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12 IN THE UNITED STATES DISTRICT COURT
13 FOR THE SOUTHERN DISTRICT OF CALIFORNIA

14 MASIMO CORPORATION, a
15 California corporation,

16 Plaintiff,

17 v.

18 SOTERA WIRELESS, INC., a
19 California corporation,

20 HON HAI PRECISION INDUSTRY
CO., LTD., a Taiwan corporation,

21 Defendants.
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Case No. 3:19-cv-01100-BAS-NLS

**OPPOSITION TO DEFENDANT
SOTERA WIRELESS, INC.'S
MOTION TO STAY
PROCEEDINGS**

Hearing Date: June, 22, 2020

Hon. Cynthia A. Bashant

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Pursuant to Local Civil Rule 7.1(e)(2), Plaintiff Masimo Corporation (“Masimo”) opposes the Motion to Stay Proceedings of Defendant Sotera Wireless, Inc. (“Sotera”).

I. INTRODUCTION

Sotera’s Motion for a stay pending *inter partes* review (“IPR”) is without merit. First, it is premature. The PTAB has not instituted any of Sotera’s petitions. Sotera cannot presume the PTAB will institute any of the IPRs, especially because the PTAB denies institution about 50% of the time. Second, the IPR petitions are filed so late in the allowable period. Sotera delayed filing the petitions until the end of the one-year statutory period, June 13, 2020. If the PTAB were to grant any of the petitions, the earliest any final written decision would issue is November 2021, after this Court’s September 21, 2021 trial date. Under these circumstances, the PTAB has the discretion to deny the petitions because this Court’s trial would conclude before the PTAB would issue any final written decision.

Sotera argues that Masimo would suffer “no prejudice” during a stay despite Sotera’s continued infringement because Masimo “can recover easily-measurable compensatory damages.” Dkt. 48 at 2.¹ That argument is incorrect. Sotera and Masimo compete directly in the marketplace, a factor that weighs heavily against a stay. Masimo also seeks injunctive relief. Sotera asks this Court to disregard that remedy because *some* asserted patents will expire in 2022. But other courts have explained that a looming expiration factors against a stay. Moreover, damages will not adequately compensate Masimo because Sotera’s continued sales will harm Masimo’s attempts to establish the feasibility of its non-

¹ References to page numbers in Sotera’s Motion (Dkt. 48) are to Defendants’ numbering at the bottom of each page. Lettered Exhibits are to the Telscher Declaration (Dkt. 48-1). Numbered exhibits are to the concurrently filed Claassen Declaration.

1 invasive, vital signs monitors on the general care floor of hospitals. Kiani Decl.
 2 ¶ 2. There is also a significant risk that Sotera might not be viable long enough
 3 to pay any damages owed, and that Sotera may declare bankruptcy to avoid
 4 payment in this case, as it has done before.

5 In 2013, Masimo sued Sotera and two former employees for trade secret
 6 misappropriation in California state court. Weeks before empaneling the jury,
 7 Sotera filed for bankruptcy, automatically staying the case. Masimo pursued its
 8 claims in the bankruptcy court, trying its case there. The bankruptcy court ruled
 9 that those former employees, acting maliciously, misappropriated Masimo's trade
 10 secrets and enjoined Sotera from further inappropriate conduct. The court also
 11 awarded damages, making that a condition of the bankruptcy reorganization plan.
 12 But Sotera has yet to pay.

13 Rather than acting in accordance with the reorganization plan, Sotera
 14 expended significant costs and fees to file IPR petitions against all nine of the
 15 asserted patents. Sotera argues that it "has been *forced* to prepare IPR petitions
 16 against *every claim of all nine patents*, needlessly increasing the cost to Sotera."
 17 Dkt. 48 at 9 (bold emphasis added). But Sotera chose to file those petitions. It
 18 also chose to petition on all 182 claims in those patents, even though Masimo
 19 asserted only 95 claims in this case.

20 The stay factors and the totality of the circumstances favor denial of a stay.
 21 The fastest and most efficient path to resolve this long-standing dispute remains
 22 in this Court.

23 **II. LEGAL STANDARDS**

24 The parties agree that in deciding whether to stay an action pending IPR,
 25 this Court balances the following three factors: "(1) the stage of litigation; (2)
 26 whether a stay would cause undue prejudice or present a clear disadvantage to the
 27 non-moving party; and (3) whether a stay will simplify the issues in question and
 28 the trial of the case." *DNA Genotek Inc. v. Spectrum Sols. LLC*, No. 16-CV-1544-

1 JLS (NLS), 2016 WL 9047159, at *1 (S.D. Cal. Oct. 7, 2016) (quoting *Sorensen*
 2 *v. Giant Int'l (USA) Ltd.*, Nos. 07cv2121 et al., 2009 WL 5184497, at *2 (S.D.
 3 Cal. Dec. 21, 2009)). The parties further agree that “the totality of the
 4 circumstances governs.” *Universal Elecs., Inc. v. Universal Remote Control,*
 5 *Inc.*, 943 F. Supp. 2d 1028, 1030–31 (C.D. Cal. 2013).

6 When evaluating whether to stay a case pending IPR, courts often look to
 7 established case law regarding similar patent challenges in the PTAB, including
 8 patent reexaminations. That case law explains there “is no per se rule that patent
 9 cases should be stayed pending reexamination, because such a rule ‘would invite
 10 parties to unilaterally derail’ litigation.” *Presidio Components, Inc. v. Am. Tech.*
 11 *Ceramics Corp.*, No. 14-CV- 2061-H (BGS), 2015 WL 12843919, at *2 (S.D.
 12 Cal. Oct. 5, 2015) (quoting *Verinata Health, Inc. v. Ariosa Diagnostics, Inc.*, 2014
 13 U.S. Dist. LEXIS 4025, at *4 (N.D. Cal. Jan. 13, 2014)). “If there is even a fair
 14 possibility that the stay for which [the movant] prays for will work damage to
 15 someone else, the movant must make out a clear case of hardship or inequity in
 16 being required to go forward.” *Overland Storage, Inc. v. BTD AG (Germany)*,
 17 No. 10-CV-1700-JLS (BLM), 2014 WL 12160764, at *2 (S.D. Cal. Feb. 11,
 18 2014) (internal quotations and citation omitted).

19 **III. THE FACTORS AND TOTALITY OF CIRCUMSTANCES**

20 **WEIGH AGAINST A STAY**

21 **A. The Set Trial Date Weighs Against a Stay**

22 Masimo filed this case on June 12, 2019. The Local Rules of this Court
 23 strive for a trial date within 18 months of filing the complaint. S.D. Cal. Patent
 24 L.R. 2.1(a)(3). Because one of the Defendants, Foxconn, is a foreign entity,
 25 Masimo agreed to a 90-day extension to October 3, 2019 for all parties to respond
 26 to the complaint to eliminate any dispute regarding service of process. Since then,
 27 the case has progressed swiftly.

28 ///

1 The parties prepared a Rule 26(f) report and agreed to a protective order
 2 and ESI order in November 2019 to allow discovery to proceed. The Court held
 3 an Early Neutral Evaluation Conference on December 4, 2019 and entered a Case
 4 Management Order on December 12, 2019. Discovery began immediately, with
 5 Masimo serving interrogatories and requests for production on both parties on
 6 December 11, 2019. Masimo served infringement contentions on January 24,
 7 2020 and Defendants served invalidity contentions on March 20, 2020. The
 8 parties have also exchanged preliminary claim constructions.

9 However, the COVID-19 pandemic prevented Masimo's review of the
 10 source code for the accused product, because that had to occur in the office of
 11 Sotera's local counsel. The parties therefore requested an extension of discovery
 12 dates but maintained the trial date. Dkt. 42. Masimo has requested that
 13 Defendant's now permit the source code inspection and believe it should be
 14 permitted under the current stay-at-home orders for San Diego County. On June
 15 5, 2020, Sotera finally represented that it would investigate the possibility of
 16 preparing a source-code-review room.

17 Under the current schedule, claim construction briefing will conclude on
 18 October 6, 2020, fact discovery will close December 17, 2020, and trial will begin
 19 on September 21, 2021. Dkt. 43. The fact that a trial date is set weighs against a
 20 stay. *See Wave Loch, Inc. v. Am. Wave Machs., Inc.*, No. 08cv928-MMA(WMc),
 21 2009 WL 9102848, at *1 (S.D. Cal. Feb. 19, 2009). Thus, the stage of the
 22 litigation weighs against a stay.

23 **B. Masimo Will Suffer Undue Prejudice**

24 This Court has adopted "a set of four sub-factors to assist in making this
 25 assessment: '(1) the timing of the [IPR] request; (2) the timing of the request for
 26 stay; (3) the status of [IPR] proceedings; and (4) the relationship of the parties.'" *Blast Motion, Inc. v. Zepp Labs, Inc.*, No. 15-CV-700 JLS(NLS), 2016 WL
 27 5107678 (S.D. Cal. Mar. 29, 2016) (applying these four sub-factors in the IPR
 28

1 context and quoting *TPK Touch Solutions, Inc. v. Wintek Electro-Optics Corp.*,
 2 Case No. 13-cv-02218-JST, 2013 WL 6021324, at *4 (N.D. Cal. Nov. 13, 2013)
 3 (setting forth the undue prejudice factors for reexamination proceedings)). The
 4 factors show a stay is not warranted.

5 **1. Sotera’s delay in filing IPR petitions prejudices Masimo**

6 Regarding the timing of the petitions, “this Court expects defendants to
 7 evaluate whether to file ... IPR petitions as soon as possible after learning that a
 8 patent may be asserted against them.” *Blast Motion*, 2016 WL 5107678 at *3
 9 (quoting *TPK Touch Solutions, Inc. v. Wintek Electro-Optics Corp.*, Case No. 13-
 10 cv-02218-JST, 2013 WL 6021324, at *4 (N.D. Cal. Nov. 13, 2013.)). Here, Sotera
 11 postponed filing IPRs until the very end of the statutory one-year period. *See* 35
 12 U.S.C. §315(b) (an *inter partes* review petition will be time barred if it is “filed
 13 more than 1 year after the date on which the petitioner . . . is served with a
 14 complaint alleging infringement of the patent”).

15 Given the late date of the IPR filings, any instituted IPR’s schedule would
 16 conclude in or after November 2021. Thus, the scheduled trial in this case would
 17 be completed *before* any IPR final written decision. Under such circumstances,
 18 the PTAB has discretion to deny IPR institution. The PTAB has explained that
 19 instituting an IPR under such “circumstances would not be consistent with ‘an
 20 objective of the AIA . . . to provide an effective and efficient alternative to district
 21 court litigation.’” *NHK Spring Co. v. Intri-Plex Techs., Inc.*, IPR2018-00752,
 22 Paper 8 (PTAB Sept. 12, 2018) (precedential); *see also Intel Corp. v. VLSI Tech.*
 23 *LLC*, IPR2020-00112, Paper 15 (PTAB May 19, 2020); IPR2020-00113, Paper
 24 15 (PTAB May 19, 2020); IPR2020-00114, Paper 15 (PTAB May 19, 2020)
 25 (reaching the same conclusion despite the uncertainty in trial scheduling based on
 26 the COVID-19 pandemic).

27 In attempting to excuse its delay, Sotera represents “After the case began,
 28 a neutral evaluation was scheduled for November 2019, and Sotera was hopeful

1 that case could be resolved.” Dkt. 48 at 20. Sotera then represents that, only after
 2 the ENE, did the need arise to “move[] quickly to perform the massive amount of
 3 legal work needed to prepare and file nine separate IPRs.” *Id.* But Sotera’s
 4 representations to this Court demonstrate otherwise. The parties explained in
 5 their Rule 26(f) Report:

6 The parties are familiar with one another through previous
 7 litigation and negotiations. They have already engaged in
 8 discussions regarding the disputes. ***The parties do not currently***
 9 ***have an expectation of a prompt settlement or resolution*** or
 10 anticipate the need for mediation beyond the ENE.

11 Dkt. 37 at 5. Sotera’s contradictory representation that it expected a settlement is
 12 poor judgment, at best. Sotera simply has no excuse for waiting to prepare and
 13 file IPRs.

14 Sotera’s misrepresentations do not end there. Sotera’s Motion also
 15 misrepresents ENE settlement discussions. Dkt. 48 at 2, 8, 20. Masimo
 16 vehemently disagrees with Sotera’s characterization of the facts.

17 More importantly, Sotera’s disclosure of ENE discussions is improper.
 18 The Local Rules are clear and unequivocal as to the nature of ENE
 19 communications. “‘The ENE Conference will be informal, ***off the record***,
 20 privileged, and confidential....’” *Century Sur. Co. v. 350 W.A., LLC*, No. CIV.
 21 05CV1548-LLSP, 2008 WL 1787491, at *2 (S.D. Cal. Apr. 16, 2008) (citing
 22 CivLR 16.1.c. 1.b; CivLR 16.3.h) (emphasis added). Lest there be any doubt,
 23 Judge Stormes’ Order setting the ENE in this case (Dkt. 28) confirmed in
 24 Section 1, “All conference discussions will be informal, off the record, privileged
 25 and confidential.”

26 Judges in the Southern District are “deeply concerned” with parties
 27 violating the confidentiality of the ENE. *Williams v. Cty. of San Diego*, No.
 28 17CV815-MMA (JLB), 2018 WL 6716630, at *5 (S.D. Cal. Dec. 21, 2018).

1 Sotera ignored that concern by repeatedly referring to the ENE in its Motion, even
 2 disclosing alleged comments by Judge Stormes at the ENE. Dkt. 48 at 2, 8, 20.
 3 *See also* Telscher Decl. ¶ 13. The Court should find Sotera in violation of Judge
 4 Stormes' Order (Dkt. 28). Masimo leaves the appropriate sanction for this
 5 violation to the Court's discretion, but obviously, the Court cannot rely on those
 6 representations to justify a stay.

7 Overall, Sotera filed its petitions so close to the statutory deadline, with no
 8 excuse for that delay. That weighs in favor of a finding of undue prejudice.

9 **2. Timing of the request for stay**

10 Sotera did not delay filing this Motion relative to the filing of its petitions.
 11 Indeed, Sotera filed its Motion prematurely, before all its IPR petitions had been
 12 filed.

13 **3. The PTAB has not instituted a single Sotera petition**

14 The mere pendency of a petition in advance of actual institution weighs
 15 against issuing a stay. *E. Digital Corp. v. Microsemi Corp.*, No. 15-CV-319-H-
 16 BGS, 2015 WL 11237472, at *6 (S.D. Cal. July 28, 2015). Indeed, the majority
 17 of district courts "have postponed ruling on stay requests or have denied stay
 18 requests when the PTAB has not yet acted on the petition for review." *KFx*
 19 *Medical, LLC v. Stryker Corp.*, No. 18-CV-01799-H (WVG), 2019 WL 2008998
 20 (S.D. Cal. May 7, 2019) (quoting *Trover Grp., Inc. v. Dedicated Micros USA*, No.
 21 2:13-CV-1047-WCB, 2015 WL 1069179, at *5 (E.D. Tex. Mar. 11, 2015)
 22 (Bryson, J.) (collecting cases). Other courts have explained that a pre-institution
 23 request is futile. *See, e.g., Invensas Corp. v. Samsung Elecs. Co.*, Civil Action
 24 No. 17-1363, 2018 WL 4762957, at *6 (D. Del. Oct. 2, 2018); *Universal Secure*
 25 *Registry, LLC v. Apple Inc.*, Civil Action No. 17-585, 2018 WL 4486379, at *4–
 26 5 (D. Del. Sept. 19, 2018). These cases establish that a stay of the action is not
 27 appropriate before the PTAB has even acted.

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1 The Court should not speculate on whether the PTAB will institute any
 2 IPR. “[W]hile the IPR might simplify this proceeding if it were instituted, there
 3 is also a significant chance that the PTAB will decide not to institute IPR, and this
 4 Court will have thrown off the entire scheduling of this case for no benefit.”
 5 *Ellison Educ. Equip., Inc. v. Stephanie Barnard Designs, Inc.*, No. 8:18-cv-
 6 02043, 2020 WL 2084674, at *2 (C.D. Cal. Jan. 13, 2020); *Fulfillium, Inc. v.*
 7 *ReShape Med., LLC*, No. 2:17-cv-08419-RDK, 2018 WL 9848044, at *2 (C.D.
 8 Cal. Jun. 4, 2018); *Carl Zeiss AG v. Nikon Corp.*, No. 2:17-cv-07083, 2018 WL
 9 5078010, at *2 (C.D. Cal. Apr. 25, 2018) (“Where the PTAB has yet to decide
 10 whether to move forward with IPR, staying the litigation is less likely to simplify
 11 the proceedings for the Court and the parties.”).

12 Here, the parties agree that the PTAB will not decide whether to institute
 13 any of the IPRs until at least November. Dkt. 48 at 21 (“There will be an
 14 institution decision on the earliest filed IPRs by early November....”). Thus, the
 15 status of the IPR proceedings weighs in favor of undue prejudice and against a
 16 stay.

17 **4. The parties compete in the market**

18 Sotera admits that the parties compete in the market but asks this Court to
 19 consider the relative size of the parties. Dkt. 48 at 21. The relative size is
 20 irrelevant. Where parties are competitors, the party seeking the stay has the
 21 burden of proving that the opponent of the stay will not be prejudiced. *See*
 22 *Presidio Components*, 2015 WL 12843919, at *3 (“ATC has not shown that
 23 Presidio,” a competitor of ATC, “will not be prejudiced by a stay.”). Indeed,
 24 where parties are direct competitors, “courts presume that a stay will prejudice
 25 the non-movant.” *Whalen Furniture Mfg., Inc. v. Z-Line Designs, Inc.*, No. 3:11-
 26 cv-02958-H-DHB, Slip. Op. at 5 (S.D. Cal. July 12, 2013) (citing cases) (Claassen
 27 Decl. Ex. 1); *see also Overland*, 2014 WL 12160764, at *6 (“Courts are hesitant
 28 to grant a stay if the parties are direct competitors”).

1 Prejudice results because “[d]irect competition in the same market is
 2 certainly one factor suggesting strongly the potential for irreparable harm.”
 3 *Presidio Components, Inc. v. Am. Technical Ceramics Corp.*, 702 F.3d 1351,
 4 1363 (Fed. Cir. 2012); *see also Trebro Mfg., Inc. v. Firefly Equip., LLC*, 748 F.3d
 5 1159, 1171 (Fed. Cir. 2014) (noting that, because the parties were direct
 6 competitors, “the record strongly shows a probability for irreparable harm”);
 7 *Polymer Techs., Inc. v. Bridwell*, 103 F.3d 970, 975-76 (Fed. Cir. 1996) (“Years
 8 after infringement has begun, it may be impossible to restore a patentee’s . . .
 9 exclusive position by an award of damages and a permanent injunction.
 10 Customers may have established relationships with infringers.”). Many courts,
 11 including in this District, have followed this law when finding that direct
 12 competition between the parties evidences significant prejudice weighing against
 13 a stay. *Whalen*, Slip. Op. at 5 (S.D. Cal. July 12, 2013) (citing cases).

14 Additional evidence shows Sotera will increase the competition through a
 15 recent agreement. Sotera recently announced a group purchasing agreement with
 16 Premier Inc., effective March 1, 2020. Ex. 2. According to its website, Premier
 17 Inc. “is a healthcare improvement company uniting an alliance of approximately
 18 4,000 U.S. hospitals and health systems and more than 175,000 other providers
 19 and organizations.” Ex. 3 (<https://www.premierinc.com/about>). Group
 20 purchasing agreements allow hospitals to leverage “the purchasing power of a
 21 healthcare alliance into significant cost savings.” Ex. 4
 22 (<https://www.premierinc.com/what-we-do>). This agreement allows Sotera to
 23 compete with Masimo for business in thousands of hospitals.

24 Sotera concedes that it competes with Masimo and that competition is
 25 likely increasing. Thus, a stay would unduly prejudice Masimo.

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1 **5. Sotera fails to show damages would adequately compensate**
 2 **Masimo**

3 Sotera misleads the Court by arguing “there is no urgency to the litigation.”
 4 Dkt. 48 at 21. Sotera supports that argument by stating, “The accused products
 5 have been on sale since 2013.” *Id.* But as Sotera admits, Masimo did not delay
 6 in filing this suit. Sotera concedes, “After issuance of the asserted patents, six of
 7 which issued *just last year and mere months before* Masimo sued Sotera.” *Id.*
 8 at 5. Masimo diligently pursued Sotera for violating Masimo’s patent rights.

9 Sotera argues there is “certainly no harm that cannot be remedied with
 10 damages.” Dkt. 48 at 21. Sotera’s argument relies on four of the nine patents
 11 that expire in 2022. *Id.* That reliance is misplaced. Those four patents will have
 12 remaining term from the September 21, 2021 trial until their March 2022
 13 expiration. Because a stay pending IPR would likely push a trial date into late
 14 2022, Masimo would lose the ability to seek injunctive relief on these patents.
 15 *See Walker Digital, LLC v. Google, Inc.*, 2014 WL 2990474 (D. Del. Jun. 24,
 16 2014) (finding prejudice because “the patents-in-suit are set to expire in 2016 and
 17 any delay in determining their validity significantly prejudices [plaintiff’s] ability
 18 to license the patents.”). If anything, the looming expiration establishes that
 19 Masimo may suffer undue prejudice from the delay of this case.

20 Moreover, Sotera fails to address the five other asserted patents in its undue
 21 prejudice section. Elsewhere in its Motion, Sotera alleges it will prevail on the
 22 question of equitable intervening rights on four of those five patents. Dkt. 48 at
 23 7. But Sotera bears the burden of proof on equitable intervening rights. *BIC*
 24 *Leisure Prods., Inc. v. Windsurfing Int’l, Inc.*, 1 F.3d 1214, 1221 (Fed. Cir. 1993);
 25 *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1388 (Fed.
 26 Cir. 1983). Sotera has provided no evidence suggesting it can meet that burden.
 27 Thus, the Court should not presume that Sotera will prevail on that affirmative
 28 defense merely because Sotera says so.

1 Finally, even if Sotera were to prevail on all of those issues, Sotera never
2 addresses Masimo's U.S. Patent No. 10,255,994.

3 Nothing supports Sotera's argument that Masimo cannot obtain a remedy
4 beyond damages. Masimo is pursuing all available remedies, including injunctive
5 relief.

6 **6. Damages will not sufficiently protect Masimo**

7 If the Court were to grant a stay, Sotera's sales will cause Masimo harm
8 beyond general competition in the market. Masimo and Sotera compete in the
9 market for non-invasive, vital signs monitors for the general care floor of
10 hospitals. Kiani Decl. ¶ 2. Several of Sotera's customers have found the accused
11 product, the ViSi Mobile Monitoring System, unreliable in this setting. *Id.* That
12 perception harms Masimo's attempts to show the feasibility of its non-invasive,
13 vital signs monitors on the general care floor. *Id.* at ¶¶ 2-3. Monetary damages
14 will not sufficiently protect Masimo against this harm caused by continued sales
15 of Sotera's unreliable product. *Id.* at 4.

16 **7. Sotera may not be able to pay damages**

17 Sotera has demonstrated its willingness to seek bankruptcy protection.
18 Five weeks before the scheduled trial in the trade secret case Sotera petitioned for
19 bankruptcy. Ex. 5 at 3. Sotera admitted that it filed for bankruptcy to prevent
20 Masimo's claims from going to a jury trial. *Id.* at 2. And even after a bankruptcy
21 plan was finalized, as recently as June 2, 2020, Sotera's counsel wrote to Masimo
22 stating, "Sotera does not concede that any amount is due on Masimo's claim."
23 Ex. 8.

24 In addition, recent news articles in the Chinese press suggest that Sotera is
25 reeling from financial problems. Hon Hai (Foxconn) has invested over \$100
26 million in Sotera to try to keep Sotera afloat. Ex. 6. Foxconn has since changed
27 executives at Sotera to help "solve Sotera Wireless." Ex. 7. Therefore, there is a
28

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1 significant risk that Sotera might not be viable long enough to face trial, much
2 less pay any damages owed.

3 **C. Simplification of the Issues**

4 Sotera asks this Court to speculate that the issues will be simplified because
5 “it is highly likely that IPR of all nine asserted patents will be instituted.” Dkt. 48
6 at 16-17. Sotera fails to provide the Court with any reasons beyond twice
7 referring to its prior art as “material” and stating the burden of proof applicable
8 to all IPR petitions. *Id.* Sotera then describes its “prediction” about institutions
9 and outcomes. *Id.* at 17. But the statistics Sotera provided state that the PTAB
10 institutes only about 50% of petitions. Ex. O at 6. And for instituted petitions,
11 38% result in one or more claims being found patentable. *Id.* at 10. With nine
12 patents and 95 asserted claims, it is thus very likely that the PTAB will confirm
13 patentability of many claims.

14 Sotera boasts it “has exceptionally strong invalidity positions ... at issue in
15 the IPR proceedings, but also based on lack of written description under 35 U.S.C.
16 §112, and failure to claim patentable subject matter under 35 U.S.C. § 101.”
17 Dkt. 48 at 7. But in an IPR, the PTAB *cannot* decide any of the § 112 or § 101
18 issues. Those issues are for this Court only.

19 Sotera also suggests that it will raise additional prior art invalidity grounds
20 to this Court if it loses in IPRs. Dkt. 48 at 18. Sotera explains that it will be
21 estopped from raising only the same invalidity grounds in this Court after the
22 IPRs end. Sotera leaves for another day the proper scope of estoppel, reserving
23 the ability to challenge the patents on grounds it could have raised in the petitions.

24 Importantly, Sotera’s argument foreshadows that win or lose, it plans to
25 challenge the validity in ways not available at the PTAB. Sotera’s § 112 or § 101
26 invalidity positions depend on tortured claim constructions. But in the IPR
27 petitions, Sotera has jettisoned the claim constructions it proposes here. Thus, the
28 PTAB will not evaluate them. Sotera is presumably holding those constructions

1 back to propose to this Court after the IPRs conclude. Claim construction
2 therefore will not be simplified given Sotera's tactics.

3 Sotera forecasts that it will seek to relitigate validity in this Court even after
4 it litigates that issue in the IPRs. Sotera wants multiple bites at the apple, but that
5 weighs against issue simplification. Trial in this Court presents the most efficient
6 resolution of this dispute.

7 **D. Sotera Raises Other Circumstances That Do No Warrant a Stay**

8 **1. Sotera's criticism of Masimo's claims is irrelevant**

9 Sotera's complains that Masimo has been "filing patent applications
10 designed to read on Sotera's ViSi Mobile® System." Dkt. 48 at 1-2. But drafting
11 claims to cover an accused product is appropriate. *Kingsdown Med. Consultants,*
12 *Ltd. v. Hollister Inc.*, 863 F.2d 867, 874 (Fed. Cir. 1988). Here, Masimo is
13 entitled to draft such claims so long as the applications disclose such inventions.

14 Sotera insinuates that it is more likely to prevail in the IPRs because
15 Masimo's claims were targeted on Sotera's device. Sotera provides no support
16 for this argument because there is none. The PTAB makes no determination
17 concerning the accused product or why claims were drafted in a particular way.

18 **2. Sotera cannot blame Masimo for any delay in the case**

19 Sotera boasts about "obstacles" it has presented to Masimo's case. Dkt. 48
20 at 7-8. It claims that in "the face of these obstacles, Masimo has done little to
21 advance the litigation or narrow issues in dispute." *Id.* at 8. Consequently, Sotera
22 suggests that Masimo has delayed the case indicating that Masimo would not be
23 prejudiced by further delay. A simple review of the facts, rather than Sotera's
24 rhetoric, shows otherwise.

25 **a. Sotera refused to provide its noninfringement bases in**
26 **discovery**

27 Sotera boasts that it has "multiple non-infringement defenses" *Id.* at 7. Yet,
28 Sotera has refused to provide even one for any asserted claim in discovery. Sotera

1 has refused to respond to a contention interrogatory seeking Sotera's alleged non-
2 infringement defenses and forced Masimo to move to compel a response. If
3 Sotera's defenses were as strong as it proclaims, one would expect Sotera to be
4 eager to present them, not to hide them for as long as possible.

5 Sotera complains that Masimo "has refused to engage in reasonable efforts
6 to streamline the case." Dkt. 48 at 8. Those supposed "reasonable efforts" are a
7 one-way demand from Sotera that Masimo reduce the number of asserted claims.
8 Masimo will undoubtedly focus the case as it proceeds through discovery and
9 claim construction, and Sotera eventually is required to disclose the bases for its
10 allegedly strong non-infringement case.

11 **b. Sotera refused to provide ESI**

12 Defendants initially refused to produce any electronic documents, other
13 than documents Sotera selected as showing the operation of the accused product.
14 After many months of refusal, Sotera claims it produced them the business day
15 before the due date for this Opposition. That delay tactic by Defendants should
16 not weigh in favor of a stay.

17 **c. Defendants know the accused products**

18 Defendants repeatedly object to providing discovery by claiming to be
19 confused over the identification of the accused products. But Sotera has one
20 product, ViSi Mobile® System, that includes multiple components. Indeed,
21 Defendants had no such problem when it came to this Motion. On the first page
22 Sotera explained, "Sotera has been marketing the accused ViSi Mobile® System
23 since 2013" and "in 2013, immediately after launching the accused ViSi Mobile®
24 System." Defendants know what product is at issue.

25 **d. Defendants have thwarted source code review**

26 Due to the pandemic, Sotera did not provide physical access to its source
27 code. Sotera also claims it has made "a change in the source code of the accused
28 ViSi Mobile® System precluded any claim to infringement of RE218 patent."

1 Dkt. 48 at 8. Yet, to date, Sotera has refused to make even that source code change
2 available for review by Masimo. Masimo proposed review over a secure, remote
3 computer. Parties in other cases have agreed to similar procedures in patent cases
4 during the stay-at-home orders. Sotera demanded that Masimo wait to review
5 any source code in person, leveraging the stay-at-home orders to delay Masimo's
6 review. Sotera has still not committed to any date certain for Masimo to review
7 source code.

8 When considered in the aggregate, Sotera's actions have been targeted to
9 delay this case as much as possible so that it could argue that the case has not
10 progressed.

11 **IV. CONCLUSION**

12 Sotera's IPRs have just been filed and none are instituted. Sotera has not
13 met its burden to show that Masimo will not be prejudiced by a stay or that the
14 mere filing of IPRs will simplify issues. Accordingly, the Court should deny
15 Sotera's motion to stay.

16
17 Respectfully submitted,

18 KNOBBE, MARTENS, OLSON & BEAR, LLP
19

20 Dated: June 8, 2020

By: /s/ Brian C. Claassen

21 Joseph R. Re
22 Stephen C. Jensen
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24 Brian C. Claassen

25 Attorneys for Plaintiff
26 MASIMO CORPORATION
27
28

PROOF OF SERVICE

I hereby certify that on June 8, 2020, I caused the foregoing document to be electronically filed with the Clerk of the Court using the CM/ECF system which will send electronic notification of such filing to the following person(s):

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I certify and declare under penalty of perjury under the laws of the State of California that I am employed in the office of a member of the bar of this Court at whose direction the service was made, and that the foregoing is true and correct.

Executed on June 8, 2020, at Irvine, California.

 Claire A. Stoneman

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