Transcript of **TELEPHONIC JUDGE'S CONFERENCE**

Date: May 20, 2014

Case: MICROSOFT CORPORATION v. SURFCAST, INC.

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

MICROSOFT CORPORATION, : Inter Partes

Petitioner, : Review No.:

v. : IPR2014-00271

SURFCAST, INC., : IPR2013-00292

Patent Owner. :

Patent No. 6,724,403 :

Issued: April 20, 2004 :

Filed: October 30, 2000 :

Inventors: Ovid Santoro, et al. :

Title: System and Method for :

Simultaneous Display of :

Information Sources :

Telephonic Judge's Conference Before

The Honorable Michael Tierney and Matthew R. Clements

Sacramento, California

Tuesday, May 20, 2014, 2:00 p.m.

Job No.: 59133 Pages: 1 - 59

Reported by: Denice Lombard, CSR

Telephonic Judge's Conference with the Patent Trial and Appeal Board:

Phone: 866-702-0697

Pursuant to Agreement, before DENICE LOMBARD, CSR.

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P R O C E E D I N G S

JUDGE TIERNEY: We're starting the call. This is Judge Tierney joining with Judge Clements, and we're going to have identification of counsel for the parties. I'm going to begin with Patent Owner. If you could please identify who is on the line for you today.

MR. BONE: Yes, this is Richard Bone, lead counsel for Patent Owner SurfCast.

JUDGE TIERNEY: Thank you. Anyone else with you today?

MR. HEINTZ: Your Honor, this is James Heintz, also for Patent Owner.

JUDGE TIERNEY: And just out of curiosity, who requested the court reporter today?

MR. BONE: Patent Owner.

JUDGE TIERNEY: Okay. You will be responsible for submitting a copy of the transcript as an exhibit? Is there any question about that?

MR. BONE: No question, no.

JUDGE TIERNEY: Thank you. Anyone else for Patent Owner today before I move on?

MR. BONE: No.

JUDGE TIERNEY: Moving over to Petitioner, do I have representative of Petitioner on the line?

MR. KUSHAN: Yes, Your Honor. This is Jeff Kushan, and with me is Joe Micallef.

JUDGE TIERNEY: Anyone else for the Petitioner?

MR. KUSHAN: No.

JUDGE TIERNEY: My understanding is the Patent Owner requested the call today. Is that correct, Patent Owner?

MR. BONE: That's correct.

JUDGE TIERNEY: Okay. So I'd like to begin today's call then for Patent Owner to take a couple minutes and just give us an overview of the relief you're seeking today, after which we'll go ahead and we'll hear from Petitioner on the points you raise. So you have the floor, Patent Owner.

MR. BONE: Thank you, Your Honor. I've noted in the e-mail requesting the call, we'd requested relief on two -- sorry, there was disturbance on the line there.

MS. MARTIN: Counsel, hello?

JUDGE TIERNEY: Yes?

MS. MARTIN: Hi. My name is Tasha Martin. I'm the court reporter. I just joined the conference.

JUDGE TIERNEY: Okay. You're a court reporter for whom? The Patent Owner or Petitioner?

MS. MARTIN: For Mr. Bone.

JUDGE TIERNEY: Mr. Bone, do you have one or two court reporters on the line today?

MR. BONE: I only requested one.

MR. KUSHAN: So we had -- Your Honor, we had requested a court reporter, but I had not appreciated there was a second court reporter. So why don't we have Mr. Bone's court reporter drop off and we'll just proceed with the one we've already suffered through to get to this point of comprehension if that's okay.

MS. MARTIN: That is fine, Counsel. I understand. I'm signing off.

MR. KUSHAN: Thank you.

MR. BONE: Thank you.

JUDGE TIERNEY: My understanding is Petitioner has a court reporter on the line, not Patent Owner, and Petitioner, you're responsible for submitting a copy of

the transcript as an exhibit in the file.

MR. KUSHAN: Yes, Your Honor. We will take care of that.

JUDGE TIERNEY: Thank you. Now we'll go back to where we were. And Patent Owner, if you could please go ahead and give us an overview today.

MR. BONE: That's correct. So as noted in my e-mail requesting this call, we had wanted to seek relief on two issues, and they are somewhat related. I would just state the two issues for the record, and then I'll begin by talking a little bit about the first.

The first issue is we had wanted to request relief for an additional motion to amend. And the second issue is that we had also wanted to request briefing on the claim-construction standard for this proceeding.

Now, in the context of the first issue, which was our wish to bring an additional motion to amend, you may know from the record, Your Honor, that there was a conference call with the Board and the parties on April 16 in which Patent Owner first raised this issue.

And after that -- as a result of that call, the parties were instructed to meet and confer.

Now, Patent Owner provided Petitioner's counsel with two proposed adjustments to the language of the substitute claim. But what ultimately happened is that Petitioner's counsel wanted to receive from us essentially a written briefing on the merits of these changes, which would have been quite voluminous, and we frankly saw as an attempt to frustrate or delay consideration of the issue, frankly something we found a little bit ironic given that there is a parallel District Court proceeding in which the Petitioner had opposed a motion to stay.

So we have a kind of situation where the Petitioner wanted to keep a District Court case going at full speed but then doesn't seem to want us to be able to bring issues to the table timely in this proceeding.

JUDGE TIERNEY: Okay. At this point I want to note the 35 USC 316 does allow for additional motions to amend. However, it is a limited right or ability, I should say ability. It's 316 D 2:

"Additional motions to amend may be permitted upon joint request of Petitioner and Patent Owner to materially advance settlement."

The Patent Owner is not seeking to materially advance settlement at this time, correct?

MR. BONE: Well, I would say with some irony, Your Honor, that I think that you may intuit that settlement of this case is perhaps a distant prospect at this stage.

JUDGE TIERNEY: This is a simple -- I'm asking hopefully and easy question. You're not seeking to file an additional motion under the first prong of 316 D 2.

MR. BONE: That's correct.

JUDGE TIERNEY: It's under the second prong as permitted by regulation, regulation prescribed by director which would be good cause, correct?

MR. BONE: That's correct.

JUDGE TIERNEY: So what I'd like to hear then is the good cause for the second motion to amend.

MR. BONE: Yes, Your Honor. So there's two-fold reason for this. Firstly, just a general --

it's the general disposition of amendments as we've seen empirically in watching inter partes review evolve, amendments appear to be actually quite rarely granted. In fact, we're not aware of any that have been granted. We understand --

JUDGE TIERNEY: I'll point out there was one granted. It should have just went out within the last hour, so . . .

MR. BONE: Welcome news I think for patent holders.

But the general principle I was trying to get at is we understand that the disposition of these proceedings is that motions to amend are firstly only considered if its main claim, the unamended claims, are considered untenable.

And then therefore, if we were in that unhappy situation, the amended claims would be our last backstop. And therefore we would want to be able to make sure that those claims are not susceptible to, how shall I say, minor issues that could sink them.

And in considering the Petitioner's opposition to our motion to amend, some we think relatively minor

issues were raised that we felt could be actually quite simply addressed with some adjustments to the substitute claim language. And essentially that would be our basis for good cause.

JUDGE TIERNEY: So let me make sure I understand it correctly. You would actually be modifying the proposed claims and not just modifying the briefing that goes in explaining the basis for the claims.

MR. BONE: Well, I think -- the motion for additional amendment would obviously be supported by a limited amount of briefing, but it would not be briefing that would disturb the positions we have already made in our prior briefing.

JUDGE TIERNEY: So basically the claims that are provided in your motion for the remaining claims, you'll be proposing a second set of proposed substitute claims.

MR. BONE: Well, that's correct. The language change would be quite minor though.

JUDGE TIERNEY: And could you walk me through -- let pull it up on my screen, and then give

me just one moment for that. I'm pulling up your motion to amend.

And can you walk me through what you say the minor changes to the claim language would be. I'm looking at "Our Proposed Substitute Claim 56." It's a substitute for Claim 46.

MR. BONE: Claim 53 I believe.

JUDGE TIERNEY: Oh, apologies. It's Claim 53, substitute for Claim 46.

MR. BONE: So if you look at page 2 of our motion to amend, there is underlying language eight lines down. And where you would see after a comma "said grid of tiles," that would become "said tiles." That's the first adjustment.

JUDGE TIERNEY: And the need for that adjustment is --

MR. BONE: We believe that's simply a clarity issue. In the opposition to amend Petitioner had raised an objection to the way that phrase was written and made an argument that it contained an internal inconsistency, which we don't happen to think that argument is compelling, but we want to make sure that

any possible ambiguity there is resolved.

JUDGE TIERNEY: Okay. Please continue.

MR. BONE: The second request is, if you go to the bottom of page 2, three lines up from the bottom, we would propose to add "by a user" after "wherein the tiles are selectable."

JUDGE TIERNEY: At this moment I'm writing this down. And you said added language would be "by a user"?

MR. BONE: Yes.

JUDGE TIERNEY: And the need for that language is --

MR. BONE: This arises because of a reference that Petitioner relied on in their opposition to our motion to amend. And it's not a reference over which trial has been instituted. And we had deposed Petitioner's expert on some aspects of that reference, and through that discovery concluded that there was a potential interpretation of that reference -- which, again, we don't necessarily agree with -- but could raise a potential issue for this claim language.

And we think that adding the "by a user,"

which is fully supported by our specification, would clarify that particular issue.

JUDGE TIERNEY: Let me just ask a question to clarify. I have not gone through in great detail on this, so if my questions are overly simplistic, so be it.

If it's unselectable by a user, who is it selectable by?

MR. BONE: There was a question that came up in the context of this reference -- the reference is Kosts, K-o-s-t-e-s -- as to whether somehow the operating system of the computer was able to perform a selection operation.

JUDGE TIERNEY: But in terms of at least obviousness, and, I mean, when you say tiles are selectable, isn't it obvious for one of ordinary skill in the art to have a person actually select? And certainly when you read the specification for saying selectable, isn't it the normal reading it's selectable by a user?

MR. BONE: Well, sir, when you say isn't it obvious, did you actually mean obvious as being

unpatentable?

JUDGE TIERNEY: Two things, two different questions. One is on patentability. I'm not sure why we need to go, and how it's going to -- "by a user" would overcome a reference necessarily, so I'm not sure that's necessary there.

Too on a claim-construction note, "are selectable," wouldn't you say the normal reading would be selectable by a user in light of your specification?

MR. BONE: I believe that is, but, I mean, as you are fully aware, the Board's reasonable construction mandate could be stretched to accommodate selection operations.

JUDGE TIERNEY: Okay. I see where you're going. I'm just trying to make sure that I'm not misunderstanding the position you're taking.

MR. BONE: I think we actually fully understand each other here.

JUDGE TIERNEY: Okay. Are there any other changes that you're seeking to be made?

MR. BONE: That was all.

JUDGE TIERNEY: Thank you. And at this point,

if I may, is there anything else before I turn to Petitioner?

MR. BONE: No, Your Honor.

JUDGE TIERNEY: Okay. Let's go to Petitioner. On the issue of this second motion to amend where it's taking out the word "of" on page 2, line 8, and on page 2 third line from the bottom they add "by a user," could you please explain any objection you have to having them put in a claim of that nature.

MR. KUSHAN: So let me first clarify that I believe their first amendment is to change the phrase "grid of tiles" to "tile."

MR. BONE: To "tiles" plural.

MR. KUSHAN: Yeah, grid of tiles" to "tiles" plural, and is not simply to remove the word "of," but it's changing kind of the concept from going a "grid of tiles" to "tiles" as they've cast it.

And the second amendment you have stated correctly.

So our position, we have been trying to understand how the changes they have proposed would resolve any of the patentability issues that we had

previously identified, first in our petition, and then in our opposition to the motion to amend.

And we have not been given information from Patent Owner that helps us resolve that question. We don't see how any of the amendments they're proposing would in fact alter the rejection or alter the trans-patentability that has been stated and found the way we see the prior art relating to the claim language.

And so when we were trying to engage the Patent Owner in discussion about how these amendments would address things we had previously identified, unfortunately we didn't get the response to the substance of our questions.

And so we sit today unable to give you an answer how this would actually materially advance the proceedings, because they're not resolving any of the issues that we identified, both in the petition and in our opposition to the motion.

JUDGE TIERNEY: Well, Petitioner, what if we were to go ahead and authorize a corrected amendment where instead of -- it would be essentially a second

amendment to a second motion to amend, but we would just have it replace the first motion to amend, no new briefing. They would not need to brief anything further. All they're doing is putting cut and paste almost on that Claim 53 with that language they just proposed, and the briefing stands as it's already been filed. Would you have any objection at that point?

MR. KUSHAN: Well, we certainly would object, and let me just give you an explanation. The change that they have identified, the "grid of tiles" to "tiles," I believe has come from our opposition where we had pointed out a lack of support for modifying -- a fair amount of confusion actually in their patent about the attributes of tiles versus the attributes that would be sort of the grid of tiles.

And so moving from "grid of tiles" to "tiles" actually we think has a fairly substantive question that's engaged, and that issue has not been briefed as framed.

JUDGE TIERNEY: Well, wouldn't that actually put their claim in better condition for -- in terms of like the next prosecution where we say it's a better

position for allowance?

MR. KUSHAN: I don't believe so, Your Honor. We had presented a prior art that addressed the concept of using tiles or forms of windows that -- you know, that I don't think the issues relative to the prior art are resolved by the changes they're proposing.

JUDGE TIERNEY: I understand. Let's focus though on the -- I was hearing a slate and puts it indefiniteness that it was hard to understand the meaning of the claim in light of the specification when you say "grid of tiles." Wouldn't it at least add some clarity to the claim language if this went to the "tiles" language.

MR. KUSHAN: Well, no, see they're still having difficulty -- I think there's still a significant issue of whether that new claim would be supported under 112.

JUDGE TIERNEY: With this minor change does that add to the problem or actually at least alleviate it in terms of construction of the claim?

MR. KUSHAN: I don't think it alleviates it. I think it's keeping it in same the same posture that

it is now, which that it's not supported as it's presented.

JUDGE TIERNEY: Well, then let's back. So you're saying that it makes no substantive difference either way.

MR. KUSHAN: Well, we would like -- obviously we briefed and responded to their presentation in the claim amendment based on looking at their specification and addressing what we thought was the new claim language.

But this amendment would disrupt the briefing that has been presented as to the claim term "grid of tiles" which we've had analyzed against the written description.

So the issue that we're having concern with by the amendment is that we would have to rely on our briefing relating to the "grid of tiles" concept and written description, and hope that that is sufficient to guide you as to the support for "tiles" which is a different phrase.

And that's a substantive concern which we don't think has been fully briefed in the record.

MR. MICALLEF: Your Honor, let me also try to answer your question.

JUDGE TIERNEY: Yes, please.

MR. MICALLEF: One of the concerns -- I don't think the change to the written description is an issue. But one of the concerns that I have is I don't really see why they think this may have an effect on the patentability issues as to Kostes.

And so -- and we asked questions of them to that and never got a substantive answer. So it would seem to me, if they are correct that it may have an effect on the patentability issues as to Kostes, then simply letting them put it in there without giving us a chance to address it, and also without their showing any good cause for a second amendment, seems like that's not the right thing to do under the regulations.

JUDGE TIERNEY: I'm aware of the regulations. What I'm trying to find out though is, is Patent Owner -- basically the Patent Owner comes in and says, 'I need minor corrections to my claim so I'm not having form over substance here. I want to make sure that my claims are basically found to be patentable by the

Board and upheld. And I don't want to have these procedural hurdles or nit picks" basically is what I'm kind of getting the gist.

So if there's a minor edit they can do please, let it in. That's what I'm hearing from that side.

I understand from your side you're saying there may be -- it's not necessarily more patentable with the amended language, but you're saying their briefing is not as precise because the language changed.

MR. KUSHAN: And we do feel that the term "grid of tiles" and "tiles" as used as a definitional element of the claim, they're different. And the necessary analysis here to go through for 112 support is going to be different. It's a fact-dependent analysis to see whether the support is there in either term.

JUDGE TIERNEY: So what I'm trying to find though is at lease see if there's any way on this phone call -- and maybe that I'll have to take it under advisement with my panel members -- to see if there's some way to balance out -- we do not want to prejudice

the Patent Owner where they feel like they're going to have a procedural or minor hurdle here that's going to prevent them from getting a motion to amend granted.

At the same time we want to obviously allow Petitioner full opportunity to respond to any substantive changes that are made.

And so is there a way that we can find a path through this so that both sides are able to have a proper way of going forward?

Can you give me any proposed solutions to this question that's been posed?

MR. KUSHAN: Well, your Honor, I guess we're kind of at a challenge here to answer your question. One of the issues that we believe would have to be engaged first is whether the amendment that's being proposed would in some way advance the proceeding.

We appreciate the guidance you're giving us, which is is this going to be a minor issue that they believe is appropriate to fix. And our view is that it's not a minor issue, it does require and raise new issues relative to the briefing that's been completed on the claim amendment.

JUDGE TIERNEY: How much additional briefing would be required by this? How many pages are needed to address the -- again, I'll tell you what I'm hearing here is they're minor issues, what Patent Owner is saying. I'm looking at the changes. They do not appear on their face to be major changes. So I am sensitive to the face that you have not been able to brief if they are major or minor or changes.

How much briefing would be entailed if we did allow these changes to be in, no further briefing by the Patent Owner?

MR. MICALLEF: Your Honor, I would say I can't imagine it would be much, but I also -- because I haven't been given any information about this on the patentability front before this phone call, I'm not so sure I can answer. But it would certainly be minuscule and maybe nothing.

MR. KUSHAN: So what I understand is you're proposing to allow us to file a supplemental brief relative to their amendment so they aren't going to be putting additional amendments in.

JUDGE TIERNEY: If the panel were to go ahead

and authorize the Patent Owner to go ahead and file their motion to amend as a corrected motion to amend, in a sense second motion to amend, it would be a replacement; and the sole replacement would be changes they've identified on the phone in that claim language, Claim 53; we would then allow the Petitioner an opportunity to go ahead and put in some we'll call it supplemental briefing, or however you want to term it, of a limited nature. That's one suggestion.

And I would want to confer with the panel before we went with it. I'm trying to find out on the phone if there's some balance we can give here so that both sides feel they've had an opportunity to present their case in the best light.

MR. BONE: Your Honor, this is counsel for Patent Owner. Maybe I can just ask a quick clarification.

JUDGE TIERNEY: Yes.

MR. BONE: I mean, I assume that if you were to proceed this way you would actually also ask us to provide our own 112 support for the correcteded amendments?

JUDGE TIERNEY: How much 112 support is needed? Is it just going to be anything more than just identifying where in the specification -- I mean, are we talking column/line? Or are you actually trying to find a briefing on it? Understanding you're saying they're very minor.

MR. BONE: Well, I believe we can do it by column and line, simple as that.

JUDGE TIERNEY: So they are of a minor nature, and since they are of a minor nature, I'm -- at least myself -- willing to entertain the fact that you'll go ahead and have this replacement.

And so I'm turning to the Petitioner and seeing if there's some way I can propose to the panel when we take it under advisement, is there some way of alleviating any problems that you're saying may arise due to patentability issues that we are not seeing on the phone necessarily?

MR. KUSHAN: So if you're asking us how many pages we need to address the 112 or other issues we can see in the claims, we could do that with a small briefing, five pages max, because I don't know -- I

think what we would want to have is the right to go back and assess the 112 questions and the prior art issues that we identified before and address any issues as they are presented by the amended claim.

But we would limit ourselves to five pages to do that, because we would assume it would be primarily a technical focus of our conference. That would be one approach we could take where we respond to their amendment.

Again, we'd have -- I'm setting aside our concerns about good cause and the timing and sequencing of all this, because you've asked us to focus on just the scenario of an additional briefing.

JUDGE TIERNEY: Again, I understand you're saying that the good cause is not presented here. However, I am hearing from the Patent Owner that they're saying good cause is just such a minor nature.

And that is something that we're unable to decide on the phone today, whether it is a minor or major nature. And it may need briefing.

But if we're going to have briefing on that issue, then it would be -- it seems to be like why not

allow them the opportunity to put in their corrected claim, identify the column/line and allow you up to five pages of briefing.

I mean, again, I'm just looking for possible solutions to the problem that's been identified.

MR. KUSHAN: If you proceed in that manner we can live with that. We would certainly want to make sure we don't have any delays in the schedule that's been set in the case. And I assume that part of your calculus is to avoid any of those delays.

JUDGE TIERNEY: We are attempting to keep this case on schedule.

So now I have proposed at least a solution that the Petitioner can live with.

Patent Owner, I'm going back to you now. The proposed solution you've been listening to, the proposed solution would allow you to file a corrected motion to amend. Your correction could be on Claim 53. You would put in the edits you've identified, and you would also add in a very brief identification column/line citation for the two edits you're proposing.

The petition then would be given up to five pages to go ahead and provide some briefing on solely briefing the patentability issues raised by the, shall we say, minor corrections that were done to Claim 53.

Patent Owner, do you have any objection to such a proposal? And if so --

MR. BONE: I think that's a good proposal. I mean, there's two comments. One is technical, and that is are you expecting therefore that we effectively incorporate by reference the argument portion of the prior motion to amend?

JUDGE TIERNEY: What I would suggest doing, just for simplicity -- and this is open -- different ways of handling -- you could just basically take what you filed before, make the minor edits in there, add the cite to column/line and just file it.

So those are the only changes you'd be making. And then it would be all in one document. So you'd have your briefing, your claim, et cetera.

Alternatively you could do as you suggest and have a separate document where you just have Claim 53 and a column/line. Which do you prefer?

MR. BONE: I think probably the first, but actually I wanted to possibly sort of defer an answer to that until we discuss the second issue that we have for this call.

And then the other comment I was going to say, just to be a little more argumentative, is it seems to us that five pages may be rather excessive for Petitioner's reply brief. But it may be that the rules don't permit you anything less than five pages.

JUDGE TIERNEY: The rules actually in this instance, since it is not specified by rule, it is up to the panel. And here, since we are taking the unusual step of allowing these lawyers in effect a second motion to amend, I don't necessarily -- let's put it this way. I'm not entirely convinced that five pages are necessary. But I'm trying to alleviate prejudice to all around.

So I'm allowing Patent Owner to try and bring in a claim that they may not have been entitled to necessarily, but I'm also trying to eliminate prejudice to the Petitioner by giving them some flexibility. And if they're saying they need up to five, I would grant

them the up to five with the understanding that they're not to use them unless the need to.

In other words, don't just add in argument for argument sake.

MR. BONE: Okay, I understood, Your Honor.

JUDGE TIERNEY: And then as to how you wish to file the corrected motion to amend, I'm assuming I will contact -- I'll ask Judge Clements if he has any objection to the proposed solution at this time. We can hear from Judge Clements. He's on the line.

JUDGE CLEMENTS: No objection from me.

JUDGE TIERNEY: And Judge Clements, could you identify a best way for them to file such a proposed corrected amendment or second motion to amend, however you'd like to style?

JUDGE CLEMENTS: I think if the corrected motion to amend were one document, that would probably be the most helpful. And I guess if it is one document that's replacing the prior motion to amend, if Patent Owner can file maybe a redline agains the previous motion to amend just to make it easier to identify the changes, that would be helpful.

JUDGE TIERNEY: Patent Owner, do you have any questions regarding that?

MR. BONE: No, I think that would be fine. But as I said, I think we also need to address the second issue we wanted to raise. And also there is a time consideration of -- you know, the proposal does leave it up to -- I mean sort of -- it is basically a good-faith measure that Petitioner won't introduce new material into their reply.

JUDGE TIERNEY: I'm confident that if they introduce new material you will identify it. I would caution you however, we do allow some leeway if their commentary is directed to the new language, it will be taken in the scope of what's been authorized.

If they take it upon themselves to go outside that scope, they do risk the entire briefing to be stricken from the record. And I would not hesitate to strike it should I believe they have exceeded their authority, the authorization given.

MR. BONE: Fair enough, Your Honor.

MR. HEINTZ: Your Honor, if I may, I just want to understand, when we file the corrected amendment or

corrected motion, are we saying just file a single document with redlines, or do we want a clean copy and like an attachment showing the redlines?

JUDGE TIERNEY: I would prefer it be a clean copy, and you can submit it in exhibit a redline. If you'd rather have it as an appendix, I'll leave it to you and your discretion. You may file it either as an exhibit or an appendix, whatever suits you.

MR. HEINTZ: Thank you, Your Honor.

JUDGE TIERNEY: Okay. Any further questions regarding the format?

MR. BONE: No, Your Honor.

JUDGE TIERNEY: Okay. We'll turn to the District Court claim construction. However, I do want to make sure before I forget, we will need a timing for the filing of these papers and leave that issue -- make sure we don't forget to address before we adjourn today.

So going to the second issue, Patent Owner, you identified an issue regarding how we should construe claims. If you'd like to give us a little bit of background on that issue now.

MR. BONE: Yes, thank you, Your Honor.

So as I alluded to earlier -- and you've actually corrected me -- I would have said two hours ago that to date no Patent Owner motion has been granted. However, you're telling me that in fact one has now. But still the statics are one out of more than 20 I believe.

And there has also been the recent PTAB road shows that went across the country in which some slides were presented by the PTAB panels which offered, in our view, new guidance to patent owners to how to make -- the PTAB standards for supporting an amendment.

The point is, that at the time that we made our original motion to amend, which is in January of this year, we did not have the benefit of that guidance, nor did we have the benefit of the statistics which show that granted motions to amend are extremely rare.

And we've read, given one of the guiding opinions in this area, which I believe was written by yourself, Your Honor, in CBM 2012-00001, which says that the BRI standard in inter partes review is

justified in large part because the Patent Owner has the ability to amend the claims.

And that's commensurate with the rest of the way the office behaves, which is that if the Board claim construction standard, the fact that a Patent Owner can amend allows them to essentially cope with issues that raises.

So we're here in the situation of our motions to amend having been filed and briefed, and Petitioner having had a chance to reply.

And we think that, you know, given the history of this and the evolving standard of the way that amendments are justified, it seems that in fact what would be proper in our instance is to have the Phillips standard of claims construction applied when the Board ultimately rules on this case rather than the BRI standard.

And mindful of the scheduling in this case, we were hoping to be able to have the parties submit a brief on this issue. We believe that could be done before the currently scheduled oral hearing, but basically we would like to have that issue briefed.

JUDGE TIERNEY: I'm not entirely clear on why we would use the District Court standard in place of BRI at this point. Can you please focus in on that issue for me and why we would want to use the District Court standard. I understand you say you weren't aware, so you didn't necessrily brief it. But why is this case needing a District Court standard?

MR. BONE: Well, the reason is, Your Honor, is that at point at which we had justified our motion to amend, we were not aware that in fact the standard for that is very high. And we think that empirically the standard that had in fact been articulated by the Board is actually -- I mean, dare I say inconsistent with the overall principle of BRI. It actually makes it too hard for a Patent Owner.

And therefore it would be more -- given the high likelihood that a motion to amend ultimately is unsuccessful, it would seem more appropriate to have the Phillips standard apply.

JUDGE TIERNEY: The alternative, you're saying you're filing a motion to amend, and we've just spent all this time talking about the need for a motion to

amend, and I relieved some of the burdens for you.

But at the same time we're also going to apply a District Court standard which contemplates no amendments being entered.

MR. BONE: So I think if you appreciate the way it works is that a claim construction is applied under some standards to the claims of the patent in unamended form. And it's only if the claims there are found unpatentable that you get to consider the need for a motion to amend.

The point is, I guess, that if a motion to amend can almost never be successful, that would seem to vitiate the idea of applying BRI to the unamended claim.

JUDGE TIERNEY: So you're saying we should find first if your motion to amend is -- well, I'm still trying to figure out why you're filing a motion to amend if you're saying it's going to be unsuccessful.

MR. BONE: Well, at the time we filed it we were not aware that it would be unsuccessful.

So let me just restate it one more time. Our

understanding is that the Board only ever rules on a motion to amend in any situation if the underlying claims are found unpatentable, that is the unamended claims. And of course we would ultimately hope that our unamended claims survive this defeat is obviously our goal.

One puts in a motion to amend as something of a backstop; in other words, a fallback position. The point being that you would get to that on a motion to amend would be considered, and it's consistent with the BRI construction being applied to the unamended claim.

Now, if ultimately you apply the BRI standards to those claims but still a motion to amend is almost impossible to grant, that seems to me to be inconsistent with the overall application of the BRI standard.

JUDGE TIERNEY: I beg to differ on the impossible to grant language. I think that's not an entirely correct proposition at this point.

MR. BONE: Well, we're still looking at one out of 25 or so, which admittedly is not impossible. I concede that.

JUDGE TIERNEY: I just want to point out, these are the early cases. We have not hit a steady state yet for our process. And that's actually -- I understand there are some difficulties, and you're saying there was difficulty understanding how the motion to amend would progress.

In a sense, I think you can tell today, I've been somewhat inclined to allow you an opportunity to try and make some changes to your motion to amend to try and alleviate some of the burdens here.

MR. BONE: Yes, I appreciate that.

JUDGE TIERNEY: So that's why I'm not entirely convinced today that we're using an impossible standard. It may be -- I agree it may not be as easy as it would be in an ex parte prosecution. But I'm not sure that wouldn't necessarily vitiate the brief standard.

However, I'll allow Judge Clements to chime in if he sees something differently or hears something differently.

JUDGE CLEMENTS: No, my views are consistent with Judge Tierney.

MR. HEINTZ: Your Honor, may I make one additional brief point on this topic?

JUDGE TIERNEY: Of course. Let's hear it.

MR. HEINTZ: Sure. As you know, we only amended Independent Claim 46 and its dependents. We did not attempt to amend Claim 1 or the other independent claim, Claim 22.

And the reason for that, a large part of the reason for that, had to do with the restrictions on the page limits for these motions.

As I think I've expressed before, we were under tremendous pressure to get everything into the 15 pages. And as a result of that page limit, we didn't try to amend the other claims, and we didn't present the possibly different claim amendments that we might have tried in a ex parte process.

And even despite how much we tried to do in our conditional motion for amendment, we also, as you know, addressed the prior art that was perceived to be the most relevant. Even there, Microsoft identified this Myers reference as something that we should have done and has taken the position, which has not yet been

ruled on, that the failure to address this one reference means or motion must fail for that reason alone.

And so the point is that it is very -- your ability to amend the claim as a Patent Owner in these proceedings is very much curtailed. And when the application of the BRI rests on the ability to amend the claims, we believe that given these very significant -- not impossible, but very significant restrictions that have been placed on it as a result of the rules, and more particularly the evolving case law that's happened, that under these conditions when you weigh those two factors, the application of the BRI is not justified.

And we mean no disrespect for that. We understand the Board's position and your well-reasoned opinion, but just under the circumstances we think it's a very significant restriction on the ability to amend such that the BRI should not really be applied.

JUDGE TIERNEY: I would just like to say I understand you're saying that there are certain hurdles that are being imposed, and I'm trying to find out if

there's a way in this case to try and lessen those hurdles or remove some of the hurdles.

For example, in the second motion to amend we are authorizing it here. Is there another hurdle that you feel in particular was overly hampering your ability to respond that we need to consider at this point?

MR. HEINTZ: Well, I would say if we had more pages to write the motion to amend we could have amended the other claims.

JUDGE TIERNEY: And refresh my recollection. Apologies. I have a few cases on my docket. I don't remember on this particular one. Did we have a request for an additional amount of pages that we denied?

MR. HEINTZ: You did not have a request, but we discussed at length this issue with yourself and Judge Chang in particular. I remember her talking about it. And the overwhelming impression we got was that we needed to do this in 15 pages.

You may remember one of the questions we raised was, we had an independent claim and 20 claims that depended from it. And so if we tried to amend the

independent claim, that would mean we'd asked if we could use an appendix, to put the claim amendments into an appendix rather than have it could against 15 pages. And we were told no, you were not allowed to do that.

And so I will tell the Court that we did not specifically request, after being told that we couldn't put it in an appendix, request additional pages. But it was my impression, and I spoke to Dr. Bone after the call, it was our impression that we were being told you had to get it done in 15 pages.

JUDGE TIERNEY: I appreciate that. I thank you for the answer. Is there something at this point though that you feel is a procedural hurdle which is prejudicing you unnecessarily, if we were to go forward with the broadest reasonable, that you wish the Board to consider and in any way modify or reduce the procedural hurdle? Is there something we can talk about today or --

MR. HEINTZ: Well, beyond allowing us to submit an amendment for the other independent claims as we were not able to address in our previous amendment -- sorry, motion to amend, no.

MR. BONE: I will just add this, Your Honor. We don't see it as much as a procedural hurdle as actually something that could still be accommodated in this proceeding given that we would expect to brief the claim-construction standard and show that it would still -- even changing the standard would still support the patentability of our main claims under the constructions we put on.

JUDGE TIERNEY: Is that something you can raise at hearing though? Because at this point we are pretty much near the end of the briefing schedule, and I would not want you to bring in additional issues that would require additional briefing and could obviously impact the schedule.

But if it's something that you feel necessary, is there a reason why you would not be able to bring it up at hearing if we authorize some discussion at this point?

MR. BONE: I believe that we could do that with appropriate authorization.

JUDGE TIERNEY: And now we've had a long discussion with the Patent Owner. I would like to hear

Petitioner's points of view on this issue.

MR. KUSHAN: Thank you. Hearing the discussion raises a number of concerns. First of all, it's not simply your discretion to shift gears on the claims construction. There's a rule that was promulgated after a notice of common rule making that says you're to stop and follow and use the broadest reasonable construction.

JUDGE TIERNEY: And let's stay away from -- what I'd like to hear more from on the Petitioner, I understand substantively that there's a disagreement. I understand what the Board's rule is. And I've written a case I think was referred to on this, and to use the broadest interpretation.

Procedurally, though, what I'd like to know is, at this stage of the proceeding if the Patent Owner were to bring up the issue saying at the oral hearing that they would like us to apply the District Court claim construction and get some discussion of that, is there any procedural issue that you wish to raise regarding that, or do you believe it's going to improperly prejudicing the Petitioner's case should we

authorize them to bring it up at the hearing?

MR. KUSHAN: I'm coming up with an answer to that question. And there it may be yes to both.

So I think we will accommodate whatever the Board tells us to accommodate in terms of briefing. I think one of the challenges we've had in briefing to date is that the pleadings you've seen from the Patent Owner has presented a number of different proposed readings and interpretations of their claims. And that's somewhat confusing to have to deal with.

JUDGE TIERNEY: Let's back up. We do have -- the rule is BRI applies. The default there is BRI will apply. At hearing, the Patent Owner wishes to raise the issue that it may be best to, for this particular case, raise the District Court claim construction and would give us an explanation of it.

MR. MICALLEF: Let me object. I am also actually counsel in the parallel litigation, so I know something about the claim interpretations that Patent Owner has been asserting there.

And I would like to point out that they have asserted those claim interpretations in the Patent

Owner's response, including one interpretation that is much broader than the Petitioner adopted in the institution decision, and they haven't even asserted any patentability argument.

So listen. If Your Honor wants to hear argument on which standard should apply as opposed to which claim interpretation, we will do it.

JUDGE TIERNEY: And all I'm saying is, it's not what I wish to hear, it's that I want to provide the parties an opportunity to present their case in the best light that they believe would be appropriate.

And here I'm hearing the Patent Owner saying they believe appropriate to use some of their time -- or briefing, as what they proposed -- but I'd rather have it at the hearing if they wish to bring it up and save some of the time and argue why a District Court claim construction would be appropriate.

If they wish to do so, I want to know how much procedural or prejudicial aspect there is to the Petitioner to have them do so.

MR. KUSHAN: Well, Your Honor, if you're going to confine them to the same amount of time that you've

already scheduled or anticipated providing, and that's how they choose to argue their case, that helps address some of our concern.

One of the issues, obviously, is that once the arguments have proceeded, we assume that we'll be able to rebut or address in response whichever issues we think merit a response at the oral hearing.

If in fact there is some inclinication of the Panel to take up and employ -- use some of these alternative constructions, then I would hope there would be an opportunity to respond to that. But I understand we don't really want to disrupt the schedule.

My feeling is at this point, as long as you're keeping the parameters locked down as to the amount of time, then we'll work within that structure, and we'll address whatever issues come up during the hearing.

So I don't think we wish to have any additional overlay of briefing on the issue at this point in the proceeding, and we just want to get to the oral hearing and get to the motion proceedings.

JUDGE TIERNEY: Judge Clements, would you find

it acceptable to just allow the Patent Owner to raise it as briefing -- sorry, raise it at the hearing even though there's no technical briefing on that particular point?

JUDGE CLEMENTS: Yes, I would be fine with that.

JUDGE TIERNEY: So I think this is a way of ensuring that the schedule goes forward without disruption is to authorize the Patent Owner to bring it up to the extent they believe it's in their best interest.

So hearing from my copanelist, the Patent Owner is authorized to go ahead and raise the issue of whether or not BRI or District Court claim construction should apply at the oral hearing.

And of course should the Petitioner believe a rebuttal is necessary, they would be able to create their rebuttal at that time. No additional briefing, though, is authorized at this time on that particular issue.

Any demonstratives to be provided on District Court claim constructions should be limited to whether

or not we should use District Court construction over BRI and not just try and merely reargue the case. So we will limit, then, the demonstratives to only this specific issue, BRI or not to BRI.

Any questions by Patent Owner?

MR. BONE: No questions, Your Honor.

JUDGE TIERNEY: Okay. Anything from the Petitioner on this point?

MR. KUSHAN: No, Your Honor.

JUDGE TIERNEY: Okay. Now, before I said we would go back to the issue of filing the corrected amendment and some briefing on that, we had to set dates. Could the parties please provide us with what dates they think best.

Let's start with the Patent Owner. When would you like to submit your corrected amendment? Or shall we term it a second motion to amend? What would you like to do in this case?

MR. BONE: Given the way that you characterized it on this call, I think it's probably proper to call it a corrected motion.

JUDGE TIERNEY: Okay.

MR. BONE: I think May 30th would be the latest.

JUDGE TIERNEY: And then Petitioner, do you have any objections to May 30th?

MR. KUSHAN: No.

JUDGE TIERNEY: And then about what time would you be able to provide your up to five pages of briefing?

MR. MICALLEF: Your Honor, I'm kind of scratching my head about why Patent Owner said May 30th. It's a redline that they already have. They could file it tomorrow.

I mean, that's fine. The reason I'm scratching my head also is because there's an awful lot to do both in these proceedings and in the related parallel litigation, which is in the middle of expert discovery.

JUDGE TIERNEY: And I'll just make it easy. Petitioner, if you need to -- they're asking for 10 days to submit what is, as you said, a very simple thing. Do you wish to have two weeks to then respond?

MR. KUSHAN: That would be fine, Your Honor.

JUDGE TIERNEY: Okay. So pick me a date, throw me a date that we can go with.

MR. KUSHAN: So we're just going into our calendar. So that would be the 13th -- June 13th, Your Honor.

JUDGE TIERNEY: I find that acceptable.

Any objection by Patent Owner?

MR. BONE: No objection, Your Honor.

JUDGE TIERNEY: Okay. So both sides are having what I believe to be ample time to do this. If there's an objection, let me know now. Either side have any objection to these dates? Hearing none, the Panel adopts -- Judge Clements that includes you. Do you have any objection to May 30 and June 13th?

JUDGE CLEMENTS: No objection from me.

JUDGE TIERNEY: Hearing from the Panel member, the Panel concurs. We look forward to seeing the corrected motion to amend May 30, and we will receive some -- I don't know how we want to term it -- additional briefing due June 13th from the Petitioner.

Going back to Patent Owner, you had two issues you wished to discuss today. Are there any additional

issues that have arisen today that you need to address?

MR. BONE: There's just one very kind of clerical issue which I had not put in the original e-mail to the Court, but I don't think it's particularly controversial. It just concerns some exhibits.

So we had previously filed a motion to seal two depositions transcripts for the inventor and also a company officer on our side. And that motion to seal was granted.

Now, the way the PRPS record is, is that in fact both parties have put in transcripts of those depositions. The ones that we put in are now I believe properly sealed. The ones that Petitioner put in are currently designated "parties and Board's eyes only," and therefore we would want to just file an additional motion to seal to make sure those versions are maintained under seal. That's the first issue.

And the second --

JUDGE TIERNEY: Before we go to the second, let me just turn to Mr. Clements and hear his thoughts on how he would like to present it.

JUDGE CLEMENTS: Yeah, I guess I'm not opposed to a second motion to seal identifying those two exhibits. I don't remember them being identified in the previous motion to seal. I hope we didn't overlook those in the original motion to seal.

MR. BONE: No, we had only identified at that point the versions that we had submitted.

JUDGE TIERNEY: Another motion to seal is authorized.

And next question?

MR. BONE: It's a similar topic. We had, in our reply to Petitioner's opposition to amend, submitted a copy of a deposition transcript of Petitioner's expert in the District Court case.

Now, we understand that Petitioner may well object to that exhibit or portions of it. We submitted it, again, "parties and Board's eyes only" pending resolution of any objections.

It's our understanding that Petitioners indicated that they would object to it as an exhibit, but they do not need it to be maintained as a confidential document. Therefore, we would simply just

want to authorize the Board to making that document publicly, accessible whereas it's currently "parties' and Board's eyes only."

JUDGE TIERNEY: I have no objection to just identifying it in your motion to seal that you're going to file on the other papers. Just go ahead and point out that you wish PRPS flag to be reset as public.

MR. BONE: Okay.

MR. MICALLEF: Your Honor --

JUDGE TIERNEY: Yes.

MR. MICALLEF: I'm a little confused. There have been, as Mr. Bone just mentioned, that this was a deposition of an expert in the pending litigation. There have been no depositions of experts in the pending litigation as of yet.

MR. BONE: Okay. I'm sorry, Mr. Micallef, my mistake. It's -- the person in question is Mr. Belfiore. I possibly misstated him. He's not an expert.

MR. MICALLEF: Okay, I see. And I believe it's a little bit more complicated than that.

JUDGE TIERNEY: Should we remain "parties and

Board eyes only" out of an abundance of caution?

MR. MICALLEF: Some of it's public and some of it I think is still confidential. But I have to go back and confirm. I mean, I have no problem with the public stuff being on the public record.

JUDGE TIERNEY: Why don't we go ahead and just leave that as "parties and Board only" at this point until we get further clarification and not worry about it. I mean, unless there's some objection, it's safer to err on the side of caution here than releasing something to the public that should not be released.

MR. MICALLEF: Thank you, Your Honor.

MR. BONE: That's fair enough.

JUDGE TIERNEY: Okay. Anything else Patent Owner?

MR. BONE: Nothing else. Again, I would just let backup counsel, Mr. Heintz, chime in if he has anything further to say.

MR. HEINTZ: Nothing here, thank you.

JUDGE TIERNEY: Petitioner, do you have anything to add today that we need to discuss or are we adjourned essentially?

MR. KUSHAN: We have nothing further to add, Your Honor.

JUDGE TIERNEY: Well, this has been a little longer call than I anticipated, but thank you everyone for your patience today. I believe we covered a lot of ground.

Hearing no further issues, we're adjourned. We look forward to the papers being filed by the parties. Until then, we're adjourned. Thank you.

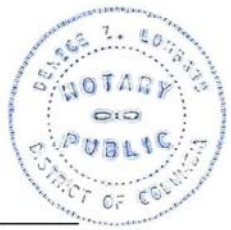
(Proceedings adjourned at 2:00 p.m.)

CERTIFICATE OF SHORTHAND REPORTER - NOTARY PUBLIC

I, Denice Zelma Lombard, Certified Shorthand Reporter, the officer before whom the foregoing proceedings were taken, do hereby certify that the foregoing transcript is a true and correct record of the proceedings; that said proceedings were taken by me stenographically and thereafter reduced to typewriting by me; and that I am neither counsel for, related to, nor employed by any of the parties to this case and have no interest, financial or otherwise, in its outcome.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal this 22nd day of May 2014.

My commission expires June 14, 2018.



Denice Lombard

NOTARY PUBLIC IN AND FOR
THE DISTRICT OF COLUMBIA

Q