCE WHAT
16 THEY WERE REQUIRED TO.

17 **THE COURT:** BUT DOESN'T IT AMOUNT TO A DECREE OR A --
18 YOU KNOW, MAYBE THEY SAW THE HANDWRITING ON THE WALL BEST CASE
19 FROM YOUR PERSPECTIVE. IT'S NOT A JUDICIAL DECREE.

20 **MS. HALL:** THE COURTS HAVE MADE IT VERY CLEAR THAT A
21 CONSENT DECREE -- AND I GO INTO THIS IN SOME DETAIL IN MY
22 SURREPLY -- IT DOES NOT REQUIRE A DECREE. IT DOES NOT REQUIRE A
23 SUMMARY AGREEMENT. IT DOES NOT REQUIRE A FINAL JUDGMENT.

24 THERE ARE A VARIETY OF SITUATIONS THAT CAN RESULT IN
25 A PARTY GAINING PREVAILING PLAINTIFFS STATUS. SOME IS DISCUSSED

1 IN INLAND STEEL, WHICH I BELIEVE WE CITE.

2 AND WE BELIEVE THAT THIS WAS FORCED ABOUT BY JUDGE
3 LAPORTE'S ORDER. THEY WERE SUPPOSED TO PRODUCE THIS DOCUMENT ON
4 JANUARY 31ST. THEY ARE --

5 **THE COURT:** I UNDERSTAND THAT. THAT'S IN YOUR
6 PAPERS. ALL RIGHT.

7 **MS. HALL:** YES. AND THEY PRODUCED THIS.

8 **THE COURT:** ALL RIGHT. FINE.

9 ANYTHING FURTHER YOU WANT TO SAY ON YOUR MOTION?

10 **MR. JERGER:** ON THE NEW DISCUSSION, NO, YOUR HONOR.

11 **THE COURT:** ALL RIGHT. LET'S MOVE TO DEFENDANTS'
12 MOTION TO DISMISS COUNTS FIVE AND SIX AND TO STRIKE --

13 **MS. HALL:** WELL, ACTUALLY, THERE WAS ONE OTHER THING.

14 **THE COURT:** YOU DON'T HAVE THE FLOOR, ALL RIGHT?

15 **MS. HALL:** I AM SORRY.

16 **THE COURT:** I DON'T CARE IF THERE'S ONE OTHER THING.

17 **MS. HALL:** ALL RIGHT.

18 **THE COURT:** QUESTION NUMBER ONE UNDER DEFENDANTS'
19 MOTION, WHAT IS THE ANSWER TO THE QUESTION NUMBER ONE, MS. HALL?
20 DO YOU HAVE ANY DISPUTE ABOUT THE TIME?

21 **MS. HALL:** YES.

22 **THE COURT:** WHAT IS IT? WHAT IS THE BASIS OF THE
23 DISPUTE AND WHAT IS IN ISSUE?

24 **MS. HALL:** THERE ARE -- FIRST OF ALL, THERE ARE
25 MULTIPLE PRODUCTS OF KATZER'S. WE HAVE NO IDEA WHEN THEY

1 FIRST -- WHEN THEY WERE FIRST DISTRIBUTED, COPIED, MODIFIED.

2 THERE ARE MULTIPLE VERSIONS OF JMRI SOFTWARE. WE
3 NEED TO GET ALL THIS STRAIGHTENED OUT IN ORDER TO BE ABLE TO
4 DETERMINE WHAT -- WE NEED TO GET IT ALL STRAIGHTENED OUT BEFORE
5 WE CAN GET IT DETERMINED WHEN AND WHERE STATUTORY DAMAGES ARE
6 AVAILABLE.

7 **THE COURT:** ALL RIGHT.

8 **MR. JERGER:** I THINK IT'S PRETTY WELL LAID OUT IN THE
9 70-PAGE COMPLAINT, AND PLAINTIFF'S ALLEGATIONS POINT TO NUMEROUS
10 INSTANCES. OPPOSITION -- PLAINTIFF'S OPPOSITION BRIEF AT PAGE 2
11 PLAINTIFF STATES THAT INFRINGEMENT COMMENCED FOR VERSION .9 BY
12 2005.

13 PARAGRAPH 271 OF THE COMPLAINT SAYS JUNE 18TH, 2005.

14 PARAGRAPH 309 OF THE COMPLAINT ALLEGES THAT MY
15 CLIENTS DISTRIBUTED DECODER COMMANDER ON JULY 6, 2005.

16 PARAGRAPH 310 OF THE COMPLAINT SAYS:

17 "BETWEEN JULY 2005 AND JUNE 2006, DEFENDANTS
18 COPIED AND DISTRIBUTED AT LEAST 300 COPIES OF THEIR
19 INFRINGING PRODUCTS."

20 PARAGRAPH 317 OF THE COMPLAINT ALLEGES THAT THE FIRST
21 REGISTRATION OCCURRED ON JUNE 13, 2006.

22 BASED ON PLAINTIFF'S FACTS WHICH WERE TAKEN TO BE
23 TRUE UNDER THIS MOTION TO DISMISS STANDARD, THE ALLEGEDLY
24 INFRINGING ACTIVITIES OCCURRED PRIOR TO THE FIRST REGISTRATION
25 ON JUNE 13TH, 2006.

1 SO THE ONLY ISSUE THAT'S LEFT IS WHAT SHE JUST
2 ALLUDED TO, WHICH IS: COULD THESE BE CONSIDERED SEPARATE WORKS
3 WHEREBY THE LAST TWO REGISTRATIONS COULD HAVE GIVEN RISE TO
4 NEWLY INFRINGING ACTIVITIES AND LIABILITY?

5 AND THE ANSWER IS: NO.

6 AND THAT'S WHY I CITED THAT WALT DISNEY CASE IN MY
7 SUPPLEMENTAL PAPERS YESTERDAY. IF YOU TAKE A LOOK AT THAT CASE
8 IT DEFINES WHAT A SEPARATE WORK IS. UNDER THE COPYRIGHT ACT
9 WORKS, UNDER THE DEFINITION OF THE STATUTE, AREN'T SEPARATE
10 WORKS.

11 AND THE WALT DISNEY CASE, WHICH IS A D.C. CIRCUIT
12 CASE FROM 1990, SAYS:

13 "FOR PURPOSES OF DETERMINING DAMAGES TO FIGURE
14 OUT WHETHER A WORK IS A SEPARATE WORK IT MUST LIVE
15 ITS OWN COPYRIGHTED LIFE AND HAVE INDEPENDENT
16 ECONOMIC VALUE."

17 AND THAT'S 897 F.2D 565. AND THE JUMP CITE IS 569.

18 HERE WE'RE TALKING ABOUT NEW VERSIONS OF THE DECODER
19 COMMANDER SOFTWARE. SO PERFORMING THAT ANALYSIS, TAKING OUT
20 WHAT WAS PUT IN IN EACH VERSION, PUTTING THAT, WHATEVER THAT IS,
21 ON ITS OWN, CLEARLY INDICATES THAT THAT DOESN'T HAVE ANY
22 ECONOMIC VIABILITY ON ITS OWN. IT ISN'T A SEPARATE WORK.

23 THEREFORE, ALL OF THIS IS ONE WORK. IT'S ALL ONE
24 INFRINGING ACT -- ALLEGEDLY INFRINGING ACTIVITY. AND IT ALL
25 COMMENCED BEFORE THE FIRST REGISTRATION, THEREFORE PLAINTIFFS

1 ARE NOT ENTITLED TO STATUTORY DAMAGES OR ATTORNEY'S FEES UNDER
2 THE COPYRIGHT ACT.

3 **THE COURT:** MS. HALL?

4 **MS. HALL:** EVERY CASE THEY CITE INVOLVES A FACTUAL
5 DETERMINE AS TO WHEN ACTUAL INFRINGEMENT -- NOT ALLEGED --
6 ACTUAL INFRINGEMENT BEGAN.

7 WE HAVEN'T EVEN GOTTEN TO ANY OF THAT. THERE IS SO
8 MUCH THAT NEEDS TO BE DETERMINED IN DISCOVERY. EVERY SINGLE ONE
9 OF THOSE CASES COME AFTER DAMAGES HAVE BEEN AWARDED. AND THE
10 REVIEWING COURT IS SAYING:

11 "WELL, THERE'S STATUTORY DAMAGES AVAILABLE, OR
12 ARE THEY NOT?"

13 WE NEED TO GET THIS CASE GOING FURTHER ON TO
14 DETERMINE EXACTLY WHETHER OR NOT INDIVIDUAL ISSUES -- INDIVIDUAL
15 VERSIONS OF JMRI SOFTWARE ARE SEPARATE ON THEIR OWN.

16 WE NEED TO GET FURTHER INFORMATION AS TO WHEN THEY
17 CREATED THEIR SOFTWARE, WHETHER THEY HAVE DIFFERENT VERSIONS.

18 **THE COURT:** ALL RIGHT. I UNDERSTAND THAT.

19 I WANT TO MOVE TO QUESTION NUMBER TWO WHICH GOES TO
20 WHAT DAMAGES THE PLAINTIFFS ALLEGE YOU SUFFERED AS A RESULT OF
21 THE ALLEGED BREACH OF CONTRACT.

22 **MS. HALL:** THIS IS A DIFFICULT ISSUE. AND IT IS
23 BECAUSE THIS CASE INVOLVES OPEN SOURCE SOFTWARE, WHICH IS PUT
24 OUT ON THE INTERNET AVAILABLE FOR DOWNLOAD. TYPICALLY, NO MONEY
25 IS CHANGED -- NO MONEY IS EXCHANGED.

1 **THE COURT:** SO YOU'RE SAYING THE DAMAGES ARE
2 INCALCULABLE.

3 **MS. HALL:** PARTLY THAT. BUT WE THINK --

4 **THE COURT:** PARTLY WHAT ELSE?

5 **MS. HALL:** -- IT IS -- IT ALSO DEPENDS ON WHO IT --
6 WHAT EXACTLY ARE THE DAMAGES? WHAT IS THE DEAL, ESSENTIALLY,
7 BETWEEN --

8 **THE COURT:** YOU'RE THE PLAINTIFF. YOU NEED TO TELL ME
9 WHAT THE DEAL IS.

10 **MS. HALL:** THIS IS A DIFFICULTY, AND THIS IS THE
11 REASON WHY WE THINK IT'S IMPORTANT TO BE GIVEN THE OPPORTUNITY
12 TO DEVELOP LEGAL THEORIES INVOLVING NEW INTELLECTUAL PROPERTY
13 RIGHTS.

14 THERE ARE A NUMBER OF GROUPS OUT THERE WATCHING THIS
15 CASE. WE HAVE A NUMBER OF AMICI. PEOPLE ARE GETTING A LITTLE
16 NERVOUS ABOUT SOME OF THE THINGS THAT ARE HAPPENING IN THIS
17 CASE. AND I'VE GOT AN AMICUS WHO IS JOINING US IN FEDERAL
18 CIRCUIT OVER THIS, SIX OF THE MOST POWERFUL OPEN SOURCE GROUPS
19 IN THE COUNTRY.

20 IF WE SAY "CONTRACT" -- IF WE SAY YOU CAN'T -- IF YOU
21 SAY YOU CAN'T RECOVER FOR BREACH OF CONTRACT HERE, THIS IS THE
22 SITUATION THAT WE HAVE.

23 YOUR PREVIOUS ORDER SAID THAT RELIEF FOR VIOLATION OF
24 THE LICENSE TERMS HERE LIES IN THE CONTRACT, NOT IN THE
25 COPYRIGHT. AND WHAT THIS ORDER HERE WOULD SAY IS THAT YOU CAN'T

1 RECOVER IN CONTRACT AT ALL.

2 THIS COURT REJECTED OUR ARGUMENTS ABOUT REVOCATION OF
3 A LICENSE. ESSENTIALLY, WHAT IT DOES IS IT SAYS IF YOU POST
4 CONTENT ON THE WEB, THEN ANYONE CAN DO ANYTHING THEY WANT WITH
5 IT, AND IT DOESN'T MATTER BECAUSE YOU HAVE ESSENTIALLY --

6 **THE COURT:** COUNSEL, YOU'RE REARGUING WHAT THE COURT
7 HAS ALREADY DECIDED. IF I'M WRONG, THE FEDERAL CIRCUIT WILL
8 TELL ME.

9 **MS. HALL:** I'M TELLING YOU ABOUT --

10 **THE COURT:** IF THE ANSWER TO THE QUESTION IS THAT THE
11 DAMAGES ARE INCALCULABLE, THAT IS THE ANSWER TO THE QUESTION. I
12 DON'T NEED ANY FURTHER ARGUMENT.

13 ALL RIGHT. DO YOU HAVE ANYTHING TO SAY?

14 **MR. JERGER:** NO, YOUR HONOR.

15 **THE COURT:** ALL RIGHT. LET'S MOVE ON TO QUESTION
16 NUMBER THREE. AND, HOPEFULLY, THIS IS AN EASY ONE.

17 "WOULD IT BE PRUDENT FOR THIS COURT TO STAY
18 DECISION ON THE DCMA CLAIM REGARDING THE PRELIMINARY
19 INJUNCTION?"

20 **MS. HALL:** YES.

21 **MR. JERGER:** WE DON'T HAVE AN OBJECTION TO THAT,
22 YOUR HONOR.

23 **THE COURT:** ALL RIGHT.

24 OKAY. ANYTHING FURTHER? WHY COULDN'T THEY ALL BE
25 THAT EASY? AT LEAST THE ANSWERS.

1 ANYTHING FURTHER YOU WANT TO SAY, MS. HALL, THAT
2 YOU'VE NOT ALREADY SAID? IF NOT, WE'RE GOING TO CLOSE.

3 **MS. HALL:** YES. WE BELIEVE THAT THE PLAINTIFF SHOULD
4 BE PERMITTED TO DEVELOP A RECORD, AND THAT IT'S PREMATURE TO
5 DISMISS ANY OF THESE ITEMS.

6 WE BELIEVE THAT CONTRACT IS NOT NECESSARILY LIMITED
7 TO ONLY MONETARY ISSUES, BUT THERE ARE INSTANCES WHERE YOU COULD
8 HAVE AN EXCHANGE OF PROMISES TO, YOU KNOW, ONE PARTY DO ONE
9 THING, ONE PARTY DO ANOTHER THING.

10 AND IF ONE PARTY DECIDES NOT TO DO WHAT THEY WANT YOU
11 CAN'T PUT A MONETARY VALUE ON IT. I MEAN, THERE'S A POTENTIAL
12 THAT THIS IS ACTUALLY A THIRD-PARTY BENEFICIARY CONTRACT.

13 WE NEED AN OPPORTUNITY TO KEEP THESE CLAIMS IN TO
14 DEVELOP THE RECORD, TO DEVELOP THE LEGAL THEORIES BEHIND IT.
15 AND WE THINK THAT FOR THOSE REASONS IT'S PREMATURE TO DISMISS.

16 **THE COURT:** ALL RIGHT. ANYTHING FURTHER YOU WANT TO
17 SAY?

18 **MR. JERGER:** JUST IN RESPONSE TO THAT, REGARDLESS OF
19 PLAINTIFF'S DESIRE BREACH OF CONTRACT ACTIONS IN CALIFORNIA ARE
20 LIMITED TO MONETARY DAMAGES.

21 **THE COURT:** ALL RIGHT. LET'S MOVE ON. THE MATTER IS
22 SUBMITTED.

23 I WANT TO MOVE NOW TO THE CASE MANAGEMENT CONFERENCE.
24 I DON'T HAVE A LOT TO SAY ON THAT. JUST A COUPLE OF
25 OBSERVATIONS AND QUESTIONS WITH RESPECT TO IF ANY DATES,

1 ADDITIONAL DATES WILL BE SET AFTER THE ORDER IS ISSUED ON THE
2 PENDING MOTIONS.

3 SO I'M NOT GOING TO GIVE YOU DATES AT THIS POINT. BUT
4 I AM GOING TO ASK -- WANT TO ADVISE THE PARTIES WITH RESPECT TO
5 PAGE 7 OF THEIR STATEMENT THAT -- WHICH SAYS THAT VARIOUS
6 PARTIES EXPECT TO FILE MOTIONS FOR SUMMARY JUDGMENT BEFORE TRIAL
7 ON ALL CLAIMS.

8 I WANT TO REMIND THE PARTIES THAT ONLY ONE SUCH
9 MOTION PER SIDE IS ALLOWED. SO CHOOSE IT CAREFULLY, AND DON'T
10 GIVE IT TO ME PIECEMEAL BECAUSE THAT'S MY STANDING ORDER. AND I
11 DON'T ALLOW, ABSENT EXTRAORDINARILY GOOD CAUSE, WHICH I RARELY
12 FIND. SO ONE MOTION PER SIDE, AND CHOOSE IT CAREFULLY.

13 AND THEN, THE QUESTION I HAVE FOR DEFENDANTS YOU SAY
14 ON LINE TWELVE, PAGE 7:

15 "KAM AND KATZER ANTICIPATE NEW PARTIES WILL BE
16 ADDED."

17 AND THEN, IT SAYS:

18 "JACOBSEN MAY ALSO ADD NEW PARTIES."

19 SO FIRST OF ALL, FROM THE DEFENDANTS' PERSPECTIVE,
20 WHICH PARTIES DO YOU INTEND TO ADD?

21 **MR. JERGER:** THAT WAS THERE FROM ONE OF THE ORIGINAL
22 CASE MANAGEMENT STATEMENTS. AT THIS POINT I DON'T BELIEVE WE
23 WILL BE ADDING ANY NEW PARTIES.

24 **THE COURT:** HOW ABOUT FROM THE PLAINTIFF'S
25 PERSPECTIVE?

1 **MS. HALL:** I HAVE MR. KATZER ADDED IN AS AN
2 INDIVIDUAL. I THINK WE WOULD ALSO ADD HIM IN AS PARTNER OF THE
3 KAM INDUSTRIES PARTNERSHIP.

4 **THE COURT:** ALL RIGHT. WELL, LET'S WAIT UNTIL THE
5 COURT ISSUES AN ORDER AND SEE WHAT'S OUT THERE AND WHAT THE
6 ISSUES ARE, AT LEAST ACCORDING TO THIS COURT.

7 ALL RIGHT. ANYTHING FURTHER FOR THE CASE MANAGEMENT
8 CONFERENCE FROM MS. HALL'S PERSPECTIVE?

9 **MS. HALL:** THIRD-AMENDED COMPLAINT?

10 **THE COURT:** WHAT?

11 **MS. HALL:** THIRD-AMENDED COMPLAINT? ARE WE LOOKING
12 AT A SITUATION WHERE WE MAY BE PERMITTED TO FILE A
13 THIRD-AMENDED?

14 **THE COURT:** WELL, I DON'T GIVE ADVISORY -- THAT'S THE
15 PURPOSE OF ISSUING AN ORDER AND CONTEMPLATING ARGUMENT,
16 INCLUDING ORAL ARGUMENT. I WILL CERTAINLY INDICATE IF THERE
17 IS -- IT'S TEE'D UP APPROPRIATELY, WHETHER SUCH IS NECESSARY OR
18 APPROPRIATE.

19 ANYTHING FURTHER FROM THE DEFENDANTS?

20 **MR. JERGER:** NO, YOUR HONOR.

21 **THE COURT:** ALL RIGHT. THANK YOU COUNSEL.

22 (THEREUPON, THIS HEARING WAS CONCLUDED.)

1 CERTIFICATE OF REPORTER

2 I, KATHERINE WYATT, THE UNDERSIGNED, HEREBY CERTIFY
3 THAT THE FOREGOING PROCEEDINGS WERE REPORTED BY ME, A CERTIFIED
4 SHORTHAND REPORTER, AND WERE THEREAFTER TRANSCRIBED BY ME INTO
5 TYPEWRITING; THAT THE FOREGOING IS A FULL, COMPLETE AND TRUE
6 RECORD OF SAID PROCEEDINGS.

7 I FURTHER CERTIFY THAT I AM NOT OF COUNSEL OR
8 ATTORNEY FOR EITHER OR ANY OF THE PARTIES IN THE FOREGOING
9 PROCEEDINGS AND CAPTION NAMED, OR IN ANY WAY INTERESTED IN THE
10 OUTCOME OF THE CAUSE NAMED IN SAID CAPTION.

11 THE FEE CHARGED AND THE PAGE FORMAT FOR THE
12 TRANSCRIPT CONFORM TO THE REGULATIONS OF THE JUDICIAL
13 CONFERENCE.

14 IN WITNESS WHEREOF, I HAVE HEREUNTO SET MY HAND THIS
15 22ND DAY OF APRIL, 2008.

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