

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

BEFORE THE HONORABLE JEFFREY S. WHITE

ROBERT JACOBSEN,)	
)	
PLAINTIFF,)	
)	
VS.)	NO. C 06-1905 JSW
)	
MATTHEW KATZER AND KAMIND)	
ASSOCIATES, INC.,)	
)	SAN FRANCISCO, CALIFORNIA
DEFENDANTS.)	TUESDAY
)	DECEMBER 19, 2008
)	9:00 O'CLOCK A.M.

TRANSCRIPT OF PROCEEDINGS

APPEARANCES :

FOR PLAINTIFF: VICTORIA HALL, ATTORNEY AT LAW
3 BETHESDA METRO
SUITE 700
BETHESDA, MARYLAND 20814

FOR DEFENDANTS: FIELD & JERGER
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PORTLAND, OREGON 97205
503-225-0276
BY: ROBERT SCOTT JERGER, ESQUIRE

FURTHER APPEARANCES ON NEXT PAGE.

REPORTED BY: KATHERINE WYATT, CSR 9866, RMR, RPR
OFFICIAL REPORTER - US DISTRICT COURT
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FURTHER APPEARANCES:

FOR DISMISSED DEFENDANT KEVIN RUSSELL:

DAVID MICHAEL ZEFF, ESQUIRE

1388 SUTTER STREET

SUITE 820

SAN FRANCISCO, CALIFORNIA 94109

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DECEMBER 19, 2008

9:00 O'CLOCK A.M.

P R O C E E D I N G S

THE COURT: CALL THE CASE.

THE CLERK: CALLING CIVIL CASE NUMBER 06-1905 JSW.
ROBERT JACOBSEN VERSUS MATTHEW KATZER.

COUNSEL, PLEASE STEP FORWARD AND STATE YOUR
APPEARANCES.

MS. HALL: VICTORIA HALL FOR PLAINTIFF ROBERT
JACOBSEN.

THE COURT: GOOD MORNING.

MR. JERGER: SCOTT JERGER ON BEHALF OF DEFENDANT'S
MATTHEW KATZER AND KAMIND ASSOCIATES.

MR. ZEFF: DAVID M. ZEFF FOR DISMISSED DEFENDANT
KEVIN RUSSELL.

THE COURT: GOOD MORNING.

ALL RIGHT. I ASSUME COUNSEL HAVE RECEIVED THE
COURT'S TENTATIVE RULING AND QUESTIONS.

MS. HALL, DID YOU RECEIVE THAT?

MS. HALL: YES, I DID.

MR. ZEFF: YES, YOUR HONOR.

MR. JERGER: YES, YOUR HONOR.

THE COURT: ALL RIGHT. BECAUSE COUNSEL HAS SUPPLIED
THE COURT WITH ADDITIONAL CITATIONS -- NOT ONLY ADDITIONAL

1 CITATIONS, BUT POSSIBLE CITATIONS -- I WOULD APPRECIATE IT IF
2 THE PARTIES WOULD, AS YOU'RE ANSWERING QUESTIONS IF YOU WANT TO
3 MENTION SOME SPECIFIC AUTHORITY THAT ADDITIONAL AUTHORITY
4 SUBMITTED THAT ANSWERS THAT QUESTION, THAT WOULD BE HELPFUL.

5 SO ALTHOUGH THE COURT HAS BRIEFLY REVIEWED THE
6 AUTHORITIES, IT ISN'T ALWAYS CRYSTAL CLEAR TO THE COURT EXACTLY
7 WHICH QUESTION IS BEING ANSWERED OR THE PURPOSE FOR WHICH THE
8 CASE IS BEING CITED. SO IT WOULD BE VERY HELPFUL IF YOU WOULD
9 SIMPLY SAY IN ANSWERING QUESTIONS:

10 "SEE THIS CITE OR THAT CITE" SO I'LL BE ABLE TO
11 PAIR THEM UP. AND, AGAIN, AS YOU'VE ALL BEEN BEFORE THIS COURT
12 BEFORE, I REALLY AM JUST LOOKING FOR ANSWERS TO THESE QUESTIONS
13 THAT I NEED TO MAKE THE FINAL DETERMINATION ON, THESE
14 COMPLICATED -- SOME OF THESE COMPLICATED MOTIONS.

15 SO, LET ME START, AS I TYPICALLY DO, WITH ONE SIDE OR
16 THE OTHER AND GIVE THE OTHER SIDE A CHANCE TO RESPOND.

17 AND IN ONE OF THE -- BEFORE I DO THAT, A HOUSEKEEPING
18 ISSUE. WITH RESPECT TO ONE OF THE MOTIONS -- AND I FORGET WHICH
19 ONE -- THERE WAS AN UNOPPOSED REQUEST TO FILE A SURREPLY; IS
20 THAT CORRECT, MS. HALL?

21 **MS. HALL:** YES.

22 **THE COURT:** WHICH MOTION WAS THAT FOR, AGAIN?

23 **MS. HALL:** THE SURREPLY TO THE MOTION TO DISMISS,
24 MOTION TO STRIKE.

25 **THE COURT:** ALL RIGHT. SO GIVEN THAT THERE WAS NO

1 OPPOSITION TO THAT ONE, I HAVE REVIEWED THAT ONE.

2 NOW, WITH RESPECT TO THE MOTION TO DISMISS WITH
3 RESPECT TO MOOTNESS THERE WAS A REQUEST TO FILE A SURREPLY.
4 THAT REQUEST WAS OPPOSED, AND THE REQUEST IS DENIED. I WILL
5 NOT CONSIDER THAT SURREPLY. AND WE WILL MOVE ON TO THE
6 QUESTIONS NOW.

7 SO THE FIRST QUESTION IS FOR THE FIRST PART OF THE
8 FIRST QUESTION WITH RESPECT TO THE REDRESS FROM THE ALLEGED
9 INJURY IN PAYING THE ANTI-SLAPP ATTORNEYS' FEES, WHAT'S YOUR
10 INITIAL RESPONSE, MS. HALL?

11 **MS. HALL:** THERE IS -- NO, THERE IS NO FINAL
12 DECISION, SO THERE CAN BE NO APPEAL.

13 COMPARE BATZEL VERSUS SMITH OR THOMAS VERSUS
14 NAKATANI.

15 **THE COURT:** BUT IN EFFECT -- SAY THOSE CASES. ARE
16 THEY IN YOUR BRIEF?

17 **MS. HALL:** THEY ARE IN THE ADDITIONAL CITATIONS.

18 **THE COURT:** WOULD YOU GIVE ME THOSE AGAIN, SLOWLY,
19 PLEASE?

20 **MS. HALL:** BATZEL VERSUS SMITH AND THOMAS VERSUS
21 NAKATANI.

22 **THE COURT:** ALL RIGHT. SO THE QUESTION REALLY IS --
23 SO I UNDERSTAND NOW WHAT THAT AUTHORITY MEANS. BUT, IN EFFECT,
24 ISN'T THAT WHAT YOU'RE SEEKING TO DO IS APPEAL THE COURT'S
25 DECISION BACK TO THIS COURT?

1 **MS. HALL:** WE'RE AT THE STAGE THAT I WOULD -- I WOULD
2 EXPECT TO BRING A FUTURE MOTION FOR RECONSIDERATION, BUT
3 THAT'S -- I DON'T EXPECT TO APPEAL IT UNTIL I PRESENT NEWER
4 PRECEDENCE AND NEWER FACTS AND SEE WHAT YOU HAVE TO SAY AND
5 ABIDE BY WHAT YOU HAVE TO SAY.

6 **THE COURT:** ALL RIGHT. WHAT'S YOUR RESPONSE TO THAT
7 PART OF THE QUESTION?

8 **MR. JERGER:** WELL, IN OUR OPINION IT COULD BE NOTHING
9 OTHER THAN A MOTION FOR RECONSIDERATION BECAUSE THE FEES
10 AWARDED PURSUANT TO THE ANTI-SLAPP MOTION TO STRIKE HAVE
11 NOTHING AT ALL TO DO WITH THE DECLARATORY ACTIONS BEFORE THE
12 NOW DISMISSED PATENTS.

13 IN OTHER WORDS, ASSUMING THE PATENTS WERE BACK IN THE
14 CASE AND MS. HALL AND HER CLIENT RECEIVED ALL THE RELIEF THEY
15 WANTED, THAT WOULD BE A DECLARATION THAT THE PATENTS WERE
16 EITHER INVALID OR UNENFORCEABLE, AND THAT HAS NOTHING AT ALL TO
17 DO WITH THE FEES. AND THAT DECLARATION OR RELIEF FROM THIS
18 COURT COULDN'T UNWIND THOSE FEES.

19 THE ONLY WAY TO UNWIND THOSE FEES WOULD BE THROUGH
20 SOME SORT OF MOTION FOR RECONSIDERATION AS TO THAT SLAPP AWARD
21 OR A MOTION FOR SANCTIONS OR SOMETHING LIKE THAT. I MEAN, WHAT
22 SHE -- WHAT PLAINTIFF IS EFFECTIVELY REQUESTING ASKING FOR THAT
23 MONEY BACK AND TO GET INTO THAT ISSUE IS, IN EFFECT, A MOTION
24 TO RECONSIDER THE ISSUES THAT WERE ASSOCIATED WITH THOSE LIBEL
25 CLAIMS, THE DECLARATIONS THAT WERE PRESENTED BACK IN 2006, AND

1 WHETHER OR NOT THERE'S A REASON TO REOPEN THAT CAN OF WORMS, SO
2 TO SPEAK.

3 **THE COURT:** ALL RIGHT. YOU WANT TO SAY ANYTHING
4 ABOUT THAT?

5 **MR. ZEFF:** YES, I WOULD LIKE TO ADDRESS THAT ON
6 BEHALF OF KEVIN RUSSELL.

7 FIRST OF ALL, THERE WAS A MOTION TO RECONSIDER MADE
8 AFTER THE SLAPP MOTION WAS GRANTED. THAT WAS DENIED ON THE
9 RECORD.

10 IT'S VERY CLEAR THAT THE ONLY AVENUE THAT PLAINTIFF
11 HAS TO REVISIT THAT IS BY APPEAL. THE TIME FOR RECONSIDERATION
12 IN THIS COURT IS OVER, AND IT'S IMPROPER TO SHOEHORN AN EFFORT
13 TO REVIVE A MOOT DECLARATORY RELIEF CLAIM INTO SOMETHING LIVE
14 BY CLAIMING DAMAGE FROM A PRIOR MOTION, IN WHICH -- THE SLAPP
15 MOTION IN WHICH THEY INCURRED ATTORNEY'S FEES.

16 WE'VE CITED THE SUPREME COURT CASE LEWIS VERSUS
17 CONTINENTAL BANK AND DIAMOND VERSUS CHARLES. THOSE CASES MAKE
18 IT CLEAR THAT ATTORNEYS' FEES ARE NOT DAMAGES. SO THERE'S NO
19 REASON FOR THIS COURT TO AT ALL REVISIT THE ATTORNEY FEE ISSUE
20 IN THE SLAPP MOTION.

21 **THE COURT:** ALL RIGHT. ANYTHING FURTHER YOU WANT TO
22 SAY, MS. HALL?

23 **MS. HALL:** YES, I DO. TO GET TO MR. RUSSELL'S
24 COMMENTS FIRST, HE'S RELYING UPON THE STATE RULE. FEDERAL
25 PROCEDURAL RULES GOVERN.

1 **THE COURT REPORTER:** COULD YOU PULL THE MICROPHONE
2 TOWARD YOU?

3 **THE COURT:** YOUR VOICE IS A LITTLE LOW.

4 **MS. HALL:** YES. MR. RUSSELL IS RELYING UPON A STATE
5 PROCEDURAL RULE WHERE IT IS THE FEDERAL PROCEDURAL RULE THAT
6 GOVERNS. AND BECAUSE OF THAT WE COULD NOT APPEAL A FINAL
7 DECISION. YOU CAN ONLY APPEAL A FINAL DECISION. IF IT WAS A
8 DENIAL OF IMMUNITY AND THAT YOU WOULD APPEAL IT AS A COLLATERAL
9 ORDER.

10 HERE DAMAGES HAVE BEEN AWARDED, AND THAT'S SOMETHING
11 THAT IS -- THAT IS SOMETHING THAT WE CAN ADDRESS AT THE END OF
12 THE CASE WHEN FINAL JUDGMENT IS ENTERED AS TO ALL CLAIMS.
13 BECAUSE THERE IS A REMEDY AVAILABLE AND IT IS EFFECTIVELY
14 REVIEWABLE AT THE END OF THE TRIAL, THERE IS NO FINAL JUDGMENT.

15 A DENIAL OF IMMUNITY IS NOT EFFECTIVELY REVIEWABLE
16 BECAUSE IT FORCES A PERSON WHO ASSERTS IMMUNITY TO GO THROUGH
17 THE ENTIRE CASE. SO THAT IS THE REASON THAT FEDERAL PROCEDURAL
18 RULES GOVERN AND NOT THE STATE PROCEDURAL RULES.

19 NOW, AS FOR LEWIS AND DIAMOND, THOSE ARE QUITE
20 DISTINCT CASES. LEWIS INVOLVED A BANK APPLICATION. SOMEONE
21 WANTED TO OPEN A BANK IN FLORIDA. AND IT IS NOT -- HAS NO
22 RELATIONSHIP TO PATENTS WHATSOEVER. AND A BANK APPLICATION DOES
23 NOT HAVE ANYTHING TO DO -- A BANK APPLICATION WILL NOT AFFECT
24 ANY OTHER BANK APPLICATION, SUCH AS A PATENT APPLICATION.

25 IN PATENTS AN INEQUITABLE CONDUCT AS TO ONE PATENT

1 MIGHT SUE ANOTHER.

2 AS TO DIAMOND THAT IS COMPLETELY INAPPOSITE BECAUSE
3 THERE A DOCTOR OPPOSED TO ABORTION SOUGHT TO DEFEND AN
4 ANTI-ABORTION STATUTE. ONLY THE STATE COULD DO IT. MR.
5 DIAMOND INTERVENED. AND WHEN THE STATE DID NOT JOIN IN TO
6 PETITION THE CASE TO THE SUPREME COURT, THE SUPREME COURT FOUND
7 THAT THE INTERVENOR DID NOT HAVE STANDING.

8 HERE JACOBSEN HAS STANDING.

9 NOW, AS FOR DEFENDANTS, THERE ARE TWO OTHER THINGS IN
10 PLAY HERE. THERE'S THE SECTION 285, AS WELL AS, AGAIN, THE
11 ISSUE THAT INEQUITABLE CONDUCT AS TO THE '329 MAY IMPACT OTHER
12 KATZER PATENTS, WHICH THIS COURT, PER MICRON VERSUS MOSAID,
13 M-O-S-A-I-D, HAS DECLARATORY JUDGMENT JURISDICTION OVER.

14 SO THEIR CASES AND THEIR ARGUMENTS ARE INAPPOSITE
15 FOR THOSE REASONS.

16 **THE COURT:** ALL RIGHT. LET'S GO TO THE NEXT SUBPART
17 OF THE QUESTION CONCERNING HOW CONTINUING LITIGATING A
18 WITHDRAWN PATENT CURES ANY POTENTIAL ERROR IN THE COURT'S
19 DECISION.

20 **MS. HALL:** OKAY. IT'S NOT SO MUCH ERROR AS IT IS
21 DEVELOPMENTS IN PRECEDENT AND IN FACTS WHICH ENTIRELY FAVOR
22 PLAINTIFF. IN CATCH CURVE VERSUS VENALI, THE COURT DENIED AN
23 ANTI-SLAPP MOTION FINDING THAT A SHAM LITIGATION EXCEPTION
24 APPLIED TO THE ANTI-SLAPP IMMUNITY. WITH THESE DEVELOPMENTS IN
25 THE LAW AND IN THE FACTS THE DECISIONS WHICH THE COURT RELIED

1 UPON IN IT'S OCTOBER 20TH, 2006 ORDER, WHICH ARE MANN
2 AND NAVELLIER ARE DISTINGUISHABLE. THOSE INVOLVED --

3 **THE COURT:** LET ME STOP YOU. WAIT. WHAT YOU'RE
4 ARGUING RIGHT NOW SOUNDS AN LAWFUL LOT LIKE A MOTION FOR
5 CONSIDERATION, BECAUSE YOU'RE SAYING THERE'S INTERVENING
6 AUTHORITY THAT MIGHT COMPEL THE COURT TO RECONSIDER ITS RULING,
7 AREN'T YOU?

8 **MS. HALL:** NO. WHAT I'M SAYING IS THIS ADDRESSES THE
9 ADDRESSABILITY ELEMENT OF STANDING. CATCH CURVE V. VENALI SHOW
10 THAT DIFFERENT RULES APPLY TO PRELITIGATION ACTIVITY, AND
11 DEFENDANTS' CITATION TO BIRKNER IS DISTINGUISHABLE SINCE THAT
12 PRELITIGATION ACTIVITY WAS MANDATED BY STATUTE.

13 NOW, WHEN THE COURT ORDERED -- MADE ITS ORDER IN
14 OCTOBER, 2006, IT STATED THAT OUR ARGUMENTS RELATED TO THE
15 MERITS. WELL, THE MERITS ARE HERE, AND WE SHOULD BE ABLE TO
16 LITIGATE THEM TO SHOW THAT SHAM LITIGATION EXCEPTION APPLIES.

17 **THE COURT:** ALL RIGHT.

18 **MR. ZEFF:** LET ME PLEASE JUST ADDRESS THAT FOR MR.
19 RUSSELL.

20 **THE COURT:** ALL RIGHT.

21 **MR. ZEFF:** THE SLAPP MOTION WAS GRANTED AS TO THE
22 DEFAMATION CLAIM AND THE ANTITRUST CLAIM, AMONG OTHERS. GOT
23 NOTHING TO DO WITH THESE PATENT CLAIMS. AND THE FACT IS THAT
24 EVEN IF THEY DO LITIGATE THESE PATENTS CLAIMS IT DOESN'T
25 PROVIDE ANY OF THOSE CAUSES OF ACTION.

1 THERE'S NO POSSIBLE SHAM LITIGATION HERE. WE DIDN'T
2 START THIS LITIGATION. WE ARE VICTIMS OF IT. THE ONLY SHAM
3 LITIGATION IS PLAINTIFF'S LAWSUIT AGAINST MR. RUSSELL.

4 THE FACT IS THAT UNDER MONSANTO THAT DOESN'T REALLY
5 HAVE ANY EFFECT. THAT DEALS WITH PATENT CLAIMS, NOT WITH THE
6 LIBEL AND ANTITRUST CLAIMS. SO THE COURT THROUGHOUT A BECAUSE
7 THE PLAINTIFF ASSUMED THAT THERE WAS AN ACTUAL DISPUTE BETWEEN
8 THE PARTIES AND BASED THEIR ENTIRE JURISDICTION ON IT, WHICH
9 THEY STILL HAVE TO PROVE.

10 AND, IN FACT, THERE WAS NO ANTITRUST MARKET, NO
11 RELEVANT MARKET DEFINED, NO COMPETITION DEFINED. THAT'S WHY
12 THOSE CASES WERE THROWN OUT. THEY HAD NO LIKELIHOOD OF SUCCESS.

13 AND NOW WE'RE FACING A SITUATION WHERE I APPRECIATE
14 THE COURT REFUSED TO CONSIDER THE SURREPLY ON THE MOTION TO
15 DISMISS FOR MOOTNESS IN VIEW OF OUR OPPOSITION.

16 I WOULD ASK THAT THE COURT STRIKE THAT SURREPLY AND
17 THE DOCUMENTS ASSOCIATED WITH IT IN VIEW OF THE YOUNGER VERSUS
18 SOLOMON CASE WHERE YOU FILE AN UNSUBSTANTIATED HEARSAY
19 DECLARATION WITH THE --

20 **THE COURT:** WELL, LET ME INTERRUPT YOU BECAUSE
21 IMPLICIT IN THE DENIAL IS IN ORDER TO EFFECTUATE THAT. IF I
22 DIDN'T SAY IT IMPLICITLY I'LL SAY EXPLICITLY: THAT SURREPLY
23 AND ALL ITS ATTACHMENTS ARE STRICKEN.

24 **MR. ZEFF:** THAN YOU, YOUR HONOR.

25 **THE COURT:** ALL RIGHT, SIR.

1 **MR. JERGER:** TO QUICKLY RESPOND TO THAT, WHAT
2 PLAINTIFF DESPERATELY WANTS TO DO IS HAVE A TRIAL ON
3 INEQUITABLE CONDUCT AT THE U.S. PATENT -- ON THE ACTIVITIES
4 THAT OCCURRED AT THE U.S. PATENT AND TRADEMARK OFFICE IN THE
5 PROSECUTION OF THE '329 PATENT.

6 THAT HAS NOTHING AT ALL TO DO WITH THE PATENTS AS
7 THEY EXIST TODAY, BECAUSE THEY HAVE BEEN DISCLAIMED. THEY HAVE
8 BEEN WITHDRAWN. EVEN ASSUMING WE WENT THROUGH A FOUR-DAY TRIAL
9 ON INEQUITABLE CONDUCT, WHICH IS EXACTLY WHAT THEY WANT, THAT
10 DOES NOT INFORM OR IS NOT EVEN RELEVANT TO THE PATENT ISSUES.

11 THE PATENTS HAVE BEEN DISCLAIMED. THEY ARE GONE THEY
12 HAVE ACHIEVED ALL THE RELIEF THEY SOUGHT IN THEIR COMPLAINT.
13 THE ISSUE IS MOOT. THERE'S NO WAY AROUND THAT.

14 IN TRYING TO BACK DOOR A TRIAL ON INEQUITABLE
15 CONDUCT, IT'S JUST TRYING TO PUT A SQUARE PEG IN A ROUND HOLE.
16 IT'S COMPLETELY IRRELEVANT.

17 **THE COURT:** ALL RIGHT. BRIEF RELY, MS. HALL?

18 **MS. HALL:** LET'S SEE HERE. MR. RUSSELL TALKS TO THE
19 MERITS. SHAM LITIGATION APPLIES TO PRELITIGATION ACTIVITY,
20 WHICH IS WHAT FORMED THE BASIS OF THEIR ANTI-SLAPP MOTION. AND
21 THEY RAISED IMMUNITY. THAT'S WHAT WE'RE TALKING ABOUT HERE.
22 WE'RE SAYING THAT SHAM LITIGATION EXCEPTION APPLIES TO
23 IMMUNITY. HAS NOTHING TO DO WITH THE MERITS THAT HE'S TALKING
24 ABOUT.

25 AS FOR KATZER, AGAIN, BECAUSE THIS COURT FOR THE

1 REASONS THAT WE STATED EARLIER, MULTIPLE PATENTS IN PLAY AND
2 THE ATTORNEY FEE PROVISION 285, THERE IS -- THERE ARE REASONS
3 TO KEEP THIS PATENT IN -- THERE IS REASONS TO KEEP THIS PATENT
4 IN PLAY.

5 THE INEQUITABLE CONDUCT IS A FACTOR IN CONSIDERING
6 SHAM LITIGATION.

7 **THE COURT:** ALL RIGHT. LET'S MOVE ON TO THE LAST
8 SUBPART OF THE QUESTION NUMBER ONE WHICH, AGAIN, ASSUMES FOR
9 THE MOMENT THAT PLAINTIFF IS NOT SEEKING TO RECONSIDER THE
10 AWARD OF ATTORNEY'S FEES. WHAT IS THE INJURY THAT FORMS THE
11 BASIS OF THE COURT'S JURISDICTION OVER THE WITHDRAWN PATENT?

12 **MS. HALL:** I THINK I TOUCHED ON -- I SEE THAT THIS IS
13 A TWO-PART QUESTION THAT I MENTIONED EARLIER ABOUT HOW WE DO
14 PLAIN ON SEEKING RECONSIDERATION IN THE FUTURE.

15 BUT THE FATAL FLAW IN THEIR --

16 **THE COURT:** WHAT I WAS REFERRING TO, MS. HALL, IS IN
17 RESPONSE TO THE FIRST PART OF THE COURT'S QUESTION NUMBER ONE,
18 YOU SAID "THIS CURRENT MOTION" OR "THIS CURRENT LAWSUIT."

19 IN YOUR OPPOSITION TO THE MOTION TO DISMISS FOR
20 MOOTNESS IS NOT A MOTION FOR RECONSIDERATION; THAT MAY COME
21 LATER. SO I'M SAYING ASSUMING YOU'RE CORRECT ON THAT --

22 **MS. HALL:** YES.

23 **THE COURT:** -- THEN, THE SECOND PART OF THAT QUESTION
24 IS TRIGGERED, WHICH IS: WHAT IS THE INJURY THAT FORMS THE
25 BASIS FOR THE COURT'S JURISDICTION?

1 **MS. HALL:** ASIDE FROM WHAT WE HAVE IN THE OPPOSITION,
2 UNDER 285 THE INJURY'S FROM HAVING TO LITIGATE THESE
3 DECLARATORY JUDGMENT CLAIMS FOR MORE THAN TWO YEARS WHILE
4 DEFENDANTS HAVE KNOWN THAT '329 WAS NOT INFRINGED, NOT VALID
5 AND NOT ENFORCEABLE.

6 **THE COURT:** BUT DON'T YOU HAVE OTHER REMEDIES FOR
7 THAT? YOU CAN BRING A MOTION FOR SANCTIONS. YOU COULD, AS IS
8 SUGGESTED BY THE DEFENDANTS, BRING A STATE COURT ACTION FOR
9 MALICIOUS PROSECUTION. THERE MAY BE OTHER REMEDIES.

10 I'M NOT SAYING THERE ARE OR THERE AREN'T, BUT THERE
11 MAY BE. ISN'T THIS THE WRONG VEHICLE TO PURSUE THOSE CLAIMS?

12 **MS. HALL:** MALICIOUS PROSECUTION REQUIRES THAT WE
13 PREVAIL ON THE MERITS. AND WHAT THEY ARE SAYING IS THAT WE ARE
14 NOT THE PREVAILING PARTY. THE COURT MAY ALSO DECIDE THAT, SO
15 THAT WOULD PRECLUDE A MALICIOUS PROSECUTION ACTION.

16 AS FOR SANCTIONS, WE MAY FIND OUT ALL THE DETAILS IN
17 ORDER TO BRING A SANCTIONS MOTION, BUT WE MAY NOT. AND, AGAIN,
18 THAT'S -- IT'S UNDER 285, AND ALSO BECAUSE THE COURT HAS
19 JURISDICTION OVER MULTIPLE PATENTS, IT WOULD WORK AN INCREDIBLE
20 PREJUDICE ON PLAINTIFF TO HAVE THIS TURN INTO A MOTION FOR
21 RECONSIDERATION, BECAUSE RIGHT NOW STANDING REQUIRES ONLY
22 ALLEGATIONS OF THE PLEADING STATES.

23 AND THAT IS BENNETT VERSUS SPEARS. IT WORKS NO
24 PREJUDICE WHATSOEVER ON DEFENDANTS TO WITHHOLD CONVERTING IT
25 INTO A MOTION FOR RECONSIDERATION.

1 **THE COURT:** ALL RIGHT.

2 COUNSEL?

3 **MR. JERGER:** TWO POINTS, YOUR HONOR. ONE, ON THIS
4 RECORD THEY HAVE ALLEGED NO INJURY RELATING TO THE WITHDRAWN
5 PATENT OTHER THAN THE ANTI-SLAPP ATTORNEY'S FEES.

6 TWO, TO RESPOND TO HER ALLEGATION THAT THERE IS SOME
7 SORT OF OTHER INJURY, FOR EXAMPLE, HAVING TO LITIGATE --
8 ATTORNEY'S FEES FOR HAVING TO LITIGATE FOR TWO YEARS OR
9 DEFENDING THE ANTI-SLAPP MOTION, WE CITE IN OUR BRIEF MONOLITH
10 PORTLAND MIDWEST COMPANY VERSUS KAISER ALUMINUM, 407 F.2D --

11 **THE COURT:** I CAN READ THE CITATION. THANK YOU.

12 **MR. JERGER:** -- 288.

13 AND WHAT THAT CASE STATES IS THAT UNDER 285 THE
14 ATTORNEY'S FEES PROVISION IN THE PATENT ACT, NO ATTORNEY FEE
15 AWARD CAN BE AWARDED FOR LITIGATING NONPATENT ISSUES. THAT 285
16 FEE PROVISION IS RELATED SPECIFICALLY TO ATTORNEY'S FEES
17 INCURRED IN THE PATENT LITIGATION.

18 SO THESE FEES THAT MS. HALL IS TALKING ABOUT RELATED
19 TO THE ANTI-SLAPP MOTION ARE CONSIDERED RELATING TO PREPARING
20 FOR THIS LITIGATION ARE NOT RECOVERABLE UNDER NINTH CIRCUIT
21 LAW.

22 **THE COURT:** DO YOU WISH TO RESPOND?

23 **MR. ZEFF:** YOUR HONOR, I JOIN MR. JERGER'S COMMENTS.
24 I THINK IT'S QUITE CLEAR THAT JACOBSEN ADMITS THAT THERE'S NO
25 INJURY TO FORM A BASIS FOR THE COURT'S JURISDICTION ON THE

1 WITHDRAWN PATENT. THE ONLY INJURY THEY ARE ASSERTING IS THE
2 COST OF LITIGATING A LAWSUIT THAT THEY STARTED.

3 **THE COURT:** ALL RIGHT. MS. HALL, LET ME MOVE ON
4 TO --

5 **MS. HALL:** MAY I RESPOND TO THAT?

6 **THE COURT:** ALL RIGHT. BRIEFLY.

7 **MS. HALL:** ALL RIGHT.

8 **THE COURT:** AND IF I DON'T LET YOU REPLY -- I WILL
9 LET YOU REPLY -- IS I'VE SEEN IT IN THE BRIEFS. I CAN FIGURE
10 OUT THE ANSWER. I GOT WHAT I HAVE NEED. BUT I'LL ALLOW YOU TO
11 BRIEFLY REPLY.

12 **MS. HALL:** THE NINTH CIRCUIT CASE WHICH THEY CITE IS
13 NOT A MANDATORY PRECEDENT UNDER THE FEDERAL CIRCUIT. IT IS
14 COURT OF CUSTOMS AND PATENT APPEALS CASES THAT ARE MANDATORY
15 PRECEDENT IN THE FEDERAL CIRCUIT, NOT NINTH CIRCUIT AUTHORITY.

16 ALSO, WE MAKE NO SUCH ADMISSION THAT THE INJURY IS --
17 THAT THERE IS NO INJURY. WE THINK THE CASE LAW THAT DEFENDANTS
18 CITE IS EITHER, ONE, NOT PATENTS, SO IT'S IRRELEVANT; OR, TWO,
19 IT'S PRE-MEDIMMUNE, AND IT DOESN'T REFLECT THE CURRENT CHANGES.

20 AND A FINAL NOTE: BULLETIN DISPLAYS DOES NOT PERMIT
21 THEM TO STRIKE DECLARATORY JUDGMENT CAUSES OF ACTION UNDER THE
22 LAW.

23 **THE COURT:** ALL RIGHT. LET'S MOVE TO QUESTION NUMBER
24 TWO. I THINK YOU'VE ALREADY ALLUDED TO THIS POINT, MS. HALL,
25 BUT I WOULD LIKE YOU TO GIVE ME AN ANSWER, ESPECIALLY IN

1 CONSIDERATION OF THE COURT'S CITATION TO THE MONSANTO CASE.

2 MS. HALL: YES.

3 THE COURT: WHAT'S YOUR RESPONSE?

4 MS. HALL: YES.

5 THE COURT: ALL RIGHT. WHY?

6 MS. HALL: BECAUSE MULTIPLE PATENTS REMAIN IN PLAY.

7 AND THEN, WE WOULD SEEK LEAVE TO AMEND UNDER MICRON VERSUS

8 MOSAID AN INTERVENING DECISION TO INCORPORATE THE REMAINING

9 KATZER PATENTS FOR THE REASONS STATED IN OUR OPPOSITION.

10 THE COURT: COUNSEL?

11 MR. JERGER: WELL, FIRST MULTIPLE PATENTS DON'T
12 REMAIN IN PLAY. THERE'S ONE PATENT IN THIS LAWSUIT, THE '329
13 PATENT.

14 THEY ARE REQUESTING AN ADVISORY OPINION ON WHETHER
15 THEY ARE IN REASONABLE APPREHENSION OF HARM --

16 THE COURT: SLOW DOWN, PLEASE.

17 MR. JERGER: SORRY.

18 THEY ARE REQUESTING AN ADVISORY OPINION ON WHETHER
19 THEY ARE IN REASONABLE APPREHENSION OF HARM AND WHETHER THEY
20 ARE GOING TO BE ABLE TO FILE A THIRD-AMENDED COMPLAINT TO
21 INCORPORATE MY CLIENT'S OTHER PATENTS INTO THIS LAWSUIT.

22 THAT HAS NOTHING TO DO WITH THE ISSUE BEFORE THE
23 COURT RIGHT NOW. AND TO ADDRESS THIS SPECIFIC QUESTION, TWO
24 POINTS: ONE AS MR. ZEFF STATE, A CLAIM FOR ATTORNEY'S FEES
25 DOES NOT CREATE A CASE OR CONTROVERSY UNDER THE LEWIS VERSUS

1 CONTINENTAL BANK SUPREME COURT CASE, WHICH IS IN OUR BRIEFING.

2 AND, TWO, AND I THINK MORE IMPORTANTLY, GETTING TO
3 THIS MONSANTO ISSUE, ASSUMING FOR THE PURPOSE OF THIS QUESTION
4 THAT THE COURT WANTED TO RETAIN JURISDICTION TO HEAR A CLAIM
5 FOR ATTORNEY FEES UNDER 285, THIS COURT WOULD HAVE TO DO TWO
6 THINGS.

7 ONE: IT WOULD HAVE TO DETERMINE THAT THE PLAINTIFF
8 WAS THE PREVAILING PARTY. AND, TWO: IT WOULD HAVE TO DETERMINE
9 THAT THERE WERE EXCEPTIONAL CIRCUMSTANCES.

10 THE SECOND PRONG, THE EXCEPTIONAL CIRCUMSTANCE PRONG,
11 IS WHERE WE WOULD GET INTO THE ISSUES OF INEQUITABLE CONDUCT AT
12 THE PATENT OFFICE. AND THAT IS, AGAIN, WHY THEY WANT A HEARING
13 ON INEQUITABLE CONDUCT.

14 THE POSITION IN OUR BRIEFS, WHICH IS FAIRLY DETAILED,
15 IS THAT THERE'S ABSOLUTELY NO REASON TO SPEND THE TIME OR THIS
16 COURT'S RESOURCES HAVING A TRIAL ON INEQUITABLE CONDUCT,
17 BECAUSE THERE'S NO WAY AS A MATTER OF LAW UNDER BUCKHANNON THAT
18 PLAINTIFF CAN BE A PREVAILING PARTY.

19 BUCKHANNON REQUIRES THAT THEY CHANGE THE LEGAL
20 RELATIONSHIPS BETWEEN THE PARTIES AND THAT THEY ACHIEVE ACTUAL
21 RELIEF ON THE MERITS.

22 THE RELATIONSHIP HAS BEEN CHANGED. WE DISCLAIM THE
23 PATENT. BUT THAT WAS A PURELY VOLUNTARY CHANGE. THERE'S NO
24 JUDICIAL IMPRIMATUR TO THAT CHANGE. WHAT PLAINTIFF IS SAYING
25 IS THAT THE JUDICIAL IMPRIMATUR IS SCHEDULING ORDER FROM THE

1 SETTLEMENT CONFERENCE JUDGE. BY DEFINITION --

2 **THE COURT:** FOR A DISCOVERY ORDER FROM A DISCOVERY
3 MAGISTRATE JUDGE, RIGHT? I THINK THE CLAIM IS THAT THERE
4 WAS -- YOUR CLIENT WAS ORDERED TO PRODUCE CERTAIN DOCUMENTS.

5 **MR. JERGER:** RIGHT.

6 **THE COURT:** WHY ISN'T THAT A DISCOVERY ORDER? JUDGE
7 LAPORTE ORDERED YOU TO MAKE THE DISCLOSURES THAT PLAINTIFF WAS
8 REQUESTING. ISN'T THAT -- ISN'T THAT A DISCOVERY DISPUTE ORDER,
9 ORDER ON A DISCOVERY DISPUTE?

10 **MR. JERGER:** NO. I THINK WHAT JUDGE LAPORTE ASKED US
11 TO DO WAS TO BRING TO THE SETTLEMENT CONFERENCE, SO WE COULD
12 HAVE A MEANINGFUL DISCUSSION, OUR POSITION ON HOW THEY ARE
13 INFRINGING THE '329 PATENT.

14 AT THAT POINT, WE SAT BACK AND SAID:

15 "THIS IS NOT WORTH THE TIME AND EXPENSE. WE'RE
16 GOING TO DISCLAIM THE PATENT."

17 A SETTLEMENT CONFERENCE JUDGE, WHICH JUDGE LAPORTE
18 WAS, BY DEFINITION CAN'T PROVIDE ACTUAL RELIEF ON THE MERITS.
19 SHE'S PRIVY TO CONFIDENTIAL INFORMATION AND IS THERE TO
20 FACILITATE SETTLEMENT AND IS NOT A TRYER OF FACT OR A
21 DETERMINER ON THE MERITS.

22 THERE'S NOT ONE CASE THAT EVEN REMOTELY STRETCHES THE
23 BUCKHANNON PREVAILING PARTY CASE. THERE'S A LOT OF CASES OUT
24 THERE BECAUSE THIS PREVAILING PARTY ISSUE APPLIES TO EQUAL
25 ACCESS TO JUSTICE ACT, TO LOTS OF FEDERAL FEE RECOVERY.

1 **THE COURT:** I UNDERSTAND YOUR POINT.

2 YOU WANT TO ADD ANYTHING, MR. ZEFF?

3 **MR. ZEFF:** YES, YOUR HONOR. ON THE MONSANTO CASE THE
4 COURT ACTUALLY WENT TO TRIAL ON ONE OF THE PATENTS, AND THEN
5 BROUGHT BACK IN TO THE INEQUITABLE CONDUCT FINDING PATENTS THAT
6 HAD BEEN DISCLAIMED BY THE PATENT HOLDER.

7 THE CASES THAT INVOLVE A COURT RETAINING JURISDICTION
8 TO TALK ABOUT PATENTS THAT HAVE BEEN DISCLAIMED IN THE CONTEXT
9 OF INEQUITABLE CONDUCT ALL HAVE ACTUALLY GONE TO A TRIAL. AND
10 THERE'S A BIG POLICY PROBLEM HERE. IF AT THE OUTSET OF A PATENT
11 CASE A PATENT HOLDER DECIDES IT'S NOT WORTH THE TIME OR MONEY
12 TO FIGHT OVER IT, THEY SHOULD BE PERMITTED TO DISCLAIMED THE
13 PATENT WITHOUT HAVING TO FACE A HEARING ON SOMETHING THAT
14 DOESN'T EVEN -- IS NO LONGER IN CONTROVERSY.

15 THE COURT, AS A POLICY MATTER, SHOULD ENCOURAGE
16 PEOPLE NOT TO LITIGATE.

17 IF THE COURT SAYS IN THIS CASE THAT:

18 "EVEN THOUGH THE ONLY PATENT AT ISSUE HAS BEEN
19 DISCLAIMED, I'M GOING TO RETAIN JURISDICTION TO HAVE
20 AN INEQUITABLE CONDUCT HEARING," WHAT YOU'RE DOING IS
21 DISCOURAGING PATENT HOLDERS FROM DISMISSING -- FROM GIVING UP
22 THEIR PATENTS EARLY IN THE CASE TO GET RID OF THE LITIGATION,
23 YOU'RE GOING TO FORCE PEOPLE TO LITIGATE PATENTS THAT THEY
24 WOULDN'T ORDINARILY LITIGATE.

25 YOU'RE GOING TO FORCE COURTS TO HAVE TRIALS THEY

1 WOULD NOT ORDINARILY HAVE, BECAUSE NOBODY WANTS TO FACE -- TO
2 DISCLAIM A PATENT, AND THEN HAVE TO FACE AN INEQUITABLE CONDUCT
3 HEARING ON THAT PATENT OR OTHER PATENTS THAT HAVE BEEN
4 DISCLAIMED.

5 SO AS A POLICY MATTER, I THINK THE COURT -- THE CASES
6 BREAK OUT VERY CLEARLY WHERE YOU DISCLAIM A PATENT EARLY ON AND
7 THERE'S NOT BEEN A TRIAL ON THE MERITS THEY REWARD YOU FOR
8 DOING THAT BY SAYING:

9 "GONE. OUT OF COURT."

10 IF YOU STAY IN COURT OVER ANY OF THE PATENTS AND
11 LITIGATE AND CAUSE EVERYONE TO SPEND THE RESOURCES IN
12 LITIGATION, THEN THE COURT SAYS:

13 "HEY, I STILL HAVE JURISDICTION TO LOOK AT
14 EVERYTHING HERE, INCLUDING PATENTS THAT HAVE BEEN
15 DISCLAIMED."

16 AND I THINK THAT'S A POLICY VIEW BY THE COURTS. IF
17 PEOPLE DISCLAIM EARLY BEFORE THERE'S ANY FACT FINDINGS OR
18 TRIAL, THEY SHOULD BE REWARDED. OTHERWISE, YOU'RE GOING TO
19 FORCE EVERYONE -- I MEAN, WHY WOULD WE DISCLAIM A PATENT
20 BECAUSE IT WAS TOO MUCH TROUBLE TO DEFEND IF WE'RE GOING TO
21 HAVE TO DEFEND IT ANYWAY?

22 **THE COURT:** I UNDERSTAND.

23 MS. HALL, BRIEF REPLY?

24 **MS. HALL:** FIRST, MR. RUSSELL DOESN'T HAVE STANDING
25 TO MAKE ARGUMENTS RELATING TO 285. HE'S NOT THE OWNER OR

1 ASSIGNEE OF THE PATENT.

2 SO FOR THAT REASON WE WOULD OBJECT TO MR. RUSSELL
3 MAKING ANY COMMENTS RELATING TO THIS.

4 AS FOR THIS BEING EARLY ON, IT WAS THREE YEARS AFTER
5 THEY SENT THEIR FIRST LETTER. IF THEY WANTED TO END THIS CASE
6 THEY COULD HAVE DISCLAIMED BACK IN MARCH OF 2006. THEY COULD
7 HAVE -- THEY COULD HAVE PUT FORWARD CLAIM CONSTRUCTION TO HELP
8 RESOLVE THE DISPUTE. THEY DIDN'T DO ANY OF THAT. AND IF THEY
9 WANT TO RESOLVE THE DISPUTE RIGHT NOW, THEY CAN DISCLAIM THEIR
10 ENTIRE PATENT PORTFOLIO.

11 FINALLY --

12 **THE COURT:** YOU PROBABLY WOULD SUE THEM, ANYWAY,
13 RIGHT?

14 **MS. HALL:** WHAT'S THAT?

15 **THE COURT:** YOU'D PROBABLY CONTINUE TO SUE THEM,
16 ANYWAY.

17 **MS. HALL:** NO, JUDGE.

18 **THE COURT:** ALL RIGHT.

19 **MS. HALL:** AS FOR A CASE IN CONTROVERSY, THE CASES
20 WHICH THEY RELY UPON, EITHER -- THE CASES UPON WHICH THEY RELY
21 UPON, THE DECLARATORY JUDGMENT DEFENDANT DID NOT MAKE THE
22 ACCUSATION.

23 HERE THEY MADE MULTIPLE ACCUSATIONS. AND THEIR COURSE
24 OF CONDUCT IS TO MAKE AN ACCUSATION OF ONE OR TWO PATENTS, AND
25 THEN HAMMER THE OTHER SIDE WITH ALL CLAIMS FROM ALL ISSUED

1 PATENTS.

2 THIS IS BY NO MEANS AN ADVISORY OPINION. IT IS
3 SOMETHING BASED ON THEIR CONDUCT, THEIR ACCUSATIONS OF
4 INFRINGEMENT OF MULTIPLE PATENTS.

5 THE COURT DOES HAVE JURISDICTION UNDER MICRON VERSUS
6 MOSAID AND POST-MEDIMMUNE. THEY ALL RELY UPON PRE-MEDIMMUNE
7 LAW.

8 **THE COURT:** ALL RIGHT. I UNDERSTOOD YOUR POINT.

9 LET'S GO TO QUESTION NUMBER THREE, WHICH IS SIMPLY A
10 "YES" OR "NO" ANSWER.

11 **MS. HALL:** NO. MR. RUSSELL ASKED TO BE PART OF THIS
12 LITIGATION. AND, AGAIN, WE HAVE NO INTENTION OF BRINGING HIM
13 IN EXCEPT WHEN WE DO BRING IN AN EVENTUAL MOTION FOR
14 RECONSIDERATION.

15 **THE COURT:** I MISSED THE FIRST -- THE INTRODUCTION TO
16 THE LAST SENTENCE: WHEN YOU DO BRING IN?

17 **MS. HALL:** WHEN WE DO FILE A MOTION FOR LEAVE TO FILE
18 A MOTION FOR RECONSIDERATION. AGAIN, WE ARE NOT DOING THAT
19 HERE. THEN, WE SAY THAT MR. RUSSELL WOULD HAVE A RIGHT,
20 OTHERWISE -- OTHERWISE, IF HE WANTS TO MAKE COMMENTS HE OUGHT
21 TO FILE A MOTION TO INTERVENE.

22 **THE COURT:** ALL RIGHT. I ASSUME YOU'RE SATISFIED
23 WITH THE FIRST PART OF THE ANSWER. THE SECOND PART IS
24 APPARENTLY NOT BEFORE THE COURT AT THIS TIME. WOULD YOU AGREE,
25 MR. ZEFF? YOUR CLIENT, THE PLAINTIFF JUST SAID IS OUT OF THE

1 CASE.

2 **MR. ZEFF:** MR. RUSSELL IS OUT OF THE CASE, BUT I
3 THINK HE'S BEEN DRAGGED INTO THE CASE BY THEIR SURREPLY. WE'RE
4 HERE. THE COURT ASKED US TO BRIEF THIS.

5 **THE COURT:** I KNOW.

6 **MR. ZEFF:** AND WE WOULD ASK THE COURT TO AWARD US
7 FURTHER SLAPP SANCTIONS OR ATTORNEY'S FEES FOR HAVING TO DEFEND
8 THIS FOR NOW THE THIRD TIME. AND I HEAR THERE'S GOING TO BE A
9 FOURTH DOWN THE ROAD.

10 **THE COURT:** WELL, THAT WOULD HAVE TO BE -- THAT WOULD
11 HAVE TO BE A SEPARATELY NOTICED MOTION. THAT IS NOT BEFORE THE
12 COURT.

13 **MR. ZEFF:** RIGHT. ALL RIGHT.

14 **THE COURT:** I DON'T LITIGATE SERIOUS SLAPP MOTIONS ON
15 THIS KIND OF A RECORD, SO YOU DON'T NEED TO RESPOND TO THAT.
16 IT'S NOT BEFORE THE COURT --

17 **MS. HALL:** OKAY.

18 **THE COURT:** -- FOR EITHER SIDE.

19 SO LET'S -- AND THE MOTION THAT I'VE INDICATED --
20 ALREADY INDICATED THAT THE SURREPLY IS NOT GOING TO BE FILED,
21 MAY NOT BE FILED, AND IT'S STRICKEN. AGAIN, PLAINTIFF'S MOTION
22 TO STRIKE PORTIONS OF THE DECLARATIONS LISTED IS ALSO DENIED,
23 AND I'M REAFFIRMING THAT RULING.

24 NOW, LET'S GO TO THE MOTION TO DISMISS FOR FAILURE TO
25 STATE A CLAIM.

1 SO THE FIRST PART OF THAT QUESTION -- AND I'LL START
2 AGAIN WITH THE PLAINTIFF -- IS: WHAT IS THE BENEFIT OF THE
3 BARGAIN THAT YOUR CLIENT DID RECEIVE, AND HOW WAS PLAINTIFF
4 HARMED BY AN ALLEGED BREACH OF CONTRACT?

5 **MS. HALL:** THERE ARE TWO POINTS HERE. THE FIRST --
6 AND THE COURT CAN REPLY UPON ONE BENEFIT WAS AS STATED IN
7 JACOBSEN VERSUS KATZER, THE FEDERAL CIRCUIT DECISION.

8 SECOND, IF, FOR WHATEVER REASON, THE COURT DECIDED
9 THAT -- DECIDED TO DISMISS OR THAT THAT WAS NOT -- THAT WOULD
10 NOT STATE A BASIS, THERE IS THE OTHER BREACH OF CONTRACT CLAIM
11 RELATING TO JACOBSEN'S PURCHASE OF KAM SOFTWARE.

12 THE BENEFIT THERE IS FOR SOFTWARE PURCHASE.

13 **THE COURT:** ALL RIGHT.

14 **MR. JERGER:** ON THIS RECORD I'M NOT AWARE WHAT THE
15 BENEFIT OF THE BARGAIN WOULD BE OR THE HARM FROM THE ALLEGED
16 BREACH OF CONTRACT. I DON'T THINK IT'S BEEN BRIEFED, AND I
17 DON'T UNDERSTAND IT.

18 **THE COURT:** WHAT ABOUT THE LAST PART THAT COUNSEL
19 JUST MENTIONED, THE PURCHASE OF YOUR CLIENT'S SOFTWARE?

20 **MR. JERGER:** THAT IS NOT RELATED TO THE ALLEGED
21 BREACH. THIS QUESTION ADDRESSES A BREACH OF CONTRACT CLAIM. THE
22 DAMAGE FROM THE BREACH WOULD BE SOME SORT OF REPUTATIONAL HARM.

23 AND THAT DAMAGE IS WHAT YOU ALLUDE TO IN THE SECOND
24 AND THIRD QUESTIONS OF THIS PARAGRAPH, WHICH IS THE EXACT SAME
25 DAMAGE UNDER THE COPYRIGHT ACT.

1 **THE COURT:** ALL RIGHT.

2 MR. ZEFF, YOU WANT TO ADD ANYTHING?

3 **MR. ZEFF:** NO, YOUR HONOR.

4 **THE COURT:** ALL RIGHT.

5 ANYTHING FURTHER YOU WANT TO SAY ON THIS POINT,

6 MS. HALL?

7 **MS. HALL:** NO.

8 **THE COURT:** ALL RIGHT. LET'S GO TO THE NEXT SUBPART.

9 **MR. JERGER:** I'M SORRY, YOUR HONOR. CAN I MENTION
10 ONE? I MEANT TO -- AND I DIDN'T KNOW WE WERE GOING TO BE DONE
11 WITH NUMBER ONE.

12 **THE COURT:** NO, WE'RE NOT. WE'RE GOING TO THE SECOND
13 SUBPART OF NUMBER ONE. THAT'S WHY I SEPARATED THE QUESTIONS.

14 ARE THE DAMAGES THE SAME AS THE DAMAGES FOR COPYRIGHT
15 INFRINGEMENT, AND REMEDIED ONLY BY AN INJUNCTION?

16 **MS. HALL:** NOT NECESSARILY. THERE ARE DIFFERENCES
17 BETWEEN CONTRACT DAMAGES AND COPYRIGHT DAMAGES. CONTRACT CAN
18 BE OF RESTITUTIONARY NATURE AS WELL AS SPECIFIC PERFORMANCE, AS
19 COMPARED TO VALUE OF USE, WHICH IS AVAILABLE IF STATUTORY
20 DAMAGES ARE NOT AVAILABLE.

21 AND I POINT IN POLAR BEAR PRODUCTIONS VERSUS TIMEX
22 FOR THAT.

23 AS FOR KAM SOFTWARE, AGAIN IT COULD BE
24 RESTITUTIONARY, SPECIFIC PERFORMANCE. THAT'S THE BREACH FOR
25 NOT PROVIDING THE UPDATES.

1 SPECIFIC PERFORMANCE WOULD ADVANCE THE CASE BECAUSE
2 WE COULD SEE WHAT KATZER WAS DOING WITH THE SOFTWARE.

3 **THE COURT:** WELL, LET ME ASK -- BEFORE I GET A
4 RESPONSE, I WANTED TO RAISE WHAT I CALL A "POP QUIZ" QUESTION,
5 WHICH IS NOT ON THE TAKE HOME EXAM. AND I'LL WAIT UNTIL
6 MS. HALL GETS HER WATER.

7 I ACTUALLY HAD THIS QUESTION BEFORE I RECEIVED THE
8 SUPPLEMENTAL AUTHORITY BY THE DEFENDANT, THE DEL MADERA
9 PROPERTIES VERSUS RHODES & GARDNER.

10 AND THE QUESTION IS: IS THERE ANY PREEMPTION ISSUE
11 WITH FINDING THAT THE CAUSE OF ACTION IN COPYRIGHT LAWS THAT
12 EVISCERATES THE BREACH OF CONTRACT CLAIM? IT STRIKES THE COURT
13 THAT GIVEN THE BREADTH OF THE COPYRIGHT STATUTE, GIVEN THE
14 LANGUAGE OF THE FEDERAL CIRCUIT'S OPINION IN THIS CASE, THAT
15 THAT CASE IS RIGHT ON POINT AND PREEMPTS THIS CLAIM.

16 WHY ISN'T THAT NOT TRUE?

17 **MS. HALL:** I RESPECTFULLY DISAGREE. THE FEDERAL
18 CIRCUIT DECISION STATES THAT A TERM CAN BE BOTH A COVENANT AND
19 A CONDITION. AND THAT'S AT PAGE 1380. THUS, THE ARTISTIC
20 LICENSE IS A BILATERAL IMPLIED PATENT CONTRACT.

21 COPYRIGHT INFRINGEMENT AS A CLAIM OR AS A CAUSE OF
22 ACTION REQUIRES OWNERSHIP AND AN UNAUTHORIZED EXERCISE OF AN
23 EXCLUSIVE RIGHT.

24 IT DOES NOT REQUIRE THE EXCHANGE OF PROMISES. AND IT
25 IS THAT EXCHANGE OF PROMISES THAT IS THAT EXTRA ELEMENT AS

1 DISCUSSED IN DEL MADERA THAT TAKES IT OUT OF PREEMPTION.

2 **THE COURT:** I GUESS I READ THE SAME DECISION OF THE
3 FEDERAL CIRCUIT THAT YOU DID. AND I JUST -- AND BEFORE I HEAR
4 FROM THE DEFENDANTS I'D LIKE TO KNOW AFTER THAT OPINION -- AND
5 YOU WERE KIND ENOUGH TO CITE THE ORAL ARGUMENT WHERE THE
6 PARTIES SAID:

7 "THIS IS NOT ABOUT DAMAGES. IT'S ONLY ABOUT
8 INJUNCTION. THIS IS A COPYRIGHT CLAIM. IT'S NOT A
9 CONTRACT CLAIM," CAN THE DEFENDANTS BE LIABLE FOR
10 BOTH COPYRIGHT INFRINGEMENT AND CONTRACT DAMAGES ON THE EXACT
11 SAME THEORY?

12 **MS. HALL:** I BELIEVE SO. AND IF I RECOLLECT CORRECTLY
13 I THINK YOU MAY FIND THAT IN THE NINTH CIRCUIT SUN MICROSYSTEMS
14 VERSUS MICROSOFT CORPORATION.

15 I THINK YOU'LL FIND IT THERE. YES, YOU CAN BOTH
16 COPYRIGHT INFRINGEMENT AND CONTRACT.

17 AND I MIGHT ADD THERE MAY BE SOMETHING IN -- AGAIN,
18 THIS HIGHLIGHTS WHY THIS WOULD BE PREMATURE TO DISMISS. THERE
19 MAY BE SOMETHING THAT WE FIND THAT FOR WHATEVER REASON AND FOR
20 WHATEVER INTERPRETATION IT IS NOT COVERED. I MEAN, EVEN IF YOU
21 DID SAY IT DID PREEMPT.

22 THERE MAY BE SOMETHING THERE THAT WE ARE NOT AWARE OF
23 THAT WOULD NOT BE COPYRIGHT INFRINGEMENT.

24 **THE COURT:** WELL, FROM A METAPHYSICAL STANDPOINT
25 THERE MAY BE FACTS OUT THERE IN THE WORLD NOBODY IS AWARE OF,

1 OR AS OUR FORMER SECRETARY OF DEFENSE SAID "MAY NOT BE
2 KNOWABLE."

3 WE DON'T KNOW WHAT WE DON'T KNOW, RIGHT? WOULD YOU
4 AGREE WITH THAT?

5 **MS. HALL:** THAT'S TRUE. BUT I THINK THAT'S THE POINT
6 OF DISCOVERY SO WE CAN GET A BETTER VIEW OF WHAT THE FACTS ARE.
7 IT DOES NO HARM TO DEFEND THIS TO KEEP THIS BREACH OF CONTRACT
8 CLAIM IN.

9 **THE COURT:** MR. JERGER, IF YOU COULD RESPOND TO ALL
10 OF THOSE POINTS.

11 **MR. JERGER:** WELL, I THINK THE ISSUE IS ACTUALLY
12 PRETTY SIMPLE, AND I THINK YOU NAILED IT. THE COPYRIGHT LAW
13 COMPLETELY PREEMPTS THE STATE LAW BREACH OF CONTRACT CLAIM
14 BECAUSE THERE'S NO EXTRA RIGHT TO REMEDIES IN THE CONTRACT ACT
15 CLAIM. THEY ARE EQUIVALENT. THERE IS NO EXTRA ELEMENT, AND
16 ALL OF THE DAMAGES, THE RELIEF, THE ELEMENTS WOULD BE PREEMPTED
17 BY THE COPYRIGHT ACT.

18 **MS. HALL:** AN EXTRA ELEMENT IS PROMISE.

19 **THE COURT:** WAIT A MINUTE.

20 MR. ZEFF, DO YOU WANT TO ADD ANYTHING?

21 **MR. ZEFF:** YOUR HONOR, I DON'T THINK ISSUES TWO AND
22 THREE ARE MY DOG IN THE FIGHT, SO I'LL STAY OUT OF THAT.

23 **THE COURT:** OKAY. SOMETIMES THE DOGS ARE BROUGHT
24 BACK INTO THE FIGHT OR BRING THEMSELVES BACK INTO THE FIGHT.
25 BUT THAT'S FINE.

1 **MR. JERGER:** INDEED, YOU'RE CORRECT, YOUR HONOR.

2 THAT IS WHY I SUPPLEMENTED THE RECORD WITH THE DEL MADERA CASE
3 TO HIGHLIGHT THAT ISSUE.

4 **THE COURT:** NOW, HERE'S WHAT CONCERNS ME, MS. HALL.
5 AND I'LL LET YOU REPLY IN A MOMENT. BUT IN READING YOUR BRIEFS
6 YOU HAVE CLEARLY STATED IN YOUR PREVIOUS BRIEFS THAT YOU'RE NOT
7 SEEKING CONTRACT DAMAGES. YOU'RE SEEKING EQUITABLE RELIEF. IN
8 FACT, THAT'S WHAT YOU AND THE AMICI MADE BEFORE THE FEDERAL
9 CIRCUIT.

10 SO ISN'T IT A LITTLE BIT OF A CONTRADICTION TO COME
11 BACK AND SAY:

12 "OH, NO. NO. NO. WE ARE SEEKING CONTRACT
13 DAMAGES AND INJUNCTIVE RELIEF"?

14 **MS. HALL:** I GUESS HAVING LOOKED AT THIS A LITTLE BIT
15 FURTHER, THE TERMS OR CONDITIONS VIOLATE THE TERMS. THEY ARE
16 COPYRIGHT INFRINGEMENT. THERE IS THE ADDITIONAL ELEMENT OF A
17 PROMISE HERE, AND THAT DOES TAKE IT OUT OF PREEMPTION.

18 **THE COURT:** WHAT IS THE PROMISE?

19 **MS. HALL:** THE PROMISE IS THE EXCHANGE OF PROMISES.
20 WE PROMISED TO MAKE THAT SOFTWARE AVAILABLE. THEY PROMISED TO
21 FOLLOW THE TERMS.

22 **THE COURT:** AND WAIT. STOP. AND THE ARGUMENT THAT WAS
23 EFFECTIVELY MADE BY THE PLAINTIFF BEFORE THE FEDERAL CIRCUIT IS
24 THAT THOSE BREACHES OF PROMISES, IF THEY EXIST, CONSTITUTE
25 COPYRIGHT INFRINGEMENT.

1 MS. HALL: THAT'S TRUE.

2 THE COURT: AND THE COURT AGREED WITH YOU.

3 MS. HALL: THAT'S TRUE.

4 THE COURT: SO ARE YOU ASKING ME TO GO AGAINST THE
5 FEDERAL CIRCUIT'S DECISION?

6 MS. HALL: NO. I'M SAYING THAT YOU WOULD DO BOTH
7 COPYRIGHT INFRINGEMENT AND BREACH OF CONTRACT.

8 THE COURT: ALL RIGHT. LET'S MOVE ON TO QUESTION
9 NUMBER TWO, WHICH HAS TO DO WITH IF THE COURT GAVE THE
10 PLAINTIFF LEAVE TO AMEND, WHAT FACTS DO YOU HAVE OR COULD YOU
11 ALLEGE THAT THE INFRINGING CONDUCT OCCURRED AFTER THE
12 PLAINTIFF'S COPYRIGHT REGISTRATION, AND A CONCOMITANT OF THAT
13 TO PLAINTIFF IS: WHY SHOULDN'T THE PLAINTIFF BE BOUND BY THE
14 ALLEGATIONS IN HIS COMPLAINT REGARDING THE TIMING OF THE
15 ALLEGEDLY INFRINGING ACTIVITIES, WHICH WAS VERY CLEAR?

16 MS. HALL: THIS, TO ME, IS THE REASON WHY A MOTION TO
17 STRIKE DAMAGES IS PREMATURE. THERE ARE TWO POINTS THAT WE WOULD
18 MAKE. AND, ACTUALLY, WE PUT THIS IN OUR SURREPLY. THERE'S
19 DIFFERING KINDS OF INFRINGEMENT. IF THERE IS DIFFERING KINDS
20 OF INFRINGEMENT, THEN DEREK ANDREW VERSUS PROOF APPAREL IMPLIES
21 THAT THE DATE THAT IT COMMENCED WOULD START A NEW ROUND OF
22 INFRINGEMENT SO THAT YOU WOULD HAVE A COMMENCEMENT AFTER
23 REGISTRATION.

24 THE OTHER IS THERE'S INFRINGEMENT OF SEPARATE WORKS
25 WHICH HAVE INDEPENDENT ECONOMIC VALUE AND ARE VIABLE. AND

1 SOFTWARE VERSIONS WHICH THEY DON'T EVEN DESCRIBE IN THEIRS ARE
2 OFTEN SEPARATE WORKS WHEN THERE IS A SIGNIFICANT DIFFERENCE
3 BETWEEN VERSIONS.

4 AND I WOULD POINT THE COURT TO THE MICROSOFT CASES.
5 THERE ARE SIGNIFICANT -- YOU'LL SEE THIS ONCE WE GET INTO
6 DISCOVERY AND ONCE THE FACTS START TO SHAKE OUT -- THERE ARE
7 SIGNIFICANT DIFFERENCES BETWEEN JMRI VERSIONS. SOME OF THOSE
8 WERE REGISTERED WITHIN THREE MONTHS OF PUBLICATION.

9 WE ARE ALLEGING THAT THEY INFRINGED SOME OF THOSE,
10 AND THEREFORE STATUTORY DAMAGES ARE AVAILABLE.

11 **THE COURT:** ALL RIGHT.

12 COUNSEL?

13 **MR. JERGER:** WE ADDRESSED THE ISSUE OF SEPARATE WORKS
14 IN OUR BRIEFING. AND THE PRIMARY CASE THERE IS THE WALT DISNEY
15 CASE, AND WE WILL REST ON THAT.

16 THE ISSUE -- AND WHEN YOU READ THAT I THINK IT
17 BECOMES CLEAR THAT THE INFRINGEMENT -- ALLEGED INFRINGEMENT
18 COMMENCED BEFORE THE FIRST REGISTRATION. THEN, THE ISSUE
19 BECOMES MS. HALL -- IS PLAINTIFF BOUND BY THE FACTS IN THEIR
20 COMPLAINT AND IN THEIR DECLARATION?

21 FOR EXAMPLE, A VERY RECENTLY-FILED DECLARATION,
22 DOCUMENT NUMBER 266, PARAGRAPH 10, BY MR. JACOBSEN SAYS:

23 "HE -- "HE" REFERRING TO KATZER -- COPIED JMRI
24 CONTENT IN JUNE, 2005."

25 I THINK THE CASE LAW IS PRETTY CLEAR -- AND WE CITE

1 SOME CASES IN OUR BRIEFS -- THAT THESE FACTUAL ALLEGATIONS IN
2 DECLARATIONS AND IN THE COMPLAINT ARE JUDICIAL ADMISSIONS, AND
3 THEY ARE ABSOLUTELY BOUND BY THOSE. AND THIS HIGHLIGHTS A
4 BIGGER PROBLEM, WHICH I JUST REALLY WANT TO TOUCH ON, WHICH IS
5 THE FACT THAT THIS LITIGATION IS NEVER GOING TO NARROW IN SCOPE
6 IF WE CAN'T EVEN AGREE ON SOMETHING AS SIMPLE AS THIS WHERE
7 THEY ARE ALLEGING IT, AND THEN TRYING TO PULL IT BACK.

8 **THE COURT:** WELL, I DON'T WANT TO HEAR THAT. YOU MAKE
9 THAT ALLEGATION. THERE MAY BE LEGAL CONSEQUENCES TO THAT.
10 THAT'S WHY I ASKED THE QUESTION.

11 AND AS FAR AS THESE OTHER POLICY REASONS WHY COURTS
12 MAY HAVE COME UP WITH THE RULE OF JUDICIAL EQUITABLE ESTOPPEL
13 AND ADMISSIONS, THAT MAY BE THE REASON. I'M NOT SAYING IT IS.
14 BUT I DON'T NEED TO HEAR THE POLICY REASONS.

15 I'VE CITED THE RULE, AND I'VE ASKED PLAINTIFF'S
16 COUNSEL HOW PLAINTIFF AVOIDS THE RULE HAVING MADE THESE
17 ADMISSIONS ON MULTIPLE OCCASIONS. YOU'VE GIVEN ME THE
18 RESPONSE.

19 WHAT'S YOUR REPLY?

20 **MS. HALL:** A BARE ALLEGATION IS NOT AN ADMISSION.

21 IN THE CASE THAT THEY CITED --

22 **THE COURT:** PARDON ME? AN ALLEGATION IN A SWORN
23 DECLARATION BY YOUR CLIENT IS NOT AN ADMISSION? WHAT AUTHORITY
24 DO YOU HAVE FOR THAT?

25 **MS. HALL:** THEY ARE THE ONES WHO KNOW WHEN THEY

1 INFRINGED. WE DON'T.

2 **THE COURT:** BUT YOU MADE -- YOUR CLIENT MADE AN
3 ALLEGATION. ARE YOU SAYING --

4 **MS. HALL:** WE'RE MAKING THE BEST BELIEF.

5 **THE COURT:** WAIT. ARE YOU MOVING TO STRIKE YOUR OWN
6 CLIENT'S DECLARATION?

7 **MS. HALL:** NO.

8 **THE COURT:** ALL RIGHT. I'LL LOOK AT THAT. I DON'T
9 NEED ANY MORE ON THAT. THAT'S PRETTY CLEAR TO THE COURT.

10 **MS. HALL:** OKAY.

11 **THE COURT:** NOW, LET'S GO TO THE MOTION FOR
12 PRELIMINARY INJUNCTION. I KIND OF THINK -- I'LL SAY THIS TO MR.
13 JERGER, HAVING READ THE NINTH CIRCUIT -- I'M SORRY -- THE
14 FEDERAL CIRCUIT'S DECISION AND EVEN CONSIDERING THAT, ONCE
15 AGAIN, THE NINTH CIRCUIT HAS BEEN REJECTED BY THE SUPREME COURT
16 IN TERMS OF ITS STANDARD FOR PRELIMINARY INJUNCTION.

17 AND THERE'S BEEN SOME BRIEFING ON THAT ISSUE. THE
18 RELEVANT -- THE ESSENTIAL ISSUE HERE IS, YOU KNOW, GIVEN THE
19 DECISION IN THIS CASE BY THE FEDERAL CIRCUIT IN WHICH THE
20 CIRCUIT SEEMED TO SAY THAT THE POTENTIAL HARM IS NOT
21 COMPENSABLE WITH MONEY DAMAGES AND, THEREFORE, AN INJUNCTION IS
22 APPROPRIATE, THAT LEADS TO THE QUESTION: ON WHAT BASIS DO THE
23 DEFENDANTS CONTEND THAT SUCH HARM HAS NOT BEEN DEMONSTRATED?

24 AND GIVEN THE PROCEDURAL HISTORY OF THIS MATTER I
25 DON'T SEE WHERE THE FEDERAL CIRCUIT HAS GIVEN THIS COURT ANY

1 ROOM TO WIGGLE.

2 MR. JERGER: I SEE WHAT YOU'RE SAYING, YOUR HONOR.
3 AND LET ME RESPOND TO THAT. YOU KNOW, ONE, WHAT THE FEDERAL
4 CIRCUIT SAYS REGARDING HARM MAKES SENSE. BUT THAT'S NOT
5 EVIDENCE. AND IT IS NOT EVIDENCE. THERE'S NOT ONE SENTENCE OF
6 HARM IN ANY DECLARATION FILED BY MR. JACOBSEN, INCLUDING THE
7 ONE AFTER WE RAISED THE ISSUE THAT THERE'S NO HARM IN HIS
8 ORIGINAL DECLARATION SUPPORTING THE MOTION FOR PI THAT THEY CAN
9 POINT TO.

10 THERE IS NO HARM THAT'S BEEN ALLEGED. IT'S NOT IN THE
11 RECORD. AND PLAINTIFF CAN'T POINT TO THAT TODAY.

12 I THINK LAW IS CLEAR UNDER -- ESPECIALLY UNDER THE
13 NEW WINTER V. NRDC CITE, WHICH WE CITE IN OUR SUPPLEMENTAL
14 BRIEFING -- THAT THEY DIDN'T MAKE A CLEAR SHOWING OF HARM. THE
15 STANDARDS ARE CHANGING REGARDING PRELIMINARY INJUNCTIONS. THEY
16 HAVE CHANGED. IT'S AN EXTRAORDINARY REMEDY. AND THEY NEED TO
17 PRESENT SWORN EVIDENCE DEMONSTRATING A LIKELIHOOD OF
18 IRREPARABLE INJURY.

19 THAT IS NOT IN THIS RECORD.

20 THE SECOND POINT I WANT TO MAKE IS I RESPECTFULLY
21 DISAGREE WITH THE PRELIMINARY INJUNCTION STANDARD CITED IN THE
22 TENTATIVE RULING. UNDER THAT WINTER VERSUS NRDC CASE, PLAINTIFF
23 MUST SHOW -- THEY HAVE THE BURDEN OF SHOWING A LIKELIHOOD OF
24 IRREPARABLE INJURY, AND THAT THE BALANCE OF EQUITIES TIPS IN
25 THE PLAINTIFF'S FAVOR.

1 THAT'S NOT MENTIONED IN THE TENTATIVE RULING. THE
2 BALANCE OF THE EQUITIES ISSUE IS A PRETTY IMPORTANT ONE TO US.
3 AND IN OUR OPINION THIS RECORD SHOWS NO HARM ON THEIR PART.

4 THERE'S SOME SPECULATION AS TO WHAT THAT HARM MIGHT
5 BE, REPUTATIONAL INJURY, FOR EXAMPLE, BY THE FEDERAL CIRCUIT.
6 WEIGH AGAINST THAT THE CONCRETE HARM THAT MY CLIENT HAS SHOWN
7 IN HIS DECLARATION, WHICH IS HE'S POTENTIALLY GOING TO GO OUT
8 OF BUSINESS IF THERE'S AN INJUNCTION RELATING TO THIS SOFTWARE,
9 BECAUSE THAT'S GOING TO NEGATIVELY AFFECT HIS BUSINESS.

10 I DO NOT SEE HOW ON THIS RECORD --

11 **THE COURT:** WELL, THAT'S A DIFFERENT ISSUE. AND THAT
12 REALLY -- WE WILL GET INTO THAT IN A MOMENT. THAT REALLY GOES
13 TO WHAT IS THE APPROPRIATE LANGUAGE, IF SUCH AN INJUNCTION
14 ISSUES, THAT IS NARROWLY-TAILORED TO MEET THE REQUIREMENTS THAT
15 ARE LAID DOWN IN THE CASES, AND PARTICULARLY IN -- TO ALLAY THE
16 CONCERN OR ADDRESS THE CONCERN SET FORTH IN THE FEDERAL
17 CIRCUIT'S DECISION.

18 **MR. JERGER:** I AGREE IT GOES TO THE SCOPE, BUT I
19 THINK IT ACTUALLY GOES TO THE ENTRY OF THE INJUNCTION, AS WELL.
20 THERE IS -- WHAT MY CLIENT HAS SWORN TO IS THAT HE BELIEVES
21 THERE IS A HARM JUST TO THE ENTRY OF AN INJUNCTION.

22 WE, YOU KNOW -- AND WE WILL GET TO THIS IN A MINUTE,
23 BUT I THINK WHAT WE'RE SAYING IS WE HAVE DONE EVERYTHING WE CAN
24 DO. THERE'S NO INFRINGING PRODUCT OUT THERE. WE'RE NOT
25 INFRINGING NOW.

1 AN ENTRY INTO --

2 **THE COURT:** ISN'T THAT LIKE THE ARGUMENT THAT IS
3 SOMETIMES MADE:

4 "WELL, WE'RE NOT DOING THE ILLEGAL OR THE
5 INAPPROPRIATE CONDUCT ANYMORE, SO DON'T ENJOIN US
6 FROM DOING THAT"?

7 GENERALLY SPEAKING, COURTS SAY THAT'S NOT ENOUGH TO
8 DEFEAT AN INJUNCTION BECAUSE THERE MAY BE A RISK THAT YOU WOULD
9 DO IT IN THE FUTURE.

10 **MR. JERGER:** BUT THAT'S THE MOOTNESS ISSUE. THAT IS
11 DIFFERENT. WHAT WE'RE TALKING ABOUT HERE IS LIKELIHOOD OF
12 IRREPARABLE INJURY.

13 AND THEY HAVE THE BURDEN OF SHOWING A REAL IMMINENT
14 AND SIGNIFICANT HARM THAT CAN BE REMEDIED BY INJUNCTIVE RELIEF.
15 SPECULATIVE HARM IS NOT ENOUGH. ALL THEY ARE DOING IN THEIR
16 DECLARATIONS IS SPECULATING AS TO WHETHER -- BASICALLY, WHAT
17 THEY ARE SAYING IS:

18 "I CAN'T IMAGINE THAT THEY WON'T INFRINGE IN THE
19 FUTURE."

20 **THE COURT:** LET ME STOP YOU RIGHT THERE.

21 MS. HALL, WHERE IN THE PAPERS -- IN THE RECORD,
22 BECAUSE OBVIOUSLY THE FEDERAL CIRCUIT CLEARLY SET OUT THE
23 STANDARD WITH THIS RECORD, BUT THEY DIDN'T ORDER THE COURT TO
24 ENTER AN INJUNCTION. THEY ORDERED THE COURT TO CONSIDER THE
25 MOTION. AND SO ALL YOU NEED TO DO IS -- WITHOUT ARGUING,

1 BECAUSE I CAN READ IT -- IS TO CITE THE COURT TO THE EVIDENCE
2 IN THIS RECORD THAT SUPPORTS WHAT THE FEDERAL CIRCUIT WANTED
3 AND WHAT EVEN UNDER THE NEW STANDARD IS REQUIRED TO SHOW THE
4 THREAT OF HARM TO YOUR CLIENT.

5 **MS. HALL:** JUST FOR THE RECORD, WE CITED WINTER IN
6 OUR REPLY. AND WE THINK --

7 **THE COURT:** I KNOW YOU DID, AND I CONSIDERED THAT.
8 I'M CONSIDERING THAT.

9 **MS. HALL:** THE HARM IS AS STATED IN THE FEDERAL
10 CIRCUIT'S DECISION, FIRST.

11 SECOND, THE HARM IS AS WE STATE IN OUR FACTUAL
12 SECTION.

13 **THE COURT:** WELL, NO. THE FEDERAL CIRCUIT REMANDED
14 TO THE COURT --

15 **MS. HALL:** RIGHT.

16 **THE COURT:** -- TO MAKE A DETERMINATION ABOUT WHETHER
17 THERE'S A THREAT OF IMMINENT HARM. SO THEY MADE NO FACTUAL
18 FINDINGS THAT ARE BINDING ON THIS COURT. AND I SIMPLY WANT TO
19 KNOW WHEN I GO BACK TO WRITE MY FINAL ORDER HERE WHERE DO I
20 FIND THE EVIDENCE IN THE RECORD, ADMISSIBLE EVIDENCE, OF
21 PROBABLE HARM UNDER THE NEW NRDA (SIC) CASE, WINTERS CASE.

22 **MS. HALL:** THERE'S IRREPAIRABLE INJURY AND THREAT OF
23 FUTURE HARM, AS WE UNDERSTAND IT.

24 **THE COURT:** RIGHT.

25 **MS. HALL:** OKAY. YOU CAN LOOK AT PAGES -- DOCKET 265,

1 PAGES --

2 MR. JERGER: CAN YOU EXPLAIN WHAT THAT DOCKET NUMBER
3 REFERS TO?

4 MS. HALL: YES.

5 THE COURT: YES. FOR THE RECORD, JUST SAY WHAT THAT
6 DOCUMENT IS.

7 MS. HALL: THAT IS THE REPLY MEMORANDUM. AND IT
8 REFERS TO DECLARATIONS BOTH OF MY CLIENT AND TO MR. KATZER.
9 THAT'S PAGE THREE THROUGH SEVEN.

10 THE COURT: SOME YOU'RE INCORPORATING BY REFERENCE
11 FOR SHORTHAND PURPOSES, BECAUSE I'M NOT -- NOT THAT I'M NOT
12 INTERESTED IN WHAT YOU HAVE TO SAY --

13 MS. HALL: TO SAVE TIME.

14 THE COURT: -- BUT FOR THESE PURPOSES I AM INTERESTED
15 IN THE EVIDENCE, AND YOU'RE SAYING THE COURT SHOULD INCORPORATE
16 BY REFERENCE THE CITATIONS IN YOUR REPLY BRIEF TO THOSE TWO
17 DECLARATIONS?

18 MS. HALL: STATEMENTS OF FACT AND THE CITATIONS OF
19 THE DECLARATIONS.

20 THE HARM IS IT'S DIFFICULT TO VALUE; INADEQUATE
21 DAMAGES; KATZER'S PATTERN OF COPYING; KATZER MISREPRESENTING
22 WHAT HE COPIED; HE IS INTENTIONALLY REMOVING COPYRIGHT
23 INFORMATION TO CONCEAL INFRINGEMENT; HIS ATTEMPT TO EXPAND
24 INFRINGERS. HE CLAIMS HE HAS A RIGHT TO INFRINGE BY WAY OF A
25 QSI MANUAL.

1 THERE'S NO EVIDENCE IN THE RECORD THAT KATZER
2 STOPPED, AND HE HAS THAT EVIDENCE IN HIS POSSESSION. AND THERE
3 IS A MOTIVE TO INFRINGE BECAUSE OF THE MODEL RAILROAD NEWS
4 REVIEWS.

5 THERE IS THIS MYSTERY COMPANY THAT WE HAVE NO IDEA
6 ABOUT. AND THERE IS NOTHING -- THERE IS NO COMPETENT EVIDENCE
7 IN THE RECORD RELATING TO THIS. NOT A NAME, NO BUSINESS PLANS,
8 NOTHING. IT'S NOT EVEN THERE.

9 AND, FINALLY, THEY SAY THAT INSOLVENCY IS LOOMING.
10 ALL OF THIS IS IRREPARABLE INJURY AND THE THREAT OF FUTURE
11 INJURY.

12 WHEN THE DEFENDANT OFFERS THIN EXCUSES FOR HIS
13 CONDUCT THERE IS A THREAT OF FUTURE CONDUCT IMPLIED, AS WELL AS
14 FROM A PATTERN OF COPYING, AND WE HAVE IT.

15 **THE COURT:** YES.

16 **MR. JERGER:** TWO THINGS ON THAT, YOUR HONOR. I THINK
17 MS. HALL'S DIALOGUE THERE REALLY HIGHLIGHTS THE FACT THAT THEY
18 ARE SPECULATING AS TO ANY SORT OF CONTINUING INFRINGEMENT.

19 THIS IS THEIR -- THIS IS THEIR BURDEN. THEY DID NOT
20 CONDUCT ANY DISCOVERY, DIDN'T ASK FOR ANYTHING.

21 AND IF YOU LOOK AT THE CITATIONS SHE GAVE YOU IN HER
22 BRIEF, HER LEGAL REPLY MEMORANDUM THERE ARE A COUPLE OF
23 SENTENCES RELATED TO HARM, BUT THOSE ARE NOT TIED TO SWORN
24 DECLARATIONS.

25 AND THE CASE LAW IS CLEAR THAT THE FACTUAL EVIDENCE

1 MUST CONSIST OF A SWORN DECLARATION AND CAN'T BE AN UNSWORN
2 ALLEGATION IN A LEGAL MEMORANDUM.

3 **THE COURT:** HERE'S THE CONCERN I HAVE. AGAIN, I'M
4 TRYING TO COMPLY AS CLOSELY AS POSSIBLE TO THE FEDERAL
5 CIRCUIT'S MANDATE HERE. AND THEY MADE SOME STATEMENTS ABOUT
6 EVEN WHEN YOU'RE DEALING WITH OPEN SOURCE SOFTWARE THE HARM IS
7 X, Y, Z, ALMOST -- IT'S ALMOST LIKE THEY ARE SAYING THE HARM IS
8 PRESUMED WHEN SOMEBODY ADMITS TO INFRINGING OPEN SOURCE
9 HARDWARE -- OPEN SOURCE SOFTWARE, NOT HARDWARE -- SOFTWARE.

10 SO -- AND THEY WERE SAYING THAT, PRESUMABLY, BASED
11 UPON THE RECORD THAT THEY HAD, ALTHOUGH THEY ESSENTIALLY SAID
12 BY REMANDING RATHER THAN DIRECTING ENTRY OF AN INJUNCTION,
13 WHICH THEY COULD HAVE DONE, THAT THEY WANT TO SEE THE FACTUAL
14 RECORD DEVELOP.

15 BUT DOESN'T THE LANGUAGE THAT THEY USE ABOUT THE
16 HARMS THAT FOLLOW FROM INFRINGEMENT OF THIS OPEN SOURCE, OPEN
17 SOURCE LIKE THE GOOD WILL TO THE PUBLISHER AND ALL THAT,
18 DOESN'T THAT TO SOME EXTENT TIE THE COURT'S HANDS?

19 **MR. JERGER:** I DON'T BELIEVE SO. AND, AGAIN, THAT
20 FEDERAL CIRCUIT OPINION WAS PRIOR TO NRDC VERSUS WINTER (SIC).

21 AND, YOU KNOW, SINCE EBAY, THE WAY I VIEW THE CASE
22 LAW -- AND EBAY IS A 2000 --

23 **THE COURT:** WE HAVE AN INTERESTING SITUATION WHERE I
24 SAY:

25 "I'M NOT GOING TO FOLLOW THE FEDERAL CIRCUIT

1 BECAUSE I HAVE AN INTERVENING SUPREME COURT CASE,"
2 THAT WOULD BE VERY -- WHICH, OF COURSE, IS THE HIGHER COURT,
3 AND I WOULD -- I AM OBLIGED TO FOLLOW THAT. BUT WE HAVE A --
4 SOME SPECIFIC STATEMENTS IN THIS CASE, AND THEN WE HAVE A
5 GENERAL CASE DEALING WITH BASICALLY DISAVOWING THE NINTH
6 CIRCUIT'S STANDARDS ON INJUNCTION. VERY INTERESTING PROCEDURAL
7 POSTURE.

8 **MR. JERGER:** I BELIEVE SO. BUT I BELIEVE WHAT IS
9 ABSOLUTELY CLEAR IS AT SOME POINT -- AND I DON'T KNOW WHEN THAT
10 ENDED -- THE FEDERAL CIRCUIT WAS WORKING UNDER THE IDEA THAT
11 THERE WAS A PRESUMPTION OF IRREPARABLE HARM --

12 **THE COURT:** RIGHT.

13 **MR. JERGER:** -- IN THE PRELIMINARY INJUNCTION CONTEXT
14 FOR COPYRIGHT INFRINGEMENT.

15 **THE COURT:** RIGHT.

16 **MR. JERGER:** WHEN THAT -- YOU KNOW, SAY, AS OF TODAY
17 THERE'S A FEDERAL CIRCUIT OPINION SAYING "OKAY." AND WE GO
18 THROUGH THIS IN OUR BRIEFING. EBAY -- YOU KNOW, EBAY WAS A
19 CASE REGARDING A PERMANENT INJUNCTION IN A PATENT INFRINGEMENT
20 CASE.

21 YOU CAN SEE GOING THROUGH THE CIRCUITS AND THE
22 DISTRICT COURTS IT SLOWLY GETS APPLIED TO PRELIMINARY
23 INJUNCTIONS. IT GETS APPLIED TO COPYRIGHTS.

24 AND THEN, NRDC VERSUS WINTER (SIC) IS THE CULMINATION
25 OF THIS WHERE THE SUPREME COURT SAYS WE HAVE FINAL AFFIRMANCE A

1 HUNDRED PERCENT YES, ABSOLUTELY, THERE'S NO PRESUMPTION OF
2 IRREPARABLE HARM --

3 **THE COURT:** IN A COPYRIGHT CASE.

4 **MR. JERGER:** -- IN A COPYRIGHT CASE IN PRELIMINARY
5 INJUNCTION CONTEXT. THIS IS -- INJUNCTIONS ARE EXTRAORDINARY
6 REMEDIES. THIS IS AN EQUITABLE PROCEEDING. WE HAVE TO LOOK AT
7 THE BALANCE OF HARMS.

8 YOU HAVE TO PROVE WITH CLEAR EVIDENCE AND CLEAR
9 SHOWING THAT YOU'RE GOING TO HAVE A LIKELY IRREPARABLE INJURY.

10 I MEAN, WE'RE WAY BEYOND A PRESUMPTION OF IRREPARABLE
11 HARM AT THIS POINT. AND I THINK IT'S CLEAR THE SUPREME COURT
12 HAS BEEN THINKING ABOUT THIS SINCE 2006, SINCE EBAY AND IS
13 MOVING VERY STRONGLY IN THIS DIRECTION.

14 AND THAT I KNOW -- I MEAN, IT'S VERY TIMELY. AND IT
15 IS INTERESTING, LIKE YOU ADMIT, THE NRDC VERSUS WINTER (SIC)
16 CASE CAME OUT AFTER OUR REPLY BRIEF.

17 **THE COURT:** ALL RIGHT.

18 COUNSEL?

19 **MS. HALL:** WE ARE NOT GOING ON THE BASIS THAT THERE
20 IS A PRESUMPTION OF IRREPARABLE INJURY.

21 **THE COURT:** LET ME STOP YOU. DO YOU AGREE THAT NRDC
22 BASICALLY DID AWAY WITH THE NOTION THAT THERE IS ESSENTIALLY AN
23 AUTOMATIC OR INFERRED HARM ONCE COPYRIGHT INFRINGEMENT IS
24 FOUND?

25 DO YOU AGREE WITH THAT CONCEPT?

1 **MS. HALL:** THAT, AND EBAY SAYS THAT, YES.

2 **THE COURT:** ALL RIGHT. SO WE'RE BACK TO THE STANDARD
3 OF: YOU DON'T GET THE BENEFIT OF PRESUMPTION. THE COURT HAS
4 TO EVALUATE THE RECORD TO SEE WHETHER IT MEETS THE NRDC
5 DECISION, RIGHT.?

6 **MS. HALL:** CORRECT. AND THE DIFFERENCE BETWEEN -- I
7 DON'T THINK THERE REALLY IS MUCH OF A DIFFERENCE BETWEEN NRDC
8 AND WHAT THE FEDERAL CIRCUIT SAID, BECAUSE IT REQUIRES -- IT
9 SAYS:

10 "IN THE ALTERNATIVE A DEMONSTRATION OF
11 IRREPARABLE INJURY."

12 **THE COURT:** THE ALTERNATIVE. BUT IT USED TO BE --
13 BEFORE NRDC, IT USED TO BE THAT IT WAS GAME OVER ONCE YOU FOUND
14 INFRINGEMENT.

15 **MS. HALL:** YES.

16 **THE COURT:** AND CLEARLY HERE THE FEDERAL CIRCUIT
17 FOUND INFRINGEMENT, SO WE ARE IN A NEW BALL GAME, WHICH WAS NOT
18 CONTEMPLATED BY THE FEDERAL CIRCUIT, RIGHT?

19 **MS. HALL:** I WOULD RESPECTFULLY DISAGREE WITH THAT
20 BECAUSE THEY DID CONTEMPLATE IT. THEY WERE LOOKING AT EBAY.
21 AND THERE IS A STATEMENT IN THERE THAT SAYS:

22 "PRESUMPTION OF IRREPARABLE INJURY."

23 AND THEN, IT SAYS IN THE NEXT LINE:

24 " BUT SEE " SOME OTHER DECISION WHERE THEY
25 ACKNOWLEDGE THAT THAT MAY NO LONGER BE THE CASE. AND AT THE END

1 OF THE FEDERAL CIRCUIT'S DECISION IT MANDATED THE DECISION BACK
2 TO THIS COURT TO DETERMINE: ONE, WHETHER IRREPARABLE INJURY --
3 WHETHER THE PRESUMPTION STILL EXISTS; OR, TWO, WHETHER WE
4 NEEDED TO DEMONSTRATE IRREPARABLE HARM.

5 WE HAVE MOVED FORWARD ON THE BASIS THAT IT COULD BE
6 ONE OR THE OTHER. AND THAT THE MORE SEVERE STANDARD APPLIES TO
7 US, AND WE MEET THAT STANDARD.

8 **THE COURT:** ALL RIGHT. I READ YOUR BRIEF ON THAT
9 POINT.

10 LET'S MOVE ON. WHAT I'M GOING TO DO IS I'M GOING TO
11 REREAD THESE CASES, AND I'M GOING TO LOOK AT THE FACTUAL RECORD
12 TO SEE WHETHER THE STRICTER STANDARD IS MET. AND I'LL MAKE MY
13 FINDINGS. AND IF I'M WRONG, THE FEDERAL CIRCUIT KNOWS HOW TO
14 TELL ME I'M WRONG.

15 ALL RIGHT. SO LET'S GO -- ASSUMING FOR THE MOMENT
16 THAT THE COURT WERE INCLINED TO GRANT A PRELIMINARY INJUNCTION,
17 AND THE QUESTION IS, I ASKED:

18 "WHAT IS THE BEST LANGUAGE TO ENCAPSULATE THE
19 MATERIAL INFRINGED?"

20 AND, YOU KNOW, MY INCLINATION, AS I, YOU KNOW,
21 PROPOSED IN THINKING OUT LOUD WITH COUNSEL IS TO JUST GO ALONG
22 LITERALLY WITH THE FEDERAL CIRCUIT'S LANGUAGE THAT I QUOTE IN
23 QUESTION NUMBER TWO UNDER MOTION FOR PRELIMINARY INJUNCTION.

24 WHAT'S THE PLAINTIFF'S PERSPECTIVE ON THAT?

25 IT ALSO RELATES TO -- WELL, LET'S KEEP IT TO THAT.

1 YOU THINK THAT'S THE WAY TO GO?

2 **MS. HALL:** GIVEN DEFENDANT'S MISAPPROPRIATION OF
3 OTHERS IP, AS WELL AS JACOBSEN'S I,P PLAINTIFFS BELIEVE A BROAD
4 INJUNCTION IS NECESSARY.

5 **THE COURT:** WHY ARE YOU WORRIED ABOUT OTHERS IP?

6 **MS. HALL:** WELL, IT SHOWS --

7 **THE COURT:** YOU REPRESENT OTHERS?

8 **MS. HALL:** NO.

9 **THE COURT:** ALL RIGHT.

10 **MS. HALL:** IT SHOWS A PATTERN OF MISAPPROPRIATING
11 INTELLECTUAL PROPERTY. WE'VE FOUND WHAT -- WE'VE DISCOVERED
12 THIS. WE DON'T KNOW WHAT ELSE THERE IS OUT THERE. WE WOULD
13 PREFER -- AND WE DO KNOW THAT THE DECODER COMMANDER MODELS WERE
14 DISTRIBUTED WITH THE DEFENDANTS' OTHER PRODUCTS, SUCH AS
15 ENGINE COMMANDER.

16 **THE COURT:** SO WHAT LANGUAGE WOULD YOU PROPOSE?

17 **MS. HALL:** "ALL JMRI CONTENT."

18 **THE COURT:** ALL RIGHT.

19 COUNSEL?

20 **MR. JERGER:** ONE POINT OF CLARIFICATION, AND THEN
21 I'LL RESPOND TO THAT. FIRST, I JUST WANT TO POINT OUT THAT THE
22 ADMISSION OF INFRINGEMENT AS TO PORTIONS OF THE DECODERPRO
23 SOFTWARE, WHICH WERE COPIED, MODIFIED AND DISTRIBUTED, THAT WAS
24 AN ADMISSION IN THE BRIEFING SOLELY FOR THE PURPOSES OF FRAMING
25 THE ISSUE ON APPEAL AND LIMITED ONLY TO THAT. BECAUSE WE DO NOT

1 AGREE THAT WE HAVE INFRINGED PORTIONS OF THE DECODER COMMANDER
2 SOFTWARE WHICH WERE COPIED, MODIFIED AND DISTRIBUTED.

3 THAT'S TOO BROAD OF A DEFINITION, BECAUSE AS WE'VE
4 SHOWN IN OUR BRIEFING, PART -- PLAINTIFF IS NOT THE COPYRIGHT
5 HOLDER TO A LOT OF MATERIAL IN THAT SOFTWARE.

6 FOR EXAMPLE, THE QSI WORDS AND PHRASES. WE OWN THE
7 COPYRIGHT TO THAT. THIS INJUNCTION WOULD ENJOIN US FROM USING
8 MATERIAL THAT WE OWN THE COPYRIGHT TO.

9 THERE'S A LOT OF OTHER THINGS IN PLAINTIFF'S SOFTWARE
10 THAT MY CLIENT BELIEVES THEY DON'T OWN THE COPYRIGHT RIGHTS TO.

11 THE NMR -- SOME OF THE NMRS STANDARDS AND SOME OF THE
12 LENZ MATERIAL -- L-E-N-Z -- WHICH WE HAVE PERMISSION TO USE, AS
13 WELL.

14 AND THAT REALLY HIGHLIGHTS THE PROBLEM HERE: THEY
15 HAVEN'T IDENTIFIED WHAT THEIR COPYRIGHT RIGHTS ARE. IT'S
16 IMPOSSIBLE TO NARROWLY TAILOR AN INJUNCTION WITHOUT EVEN
17 KNOWING WHAT THEY ARE TALKING ABOUT.

18 IT'S FAR TOO BROAD TO SAY "THE JMRI MATERIAL"
19 BECAUSE --

20 **THE COURT:** SO WHAT WOULD YOU PROPOSE? LET'S SAY WE
21 ARE PAST THE POINT -- I'M NOT SAYING WE ARE, BUT LET'S ASSUME
22 WE'RE PAST THE POINT OF WHETHER AN INJUNCTION SHOULD ISSUE,
23 BECAUSE THE FEDERAL CIRCUIT SAID -- AND IT WASN'T A MODEL OF
24 CLARITY IN ITS MANDATE:

25 "WE'RE REMANDING IT TO THE DISTRICT COURT TO

1 DETERMINE WHETHER AN INJUNCTION SHOULD ISSUE BASED
2 UPON WHETHER THERE WAS A THREAT OF IRREPARABLE HARM,"
3 OR WHATEVER THE STANDARD WAS.

4 IT DIDN'T SAY:

5 WE'RE REMANDING TO DETERMINE WHETHER THERE WAS
6 INFRINGEMENT."

7 THEY ASSUMED INFRINGEMENT BASED UPON THE EXISTING
8 RECORD. AND THAT MAY BE AN ERRONEOUS FINDING, AND THERE MAY
9 HAVE BEEN A REMEDY TO TAKE IT TO -- GOD KNOWS THEY REVERSED
10 THEMSELVES ALMOST ON, YOU KNOW, A YEARLY BASIS.

11 ONE PANEL SAYS SOMETHING, AND THEN THE REST OF THEM
12 SAY IT'S NOT RIGHT. THAT'S WASN'T DONE HERE.

13 SO I DON'T KNOW IF WE'RE -- I'M RAISING THE QUESTION
14 OF -- YOU'RE CHARACTERIZING WHAT THE FEDERAL CIRCUIT FOUND, AND
15 THEY MAY NOT -- THEY MAY HAVE FOUND IT BASED UPON AN ERRONEOUS
16 PREMISE, I.E. THEY MAY HAVE FOUND IT BASED UPON A STATEMENT
17 THAT WAS IN YOUR BRIEFS, YOU KNOW, JUST FOR THE PURPOSE OF
18 ARGUMENT.

19 BUT AREN'T WE PAST THAT POINT?

20 NOT "WE." I DON'T HAVE A MOUSE IN MY POCKET.

21 AREN'T I PAST THAT POINT?

22 **MR. JERGER:** RIGHT. AND THE WAY IT WAS SET OUT AT
23 THE FEDERAL CIRCUIT, WE SAID ONLY FOR PURPOSES OF THIS
24 BRIEFING, YOU KNOW --

25 **THE COURT:** I UNDERSTAND THAT. BUT ANSWER MY

1 QUESTION.

2 MR. JERGER: AND --

3 THE COURT: I MEAN, I DON'T WANT -- BECAUSE I DON'T
4 WANT TO VIOLATE THE MANDATE OF THE FEDERAL CIRCUIT.

5 MR. JERGER: ABSOLUTELY.

6 THE COURT: SEEMS TO ME THE WAY I WAS READING IT THEY
7 WERE SAYING:

8 "WE ARE FINDING ON THIS RECORD THAT THERE'S
9 INFRINGEMENT OF THE FOLLOWING KIND. YOU, DISTRICT
10 COURT JUDGE, DETERMINE WHETHER THERE IS IRREPARABLE
11 HARM. AND IF THERE IS, THEN ISSUE AN INJUNCTION."

12 AND NOW YOU'RE GOING BACK TO, WELL, THE NATURE OF THE
13 INFRINGEMENT.

14 SO, OBVIOUSLY THE DEVIL'S IN THE DETAILS AND THE
15 PROOF'S IN THE PUDDING, AND ALL THAT.

16 SO THE QUESTION IS: WHAT SHOULD -- YOU HAVEN'T
17 ANSWERED MY QUESTION -- IN LIGHT, ALL IN, IF I FIND AN
18 INJUNCTION IS APPROPRIATE, WHAT IS, YOU THINK, THE APPROPRIATE
19 LANGUAGE? THEY HAVE GIVEN -- THE PLAINTIFF HAS GIVEN ME A
20 FAIRLY BROAD "ALL JMRI SOFTWARE." THAT MAY BE TOO BROAD.

21 WHAT ARE YOU PROPOSING?

22 MR. JERGER: WELL, I MEAN, LIKE I SAID THE "ALL JMRI
23 SOFTWARE" WOULD ENJOIN US FROM USING MATERIAL THAT WE HAVE A
24 COPYRIGHT RIGHTS TO USE.

25 AND IN OUR OPINION, SINCE NOVEMBER, 2006 -- AND

1 THAT'S INTERESTING, YOU KNOW. WE'RE TALKING OVER TWO YEARS AGO
2 NOW -- MY CLIENT HASN'T DISTRIBUTED, COPIED, MODIFIED ANY OF
3 THE ALLEGEDLY INFRINGING SOFTWARE.

4 SO THAT, IN OUR OPINION, IS THE DATE THAT THE ALLEGED
5 INFRINGEMENT STOPPED. IF THERE WAS GOING TO BE AN INJUNCTION I
6 BELIEVE IT WOULD HAVE TO RELATE TO SOFTWARE PRODUCTS PRIOR TO
7 NOVEMBER, 2006.

8 AND IF YOU LOOK AT THE RECORD, WHAT WE'VE SAID IS
9 THERE'S TWO KIND OF PRODUCTS. AND IT GETS A LITTLE COMPLICATED
10 HERE. THERE'S THE LICENSED USERS, AND THEN THERE'S THE
11 UNLICENSED USERS PRIOR TO NOVEMBER, 2006.

12 THE UNLICENSED USERS ALL OF THOSE PRODUCTS IF TIMED
13 OUT ARE NONFUNCTIONAL. AND I'M NOT SURE THAT WE COULD EVEN
14 FIND THOSE. I MEAN, I'M TALKING PRACTICALLY NOW, BECAUSE I
15 BELIEVE THAT'S WHAT YOU'RE ASKING, RIGHT?

16 **THE COURT:** RIGHT.

17 **MR. JERGER:** THIS WOULD BE -- THESE WOULD BE THE
18 FOLKS THAT DOWNLOADED THE SOFTWARE OFF THE WEB SITE THAT NEVER
19 REGISTERED IT, SO WE WOULDN'T HAVE A RECORD OF HOW TO FIND
20 THEM.

21 WHAT WE DID IS ALL -- EVERYTHING WE COULD DO, WHICH
22 WAS TO ENSURE THAT THAT PRODUCT BECAME NONFUNCTIONAL, TIMED
23 OUT, DOESN'T WORK.

24 WHAT THEY WILL SAY IS WE CAN TURN -- WE SET THE
25 COMPUTER CLOCK BACK YEARS AND YEARS AND WE CAN MAKE IT

1 FUNCTIONAL AGAIN. THAT'S WHAT SHE'S GOING TO SAY.

2 BUT I DON'T KNOW THAT THERE'S ANYTHING WE CAN DO MORE
3 THAN WHAT WE'VE DONE TO DEAL WITH THAT SOFTWARE.

4 **THE COURT:** SO, IN OTHER WORDS, YOU'RE SAYING ONE
5 ALTERNATIVE. AND THAT KIND OF, TO SOME EXTENT, LEADS TO
6 QUESTION NUMBER THREE, IS TO SIMPLY ISSUE AN INJUNCTION THAT
7 ADDRESSES THE -- WHAT THE DEFENDANT SAYS -- DEFENDANTS SAY THAT
8 THEY HAVE STOPPED DOING. SO YOU'RE ENJOINED FROM COPYING THE
9 CODE AS IT EXISTED IN NOVEMBER OF 2006, ESSENTIALLY.

10 I'M SIMPLIFYING IT, BUT THAT'S ESSENTIALLY WHAT
11 YOU'RE SAYING, RIGHT?

12 BECAUSE THE FEDERAL CIRCUIT WAS CONCERNED ABOUT YOUR
13 CLIENTS APPROPRIATING, MISAPPROPRIATING, WHATEVER YOU WANT TO
14 CALL IT, THIS OPEN SOURCE SOFTWARE WITHOUT GIVING DUE CREDIT
15 AND, YOU KNOW, ADDING BACK THE IMPROVEMENTS AND THE REST OF THE
16 ACCOUTERMENTS TO OPEN SOURCE SOFTWARE.

17 SO ARE YOU SUGGESTING THAT THE COURT LIMIT ITS
18 INJUNCTION TO THAT ACTIVITY? SPECIFICALLY WHAT THE FEDERAL
19 CIRCUIT HAS FOR THE FIRST TIME CREATED AS A VIABLE CLAIM OF
20 COPYRIGHT INFRINGEMENT WITH NO PRIOR AUTHORITY TO SUPPORT IT?

21 IS THAT WHAT YOU'RE ASKING?

22 **MR. JERGER:** I THINK IT WOULD -- I MEAN, IN NOVEMBER,
23 2006, WE FUNDAMENTALLY CHANGED THE WAY THE SOFTWARE FUNCTIONED,
24 OPERATED AND WAS CONSTRUCTED. AND IT NO LONGER LOOKS TO OR
25 CONTAINS ANYTHING RELATED TO JMRI PRODUCT. AND THAT'S CLEAR

1 FROM OUR DECLARATIONS.

2 SO THEN I THINK THE ONLY ISSUE IS WHAT ABOUT OLD
3 PRODUCT, LIKE YOU MENTIONED IN QUESTION THREE THAT SOMEHOW IS
4 FLOATING OUT THERE.

5 AND I THINK WHAT I'M SAYING IS WE'VE TRIED TO ADDRESS
6 THAT AS BEST WE COULD. I DON'T THINK THERE'S ANYTHING ELSE WE
7 CAN DO, ONE. AND, TWO, I'M NOT SURE -- AND THIS -- THAT THAT
8 GETS -- YOU KNOW, THAT UNDER THE NEW STANDARD FOR PRELIMINARY
9 INJUNCTIONS THAT THAT OLD PRODUCT WOULD RISE TO THE LEVEL OF
10 IRREPARABLE-LIKELY HARM, BECAUSE WE'RE ALREADY TALKING THREE
11 YEARS OUT.

12 **THE COURT:** ALL RIGHT.

13 MS. HALL?

14 **MS. HALL:** SEVERAL POINTS. ABOUT THEIR ADMISSIONS,
15 THEY COULD HAVE TOLD THE FEDERAL CIRCUIT THAT THAT WAS SOLELY
16 FOR PURPOSES OF THE MOTION FOR -- MOTION FOR PRELIMINARY
17 INJUNCTION.

18 NOW, THEY DIDN'T CORRECT THE RECORD. THEY ARE BOUND
19 TO THAT ADMISSION.

20 SO WHEN THEY --

21 **THE COURT:** IS THAT AN INTERESTING AND IRONIC POINT
22 IN THAT JUST A MOMENT AGO YOU WERE ARGUING THAT YOUR CLIENT WAS
23 NOT BOUND BY THEIR ADMISSIONS?

24 **MS. HALL:** AND THE DIFFERENCE IS ALLEGATIONS VERSUS
25 ADMISSIONS. THEY KNOW WHAT THEY DID, AND THEY ARE RESPONSIBLE

1 FOR WHAT THEY DID. THEY ARE RESPONSIBLE FOR THEIR OWN
2 ADMISSIONS.

3 **THE COURT:** ALL RIGHT.

4 **MS. HALL:** HERE THEY ARE BOUND, IN FACT, LITERALLY I
5 THINK THE -- WE'RE AT THE STAGE WHERE WE COULD JUST ASK FOR
6 JUDGMENT TO BE ENTERED AGAINST THEM ON COPYRIGHT INFRINGEMENT.

7 **THE COURT:** WELL, I WOULD REALLY RATHER -- BECAUSE I
8 THINK I WAS PLAYING DEVIL'S ADVOCATE WITH MR. JERGER, BUT I'M
9 REALLY INTERESTED. AND WHAT THIS QUESTION ADDRESSES IS THE
10 REMEDY.

11 **MS. HALL:** OKAY. I DID WANT TO SAY THAT WAS A MOTION
12 FOR RECONSIDERATION WHEN THEY ASKED YOU TO DEFEAT BASED ON
13 OWNERSHIP ISSUES, WHICH YOU HAVE REJECTED.

14 **THE COURT:** RIGHT.

15 **MS. HALL:** OURS IS NOT.

16 BUT, ANYWAY, WHEN THEY TALK ABOUT -- THEY SAY THEY
17 HAVE STOPPED. WE DON'T HAVE ANY HARD EVIDENCE TO SHOW THAT THEY
18 HAVE STOPPED.

19 **THE COURT:** WELL, LET'S ASSUME THEY HAVE, AND LET'S
20 ASSUME THE RECORD DOESN'T SUPPORT IT.

21 **MS. HALL:** ALL RIGHT.

22 **THE COURT:** THEN, WHY WOULDN'T THE LANGUAGE
23 APPROPRIATELY ADDRESS IT? IT GOES TO QUESTION THREE, ASSUMING
24 I CAN STOP THEM FROM DOING -- FROM DOING WHAT IS PROPOSED IN --
25 USING OLD VERSIONS OF SOFTWARE.

1 PUTTING ASIDE -- WELL, THERE'S TWO ISSUES. ONE IS CAN
2 I DO IT? THERE'S THREE ISSUES. CAN I DO IT? B: IS IS THAT
3 WHAT YOU'RE ASKING ME TO DO? AND THREE IS: CAN I REALLY DO
4 THAT? IS THAT AN EFFECTIVE REMEDY GIVING THE DIFFICULTY SINCE
5 THIS STUFF IS FLOATING AROUND, YOU KNOW, THE ETHER, IN THE
6 BLOGOSPHERE? CAN I EFFECTIVELY -- HOW WOULD YOU EVER
7 ENFORCE -- HOW WOULD I EVER ENFORCE SUCH AN INJUNCTION?

8 SO THOSE ARE THE THREE --

9 **MS. HALL:** I'M SORRY, I LOST TRACK. I'M SORRY. I'VE
10 LOST TRACK OF THE QUESTIONS YOU WERE ASKING. COULD YOU REPEAT
11 THEM, PLEASE?

12 **THE COURT:** OKAY. SURE. WELL, THE QUESTION IS IN NO
13 PARTICULAR ORDER -- LET'S GO RIGHT TO QUESTION NUMBER THREE,
14 AND THEN WE WILL GO BACK.

15 **MS. HALL:** OKAY.

16 **THE COURT:** CAN THE COURT -- HOW CAN THE COURT ENJOIN
17 THE USE OF THE OLD VERSIONS OF THE DEFENDANT'S PRODUCTS? HOW
18 CAN I DO THAT?

19 **MS. HALL:** THEY SAY THEY HAVE RECLAIMED -- THEY HAVE
20 CLAIMED THAT THEY HAVE RECALLED ALL COPIES. WE REQUIRE THAT
21 THEY DO IT, AND THEY PROVE IT. WHERE ARE THOSE RECALL LETTERS?
22 THEY AREN'T ANYWHERE AROUND, AND WE DON'T SEE ANY OF THE CD'S
23 HAVE BEEN RECALLED.

24 **THE COURT:** WELL, THAT'S AN ENFORCEMENT MECHANISM.
25 IF I DID GRANT THAT, AND YOU HAD EVIDENCE THAT THEY ARE NOT IN

1 COMPLIANCE YOU CAN BRING AN OSC RE: CONTEMPT, ASSUMING YOU
2 COULD DO SO. SO THAT WOULD BE NUMBER ONE.

3 YOU'RE SAYING -- YOU'RE SAYING THE ISSUE IS -- THE
4 ISSUE YOU'RE RESPONDING TO IS THEY HAVEN'T SHOWN -- THE
5 DEFENDANTS HAVEN'T SHOWN THAT THEY HAVE STOPPED USING THE
6 SOFTWARE, CORRECT? IS THAT WHAT YOU'RE SAYING?

7 **MS. HALL:** CORRECT. AND THE SIGNS POINT -- THE SIGNS
8 POINT TO THEM CONTINUING THEIR USE AS WE HAVE STATED IN OUR
9 REPLY MEMORANDUM.

10 **THE COURT:** ALL RIGHT. SO THEN, THE QUESTION IS IF
11 THEY SAY -- SO YOU'RE SAYING THE COURT SHOULD NOT ACCEPT THE
12 STATEMENT BY THE DEFENDANTS THAT THEY HAVE STOPPED DOING WHAT
13 THE FEDERAL CIRCUIT WAS CONCERNED ABOUT, RIGHT?

14 **MS. HALL:** YES, THIS IS THEIR MOOTNESS ARGUMENTS.
15 AND, AGAIN, THAT'S ALSO A MOTION FOR RECONSIDERATION BECAUSE
16 BOTH YOU AND THE FEDERAL CIRCUIT HAVE REJECTED THAT.

17 BUT THEIR EVIDENCE -- THE EVIDENCE, IF AVAILABLE,
18 COULD HAVE BEEN PRODUCED, AND IT WAS NOT. AND I WANT TO
19 EMPHASIZE, ALSO, THAT NOTHING PREVENTS THEM FROM INDEPENDENTLY
20 CREATING THEIR SOFTWARE. THEY CAN USE LENZ. THEY CAN USE QSI,
21 OF COURSE. THEY CAN DO ALL OF THAT.

22 WHAT THEY HAVE TO PROVE IS INDEPENDENT CREATION.
23 NOTHING BARS THEM FROM USING THIS. THIS IS NOT LIKE A PATENT
24 WHERE A RIGHT TO EXCLUDE MEANS YOU CAN'T USE THIS PARTICULAR
25 INVENTION. THEY HAVE THE RIGHT TO CREATE SOMETHING VERY

1 SIMILAR. THE IDEA OF A DECODER DEFINITION FILE IS NOT SOMETHING
2 THAT WE HAVE THE EXCLUSIVE RIGHT TO. THEY CAN DO IT, BUT WHERE
3 IS THE PROOF?

4 **THE COURT:** WELL, LET ME ASK YOU THIS, MR. JERGER: IF
5 THE COURT WERE TO ADOPT LITERALLY THE LANGUAGE THAT I HAVE
6 CITED IN QUESTION TWO, PUTTING ASIDE FOR THE MOMENT THE ISSUE
7 OF WHAT ADMISSIONS WERE MADE, PORTIONS OF THE DECODERPRO
8 SOFTWARE WHICH WERE COPIED, MODIFIED, ET CETERA, WHY COULDN'T
9 YOUR CLIENT LIVE WITH THAT IF YOUR CONTENTION IS YOU'RE NO
10 LONGER DOING IT, YOU HAVEN'T DONE IT IN THE PAST AND SOMEBODY
11 BELIEVED -- IN THIS CASE THE PERSON WITH STANDING, THE
12 PLAINTIFF -- THAT YOU ARE CONTINUING TO COPY, MODIFY AND
13 DISTRIBUTE THESE PARTS OF THE SOFTWARE, YOU WOULD COME BACK AND
14 SAY "NO."

15 AND IF YOU ARE RIGHT THAT THE COURT WOULD SAY:
16 "THERE'S NO VIOLATION."

17 WHY IS THAT A PROBLEM?

18 **MR. JERGER:** BECAUSE IT IS TOO BROAD BECAUSE WE
19 OWN -- OUR SOFTWARE AS CURRENTLY CONFIGURED CONTAINS MATERIAL
20 FROM QSI, WHICH WE OWN THE COPYRIGHT RIGHT TO.

21 DECODERPRO SOFTWARE ALSO HAS THAT MATERIAL IN IT.

22 SO THIS LANGUAGE WOULD ENCAPSULATE THAT AND BASICALLY
23 PREVENT OUR CURRENTS SOFTWARE PRODUCT FROM BEING USED, WHICH WE
24 HAVE EVERY RIGHT TO USE, BECAUSE WE OWN ALL THE COPYRIGHT
25 RIGHTS TO THAT.

1 **THE COURT:** DOES THE RECORD SUPPORT THAT?

2 **MR. JERGER:** YES.

3 **THE COURT:** WHERE IN THE RECORD?

4 **MR. JERGER:** THAT IS IN OUR -- MY CLIENT'S
5 DECLARATION IN SUPPORT OR IN OPPOSITION TO THE MOTION FOR
6 PRELIMINARY INJUNCTION.

7 **THE COURT:** HOW DO WE KNOW -- HOW DO I FIND THAT THAT
8 WAS NOT DERIVED IN SOME FASHION FROM THE PLAINTIFF'S CODE? HOW
9 DO I KNOW THAT ON THIS RECORD?

10 YOU SAY IT, AND HE SAYS IT, BUT HOW DO I KNOW THAT?

11 **MR. JERGER:** WELL, BECAUSE I THINK THERE'S NUMEROUS
12 EXHIBITS ATTACHED TO THAT DECLARATION WHICH SHOW THAT WE OWN
13 THE COPYRIGHT REGISTRATION TO THESE PARTICULAR WORDS AND
14 PHRASES.

15 WE HAVE THAT. THEY ARE AN ASSIGNMENT FROM QSI.

16 **THE COURT:** ARE THOSE INCONTESTABLE THAT THIS POINT?

17 **MR. JERGER:** I BELIEVE THAT THEY ARE NOT CONTESTING
18 IT.

19 **THE COURT:** WELL, WHAT IF THEN -- AND I'M JUST
20 THINKING OUT LOUD HERE -- WHAT IF THE COURT ISSUED -- USED THE
21 LANGUAGE MENTIONED, BUT EXCLUDED THOSE MATTERS AS TO WHICH YOUR
22 CLIENT HAS A DULY-LICENSED COPYRIGHT?

23 **MR. JERGER:** WELL, THEN IT WOULD STILL BE TOO BROAD
24 BECAUSE THERE'S NUMEROUS MATERIALS IN THE PORTION -- IN THE
25 DECODERPRO SOFTWARE THAT THEY DO NOT HAVE THE COPYRIGHT RIGHTS

1 TO, WHICH --

2 **THE COURT:** HOW DO YOU PROPOSE -- I MEAN, OTHER THAN
3 SAYING, WHICH YOUR CLIENT WOULD LOVE ME TO SAY:

4 "WELL, THERE IS NO REMEDY HERE. THERE MAY BE
5 RIGHTS, BUT THERE'S NO REMEDY," WHICH IS GOING TO
6 THROW US RIGHT BACK INTO THE FEDERAL CIRCUIT WITHOUT A RECORD,
7 WHAT DO YOU PROPOSE? IF YOU WERE KING, WHAT WOULD YOU DO?

8 **MR. JERGER:** WELL, I MEAN, AGAIN, I KEEP COMING --
9 THIS ISN'T OUR BURDEN. AND THE PROBLEM, THE FUNDAMENTAL
10 PROBLEM WITH ALL THESE QUESTIONS YOU'RE ASKING IS THE FACT THAT
11 IT'S NOT IN THE RECORD.

12 **THE COURT:** WELL, THE FUNDAMENTAL PROBLEM IS THAT --
13 AND I'M NOT CRITICIZING THE FEDERAL CIRCUIT -- ON A VERY
14 NECESSARILY THIN RECORD, BECAUSE IT WAS ONLY A PRELIMINARY
15 INJUNCTION RECORD, AND THE COURT RULED AS A MATTER OF LAW ON
16 CERTAIN MATTERS AS TO WHICH THE FEDERAL CIRCUIT DISAGREED.

17 SO THINKING OUT LOUD, AGAIN, PERHAPS THE REMEDY IS
18 FOR THE COURT TO TAKE A POSITION BASED UPON THE CURRENT RECORD
19 AND AS IT EXISTS TODAY, FACTUALLY AND LEGALLY, WHICH MAY OR MAY
20 NOT INURE TO THE PLAINTIFF OR YOUR CLIENT'S BENEFIT, THROW IT
21 BACK TO THE FEDERAL CIRCUIT, IF EITHER SIDE DOESN'T LIKE IT,
22 AND LET THEM TELL US WHAT THE WORLD IS IN TODAY'S WORDS GIVEN
23 THE NEW RECORD, THE RECORD THAT THEY HAVE NOW MANDATED THAT I
24 CREATE.

25 **MR. JERGER:** TWO POINTS ON THAT. ONE: I DON'T THINK

1 MY CLIENT RELISHES THE EXPENSE ASSOCIATED WITH THAT. AND, TWO:
2 IF YOU DISMISS THE PATENT CLAIMS WE'D BE GOING TO THE NINTH
3 CIRCUIT, NOT BACK TO THE FEDERAL CIRCUIT.

4 **THE COURT:** WHY IS THAT?

5 **MR. JERGER:** ONCE THE PATENT --

6 **THE COURT:** OH, I SEE WHAT YOU'RE SAYING.

7 **MR. JERGER:** UNDERLYING PATENT LEAVES THE SUIT WE'RE
8 GOING TO THE NINTH CIRCUIT. WE'RE TALKING YEARS.

9 **THE COURT:** WELL, I DON'T WANT -- THAT'S NOT A FAIR
10 POINT FOR THE PLAINTIFF'S PERSPECTIVE. HE'S BEEN AT THIS FOR A
11 COUPLE OF YEARS.

12 **MR. JERGER:** SURE.

13 **THE COURT:** SO IT'S NOT A POINT THAT I HAD CONSIDERED
14 BEFORE, AND IT'S NOT GOING TO MOTIVATE THIS COURT, BECAUSE
15 WHATEVER COURT HAS THE JURISDICTION ON THE APPEAL HAS THE
16 APPEAL.

17 SO YOUR POSITION IS IF THE COURT GRANTS THE OTHER
18 MOTIONS TO DISMISS, WELL WHICH COMES FIRST? I MEAN, IS IT -- I
19 MEAN, THIS IS MAYBE HOW MANY ANGELS YOU CAN GET ON THE HEAD OF
20 A PIN. THIS IS MAYBE SOMETHING LAW SCHOOL PROFESSORS CAN
21 NOODLE OVER. BUT IS IT A MATTER OF -- IT'S LIKE IN THE COURT
22 WHO GETS THE BETTER COURTROOM IS WHICH JUDGE GETS SWORN IN
23 FIRST, EVEN IF IT'S TWO MINUTES.

24 HOW DOES THAT WORK? HAVE YOU THOUGHT ABOUT THAT?

25 **MR. JERGER:** I THINK ONCE THE UNDERLYING PATENT IS

1 DISMISSED, THE FEDERAL COURT LOSES JURISDICTION.

2 **THE COURT:** WELL, WHAT IF THE COURT -- WHAT IF THE
3 COURT FIRST, LIKE 10 MINUTES FROM NOW DENIED THE MOTION FOR
4 PRELIMINARY INJUNCTION? I'M JUST -- THIS IS PURELY A
5 HYPOTHETICAL.

6 **MR. JERGER:** SURE.

7 **THE COURT:** JUST A PROCEDURAL POINT.

8 AND THEN, THE NEXT ORDER IS AN ORDER DISMISSING --
9 GRANTING THE MOTIONS TO DISMISS. WHAT HAPPENS THEN? DOES IT
10 MATTER, TEMPORALLY SPEAKING?

11 **MR. JERGER:** NO. NO, I THINK AS LONG AS THE
12 UNDERLYING PATENT-IN-SUIT, THE '329 PATENT, WAS GONE BY THE
13 TIME WE GOT TO THE FEDERAL CIRCUIT IT WOULD BE SUBJECT TO A
14 MOTION TO TRANSFER VENUE TO THE NINTH CIRCUIT.

15 **THE COURT:** AND THEN, THE NINTH CIRCUIT, OF COURSE,
16 WOULD BE BOUND BY THE FEDERAL CIRCUIT TO SOME EXTENT. IT WOULD
17 BE THE LAW OF THE CASE, RIGHT?

18 **MR. JERGER:** RIGHT, WITH THE TWIST THAT SINCE WE'RE
19 DEALING WITH NONPATENT ISSUES THE FEDERAL CIRCUIT WOULD HAVE --
20 WAS SITTING AND LOOKING AT NINTH CIRCUIT LAW, ANYWAY.

21 **THE COURT:** GREAT. OKAY.

22 **MS. HALL:** OKAY. THE SIMPLE ANSWER IS THAT THE
23 FEDERAL CIRCUIT LOOKS TO THE OPERATIVE COMPLAINT. THAT WOULD
24 BE THE SECOND-AMENDED COMPLAINT. PATENT ISSUES ARE IN THE
25 SECOND-AMENDED COMPLAINT, SO ITS GOES TO FEDERAL CIRCUIT --

1 **THE COURT:** OKAY.

2 **MS. HALL:** -- PERIOD.

3 **THE COURT:** ALL RIGHT. ANYTHING FURTHER THE PARTIES
4 WANT TO ADD? I'VE GOT A LOT TO NOODLE OVER.

5 YES, MS. HALL.

6 **MS. HALL:** YES. AGAIN, THE KEY TO --

7 **THE COURT:** WHEN YOU SAY "AGAIN" YOU MAKE ME NERVOUS
8 THAT YOU'RE GOING TO BE REPEATING AN ARGUMENT.

9 **MS. HALL:** WELL, THEY MADE ARGUMENTS, AGAIN, TOO.

10 THE WHOLE OWNERSHIP ISSUE IS SOMETHING THAT THEY HAVE
11 ADMITTED TO IT. THEY COULD HAVE CORRECTED IT. THEY ARE BOUND
12 TO THAT. AND THAT'S IT. SO THEIR WHOLE QSI MANUAL ARGUMENTS
13 ARE NOT SOMETHING THAT THIS COURT SHOULD ENTERTAIN A MOTION FOR
14 RECONSIDERATION ON.

15 **THE COURT:** ARE YOU SAYING, THEN, THE COURT SHOULD
16 ASSUME ON THIS RECORD THAT EVERYTHING, ALL THE -- I MEAN, YOU
17 SAID IT LITERALLY THAT ALL OF THE COPYRIGHTED MATERIAL THAT THE
18 DEFENDANTS PURPORT TO OWN, SOME OF WHICH MAY INCLUDE YOUR
19 CLIENTS, SOME OF WHICH NOT, THAT WE SHOULD BASICALLY PUT THEM
20 OUT OF THE SOFTWARE BUSINESS.

21 **MS. HALL:** NO. WHAT I'M SAYING IS THAT -- AND I'M
22 GOING TO MAKE THIS CLEAR. IT IS NOT -- IT IS JMRI CONTENT THAT
23 THEY SHOULD BE BARRED FROM USING, NOT JMRI SOFTWARE, BECAUSE
24 JMRI USES OTHER MODULES FROM OTHER PEOPLE WHO ARE LICENSED
25 UNDER, YOU KNOW, OTHER OPEN SOURCE LICENSES.

1 IT IS JMRI CONTENT THAT WE WANT TO BAR THEIR USE
2 FROM, UNLESS THEY CAN SHOW INDEPENDENT CREATION.

3 NONE OF THIS:

4 "OH, WELL, OVERNIGHT, WE CREATED THE EXACT
5 SAME" --

6 **THE COURT:** IS THAT THEIR BURDEN. IS THAT THEIR
7 BURDEN, MS. HALL, TO SHOW INDEPENDENT SOURCE AT THIS POINT ON
8 THIS RECORD.

9 **MS. HALL:** YES.

10 **THE COURT:** WHY?

11 **MS. HALL:** BECAUSE THEY ARE THE ONES WHO HAVE BEEN
12 PROVED TO BE INFRINGERS. IN ORDER FOR THEM TO MAKE IT MOOT
13 THEY NEED TO SHOW THAT THERE'S NO WAY THEY COULD DO IT AGAIN.
14 THE WAY YOU WOULD DO IT, IN PART, WOULD BE INDEPENDENT
15 CREATION.

16 THEY SAY THEY HAVE INDEPENDENTLY CREATED, BUT WHERE
17 IS THE PROOF? THEY DON'T PUT ANY OF THE DATABASES OR ANYTHING
18 IN THE RECORD. THEY HAD FIVE WEEKS TO DO IT. IF THEY WERE
19 CONCERNED THAT THEY WANTED TO KEEP IT SEALED WE COULD HAVE DONE
20 A MOTION -- A MOTION TO SEAL. WE CERTAINLY WOULD UNDERSTAND
21 THAT IF WE SAW WHAT THEY WANTED TO SEAL.

22 BUT THEY DON'T DO THAT. THEY ARE UNWILLING TO PUT
23 FORWARD EVIDENCE WHICH IS IN THEIR POSSESSION TO BE ABLE TO
24 SHOW INDEPENDENT CREATION.

25 **THE COURT:** ALL RIGHT. LAST WORD FOR BOTH OF YOU.

1 **MR. JERGER:** AND, AGAIN, THAT'S NOT OUR BURDEN. THEY
2 HAD THE OPPORTUNITY TO CONDUCT DISCOVERY. THEY DIDN'T DO IT.

3 **THE COURT:** WELL, YOU DID SAY YOU WERE SORT OF
4 BANKING ON THE NOTION THAT IN THE FEDERAL CIRCUIT AND THIS
5 COURT:

6 "OKAY, YOU KNOW, WE DON'T DISPUTE THAT WE WERE
7 DOING THESE THINGS, BECAUSE WE THOUGHT THEY WERE
8 LAWFUL."

9 AND THEY WERE LAWFUL UNTIL THE FEDERAL CIRCUIT SAID
10 THEY WEREN'T LAWFUL. ALL RIGHT?

11 SO NOW WHAT CONCERNS ME IS YOU'RE GOING BACK AND
12 SAYING:

13 "NO. NO. NO. WE DIDN'T REALLY MEAN ALL THAT."

14 **MR. JERGER:** NO. NO. AND I THINK THAT BOTH OF MY
15 CLIENT'S DECLARATIONS ARE CLEAR. AT SOME POINT PRIOR TO
16 NOVEMBER, 2006, THERE WAS MATERIAL FROM JMRI IN MY CLIENT'S
17 PRODUCT. AND THE EVIDENCE OF THAT IS IN BOTH OF MY CLIENT'S
18 DECLARATIONS. THE FEDERAL CIRCUIT --

19 **THE COURT:** OKAY. SO IF THAT'S TRUE, LET'S SAY
20 THAT'S CORRECT, AND THAT'S WHAT THE FEDERAL CIRCUIT WAS RELYING
21 ON WHICH THEY HAD TO BECAUSE THAT'S AS A MATTER OF TIME THAT'S
22 ALL THEY -- THAT'S WHERE WE WERE UP TO, CHRONOLOGICALLY.

23 SO THEN, TO THE EXTENT THAT THE PLAINTIFF IS CLAIMING
24 OR THERE'S SOME SORT OF INFERENCE OR PRESUMPTION THAT, YOU
25 KNOW, SOME OF THAT STUFF, THAT CODE, WHATEVER IT IS, THAT THE

1 PLAINTIFF HAD A RIGHT TO BLEND OVER INTO YOUR CLIENT'S OTHER
2 PRODUCTS, CAN THE COURT MAKE A FINDING ON THIS RECORD WITH THE
3 EXHIBITS TO THE DECLARATION, THAT ALL OF THE INFRINGEMENT, IF
4 IT OCCURRED OR AS IT WAS QUOTE/UNQUOTE "ADMITTED" IS OVER?

5 **MR. JERGER:** YES. YES, BECAUSE WE HAVE CONCRETE
6 EVIDENCE THAT THE SOFTWARE FUNDAMENTALLY CHANGED IN NOVEMBER,
7 2006. AS MS. HALL SAYS, THEIR RESPONSE TO THAT IS THE SIGNS
8 POINT TO CONTINUED TREATMENT.

9 WELL, THE SIGNS POINTING TO CONTINUED INFRINGEMENT IS
10 NOT THEIR EVIDENTIARY BURDEN -- DOES NOT MEET THEIR EVIDENTIARY
11 BURDEN.

12 **THE COURT:** THEY ARE SAYING THE EVIDENCE IS IN YOUR
13 POSSESSION BECAUSE YOU KNOW WHAT YOU DID OR YOUR CLIENTS KNOW
14 WHAT THEY DID.

15 **MR. JERGER:** WELL, AGAIN, WE'VE PUT THIS AS CLEAR AS
16 WE CAN IN DECLARATIONS. IT'S NOT OUR BURDEN TO PUT EVIDENCE IN
17 THE RECORD TO HELP THEM MEET THEIR BURDEN OF MOTION FOR
18 PRELIMINARY -- TO GET A PRELIMINARY INJUNCTION AGAINST US.

19 THEY COULD HAVE CONDUCTED DISCOVERY. THAT WOULD HAVE
20 BEEN THE APPROPRIATE TOOL, I BELIEVE, INSTEAD OF SAYING:

21 "WELL, GOSH, YOU HAVE THIS STUFF."

22 **THE COURT:** ALL RIGHT, MR. ZEFF.

23 **MR. ZEFF:** I WAS HOPING YOU WOULD ASK ME IF I WERE
24 GOD JUST ONCE IN A FEDERAL COURT WHAT I WOULD DO.

25 **THE COURT:** WELL, YOU'RE HERE.

1 **MR. ZEFF:** I WOULD ON THIS RECORD --

2 **THE COURT:** BUT GOD DOESN'T ANSWER TO THE FEDERAL
3 CIRCUIT. THAT'S THE DIFFERENCE.

4 **MR. ZEFF:** -- ORDER AN EVIDENTIARY HEARING ON THE
5 EXTENT OF THE CURRENT SOFTWARE AND THE ALLEGED INFRINGEMENT SO
6 THAT THE COURT CAN ACTUALLY HAVE A RECORD ON WHICH IT CAN ENTER
7 A REASONABLE INJUNCTION.

8 **THE COURT:** WELL, THE RESPONSE TO THAT IS, FOR BETTER
9 OR WORSE, THE RECORD IS WHAT THE RECORD IS. NEITHER SIDE HAS
10 ASKED FOR IT. IT'S NOT BEFORE THE COURT. AND I HAVE TO RULE
11 ON WHAT IS BEFORE ME.

12 I UNDERSTAND THAT IF THE COURT HAD INFINITE RESOURCES
13 AND TIME AND WANTED TO CREATE MORE WORK FOR ITSELF THAT WOULD
14 BE SOMETHING WE COULD DO.

15 ALL RIGHT. MS. HALL, EVEN THOUGH I SAID I WOULDN'T,
16 I'M GOING TO GIVE YOU THE LAST WORD SINCE YOU HAVE THE BURDEN
17 HERE.

18 **MS. HALL:** WHAT THEY COULD DO IS THEY COULD ISSUE
19 A -- IS THIS ON QUESTION TWO OR THREE?

20 **THE COURT:** NO. THIS IS THE LAST QUESTION: ANYTHING
21 ELSE YOU WANT TO ADD THAT WE HAVEN'T COVERED; IT'S NOT IN YOUR
22 BRIEFS, BECAUSE I THINK YOU'VE ALL RESPONDED TO THE QUESTIONS.

23 I'VE GOT A LOT TO THINK ABOUT AND REVIEW, BUT IS
24 THERE ANYTHING YOU FEEL WE MISSED THAT WE NEED TO KNOW?

25 **MS. HALL:** THERE ARE STATEMENTS ABOUT THEIR NEW

1 DATABASES BEING FUNDAMENTALLY CHANGED.

2 **THE COURT:** WHAT CONTEXT ARE WE IN NOW, BEFORE YOU
3 START?

4 **MS. HALL:** PRELIMINARY INJUNCTION.

5 **THE COURT:** ALL RIGHT.

6 **MS. HALL:** THEIR STATEMENT ABOUT HOW THEIR NEW
7 DATABASE FUNDAMENTALLY CHANGED THINGS IS NOT -- IS INAPPOSITE
8 BECAUSE THEY COULD EASILY COPY THE CONTENT FROM THEIR OTHER
9 FILES INTO THEIR NEW DATABASE. AND WE HAVE EVIDENCE WHICH IS
10 IN THE RECORD WHICH SHOWS THAT THERE ARE JMRI VARIABLE NAMES IN
11 THAT NEW DATABASE.

12 WHAT THEY COULD DO IS THAT FOR THE PAST INFRINGEMENT
13 THEY COULD ISSUE A RECALL.

14 THEY COULD PUT NOTICES ON THEIR WEB SITE.

15 THEY COULD SEND LETTERS TO THEIR REGISTERED USERS.

16 AS FOR THIS SEEKING DISCOVERY, WE HAVE SOUGHT
17 DISCOVERY IN THE PAST, EARLY DISCOVERY, BUT THAT HAS NOT BEEN
18 PERMITTED, SO WE DECIDED NOT TO SEEK IT FURTHER HERE.

19 AGAIN, THEY NEED TO SHOW MOOTNESS.

20 **THE COURT:** ALL RIGHT.

21 **MS. HALL:** I DO HAVE TWO OTHER POINTS.

22 **THE COURT:** YES. WELL, FAST, BECAUSE I'VE GIVEN YOU
23 MORE TIME THAN --

24 **MS. HALL:** DO YOU HAVE ANY QUESTIONS ABOUT MULTIPLE
25 KATZER PATENTS THAT --

1 **THE COURT:** ARE YOU ASKING ME IF I HAVE ANY QUESTIONS
2 ABOUT IT?

3 **MS. HALL:** YES, MULTIPLE KATZER PATENTS.

4 **THE COURT:** NO, I HAVE NO QUESTIONS ABOUT THAT.

5 I'M NOT EVEN SURE WHAT YOU WANT TO RESPOND TO HERE,
6 BUT IS THERE ANYTHING FURTHER YOU WANTED TO SAY?

7 WELL, LET ME ASK YOU ABOUT THE LAST SPECIFIC POINT
8 THAT MS. HALL HAS MADE.

9 IF THE COURT WERE GOING TO ISSUE THAT INJUNCTION WITH
10 RESPECT TO PAST ACTIVITIES TO ENSURE THAT YOUR CLIENT HAS
11 REALLY, YOU KNOW, NOT STOPPED, WHY WOULDN'T THAT BE
12 APPROPRIATE? YOU MAKE VIEW IT AS A FUTILE ACT OR, YOU KNOW,
13 BUT TO THE EXTENT -- YOU KNOW, TO THE EXTENT -- TO THE EXTENT
14 THAT YOUR CLIENT HAS THE INFORMATION, THEY COULD PUBLISH ON
15 THEIR WEB SITE OR SEND E-MAILS OR PUT OUT IN THE BLOGOSPHERE OR
16 WHATEVER NOTICES OF:

17 "STOP USING THIS STUFF."

18 **MR. JERGER:** RIGHT.

19 AND THE DEALERS WERE ALL SENT RECALL NOTICES FOR THAT
20 PAST SOFTWARE, AND ALL THE LICENSED USERS HAVE BEEN GIVEN NEW
21 COPIES.

22 **THE COURT:** IS THAT IN THE RECORD?

23 **MR. JERGER:** YES. IT'S IN MY CLIENT'S DECLARATION.

24 I THINK -- I MEAN, I WOULD SAY THAT -- AND I DON'T
25 KNOW IF THIS IS HELPFUL OR NOT. I MEAN, WE'RE BOUNCING OFF MR.

1 ZEFF'S IDEA OF AN EVIDENTIARY HEARING.

2 THAT I WOULD BE WILLING TO DISCUSS WITH MS. HALL
3 DIFFERENT STEPS THAT WE COULD TAKE THAT WOULD ASSUAGE THEIR
4 FEARS. I DON'T KNOW IF IT'S -- AND WE HAVEN'T HAD THE BEST
5 WORKING RELATIONSHIP, SO I DON'T KNOW IF THAT'S SOMETHING THAT
6 WOULD WORK. BUT IT'S SOMETHING WE WOULD BE WILLING TO DO IT.
7 AND I DON'T KNOW THAT IF HELPS.

8 **THE COURT:** SOMETIMES IF THE COURT GETS ALL THE WAY
9 DOWN TO THE FINAL -- THE END OF THE FINAL -- TO THE POINT WHERE
10 IT'S INCLINED TO ISSUE A PRELIMINARY INJUNCTION AND IS
11 CONCERNED ABOUT THE LANGUAGE, THEN GIVEN THE STATE OF THIS
12 RECORD I WOULD PROBABLY ORDER YOU TO MEET AND CONFER.

13 AND WHAT I WILL -- WHAT I'LL DIRECT COUNSEL -- WE
14 HAVE GOOD COUNSEL HERE -- IS THIS ISSUE ABOUT GOOD WORKING
15 RELATIONSHIP HAS GOT TO -- IT'S GOT TO -- YOU KNOW, THE BAD HAS
16 TO STOP AND THE GOOD HAS TO START. AND I'M ORDERING THAT NOW,
17 BECAUSE IF I SEE ANY OF THIS -- THIS UNKIND LANGUAGE OR I KNOW
18 THERE'S, YOU KNOW, THERE'S STRONG FEELINGS ON BOTH SIDES. AND
19 IT'S GOT TO STOP. YOU'RE PROFESSIONALS. YOU'RE OFFICERS OF
20 THE COURT, AND YOU'VE GOT TO PUT THAT ASIDE.

21 YOU KNOW, IF YOU WANT TO, YOU KNOW, STICK PINS IN A
22 DOLL AND CREATE A VICTORIA HALL DOLL AND STICK PINS IN IT OR A
23 JERGER/DAVID DOLL, YOU CAN DO THAT.

24 BUT I DON'T WANT IT TO MANIFEST ITSELF IN THIS
25 LITIGATION BECAUSE YOU NEED TO COOPERATE.

1 TO THE EXTENT THAT THE LITIGATION GOES FORWARD, YOU
2 KNOW, THERE'S GOING TO BE -- YOU'VE GOT TO WORK TOGETHER. AND
3 YOU'RE GOING TO HAVE TO FORCE YOURSELF -- YOU'RE THE
4 PROFESSIONAL.

5 YOUR CLIENTS MAY BE ANGRY AT EACH OTHER. YOU CAN'T
6 BE PERSONALLY ANGRY. AND I'M NOT GOING TO ALLOW IT.

7 SO IF IN THE FUTURE IN THE CONTEXT OF THIS MOTION I
8 ORDER THAT I'M NOT GOING TO WANT TO SEE DECLARATIONS BACK AND
9 FORTH ABOUT:

10 "HE SAID. SHE SAID. SHE DIDN'T. HE DIDN'T."

11 YOU GOT TO START WORKING TOGETHER.

12 EVEN IF YOU DON'T LIKE EACH OTHER, YOU'RE GOING TO
13 HAVE TO.

14 AND THERE'S NO REASON WHY YOU SHOULDN'T NOT LIKE EACH
15 OTHER.

16 **MS. HALL:** WE HAVE REALLY GOOD -- WE GET ALONG
17 OUTSIDE OF THIS.

18 **THE COURT:** ALL RIGHT.

19 WELL, THAT'S GOOD TO HEAR.

20 BUT, IN ANY EVENT, THE "NOT HAVING A GOOD WORKING
21 RELATIONSHIP" IS NOT ACCEPTABLE, IF THAT GOES FORWARD IN ANY
22 CAPACITY.

23 SO WITH THAT SAID, I'M GOING TO DECLARE THE MATTER
24 SUBMITTED.

25 AND YOU'LL HAVE MY ORDER SOON.

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THANK YOU, COUNSEL.

HAVE A GOOD HOLIDAY.

MR. JERGER: THANK YOU.

THE CLERK: PLEASE RISE.

THIS COURT STANDS ADJOURNED.

(THEREUPON, THIS HEARING WAS CONCLUDED.)

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CERTIFICATE OF REPORTER

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

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

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

IN WITNESS WHEREOF, I HAVE HEREUNTO SET MY HAND THIS 5TH DAY OF FEBRUARY, 2009.
