

Exhibit 3

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

Timebase Pty, Ltd.,

Plaintiff,

vs.

Case No. 07-1687

The Thomson Corporation,

Defendant.

THE HONORABLE JEANNE J. GRAHAM
United States Magistrate Judge

* * *

TRANSCRIPT OF PROCEEDINGS

* * *

Date: June 28, 1997

Reporter: Leslie Pingley

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1 APPEARANCES

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4 MR. MICHAEL R. CUNNINGHAM, Attorney at

5 Law, 80 South Eighth Street, Suite 500, Minneapolis,

6 Minnesota 55402 appeared on behalf of named Plaintiff.

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9 MR. JOSEPH N. HOSTENY, Attorney at Law,

10 181 West Madison Street, Suite 4600, Chicago, Illinois

11 60602 appeared on behalf of named Plaintiff.

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14 MR. CALVIN L. LITSEY and MS. ELIZABETH C.

15 WRIGHT, Attorneys at Law, 90 South Seventh Street,

16 Suite 2200, Minneapolis, Minnesota 55402 appeared on

17 behalf of named Defendant.

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20 Also present: Mark Stignani, Thomson Corporation

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1 PROCEEDINGS

2

3 (NO REPORTER WAS PRESENT - The following

4 transcript was prepared from a COPY of the

5 original court tape)

6

7 THE COURT: All right. This is the

8 matter of Timebase, Ltd. vs. The Thomson

9 Corporation and the Civil File No. is 07-1687.

10 This is assigned to District Court Judge Joan

11 Ericksen and myself, Jeanne Graham, as Magistrate

12 Judge and we're here today on defendant's motion

13 to stay litigation pending reexamination

14 proceedings.

15 May I have appearances please, first from

16 plaintiff's side.

17 MR. CUNNINGHAM: Your Honor, my name

18 is Michael Cunningham. I'm with the Gray Plant

19 Mooty firm here in the Twin Cities and with me

20 today is Joseph Hosteny, lead counsel for the

21 plaintiffs. He's been admitted pro hac vice in

22 this matter.

23 THE COURT: All right. Great. Thank

24 you.

25 THE COURT: And from the defense.

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1 MR. LITSEY: Good morning, Your

2 Honor. Calvin Litsey from Faegre & Benson and

3 with me at counsel table is Ms. Wright, also from

4 Faegre & Benson and Mark Stignani from the

5 Thomson Corporation.

6 THE COURT: All right. Great. Good

7 morning. Well, defendant's motion so you may

8 come to the podium first.

9 MR. LITSEY: Thank you, Your Honor.

10 May it please the Court and counsel, as stated in

11 our papers, Your Honor, this is really a textbook

12 case for scheduling a stay of these proceedings

13 in accordance with well-established practice in

14 this District.

15 We're here at the outset of the case.

16 There's been a reexamination filed by a third

17 party with respect to the patent in suit on new

18 prior art and the patent office has determined

19 that that prior art presents a substantial

20 question of patentability for this patent that's

21 being asserted.

22 As the plaintiff acknowledges this prior

23 art also happens to have been art that was relied

24 on in corresponding European proceedings that

25 have served for the basis of rejecting claims

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1 that are virtually identical to the ones being

2 asserted here.

3 The recent decisions we cited from Judge

4 Ericksen, Judge Davis and Magistrate Judge Nelson

5 really, I think, provide the framework for what

6 should be followed here and it's not only that

7 those cases really establish the model in this

8 District for how to stand -- how to handle

9 scheduling stays under these circumstances, but

10 they are really thoughtful opinions that I think

11 really describe, excuse me, in some detail the

12 factors that did apply and if you look at each of

13 those established factors -- I'm sorry, I'm

14 losing my voice.

15 THE COURT: That's all right.

16 MR. LITSEY: I will get a glass of

17 water.

18 If you look at each of those established

19 factors, they really overwhelmingly favor the

20 scheduling of a stay here as a case management

21 tool, so you look first at the plaintiff and

22 whether or not the plaintiff would be prejudiced

23 and here you have a company that's asserted the

24 patent five years after it's issued. It's an

25 Australian company that doesn't conduct business

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| Page 6 | Page 8 |
| <p>1 in the United States, doesn't have a product 2 here, doesn't have a presence here. It's 3 basically asserting a patent to obtain money 4 damages and certainly a stay does not affect that 5 sort of relief and they don't argue that it 6 would. 7 Second, this case is at the earliest 8 stages of the litigation, so it's really the 9 classic case in which courts exercise their 10 discretion to schedule a stay or literally before 11 any discovery has commenced and I think as Judge 12 Ericksen and Judge Davis both wrote in their 13 opinions under these circumstances scheduling a 14 stay is routinely granted so that's their words. 15 And third, of course, staying the 16 proceedings will simplify and narrow the issues 17 here. It really avoids wasting the Court's time, 18 the party's times, expending resources when the 19 patent is really in flux and therefore in these 20 same cases the judges in this District and 21 elsewhere recognize it. It's really the common 22 sense thing to do because generally, although 23 it's -- none of us can predict what's going to 24 happen exactly in the patent and trademark 25 office, but generally one of three things is</p> | <p>1 have an Australian plaintiff and we're going to 2 be needing to conduct discovery in Australia, 3 perhaps third-party discovery there pursuant to 4 the Hague Convention and so forth. It makes 5 little sense to embark on that sort of expensive 6 discovery to engage the Court in infringement 7 contentions and positions -- invalidity 8 contentions and positions, claim construction 9 issues, formulating Markman proceedings and 10 briefings, all of which are likely to have to be 11 redone in the event that there's any change in 12 the claims, so that's why courts routinely employ 13 stay as a litigation management tool under these 14 circumstances and that's precisely what we're 15 asking the Court to do here is simply to follow 16 what Judge Ericksen, Judge Davis and Magistrate 17 Judge Nelson have all recently done under similar 18 circumstances and used the stay as a scheduling 19 tool to manage litigation efficiently and indeed 20 they say there's a liberal policy of doing that 21 in this District. 22 So I think if you look at the -- at the 23 three factors they really overwhelmingly favor a 24 stay under these circumstances. 25 So what does the plaintiff say? Frankly</p> |
| Page 7 | Page 9 |
| <p>1 going to occur. 2 Either they are going to be out right 3 rejected the way they have based on this prior 4 art in the European patent proceedings in which 5 case the case is over and we won't be back here 6 at all and the parties will not have had to 7 expend any additional resources. 8 Second, in a substantial number of cases 9 the claims get amended so they are changed in 10 some way, often in a significant way, and it's 11 really again the claims that define the scope of 12 infringement, the scope of whether or not prior 13 art is relevant, invalidity, claim construction, 14 all those sorts of issues and even if -- even if 15 these patents emerged without a word having been 16 changed, you still have the entire proceeding 17 that serves as an additional prosecution history 18 record because the plaintiffs will be talking 19 about what their claims mean, what they say, what 20 the scope of the patent is and the patent office 21 will also be making those kinds of 22 determinations. 23 So it makes little sense for the parties 24 to embark on what is going to be substantial and 25 expensive discovery, especially here where you</p> | <p>1 the plaintiff doesn't engage on any of these 2 issues, Your Honor. The plaintiff doesn't 3 dispute that the three factors courts look at 4 really overwhelmingly support the scheduling of a 5 stay here. 6 Instead what the plaintiff does is ignore 7 these factors. They don't address them. Rather 8 they suggest that this Court do what no court in 9 this District has ever done and what no court in 10 the Country has ever done in any case that they 11 have cited and suggest that we multiply the 12 proceedings, not try to streamline them in an 13 unprecedented, unfair and unreasonable way rather 14 than addressing the scheduling issue of whether 15 or not we should go forward with this litigation, 16 plaintiffs asked the Court to order defendants to 17 instruct their own lawyers to create work product 18 for claims benefit by finding additional 19 references that might affect this patent, then 20 for us to start our own proceeding, a separate 21 proceeding, with the patent and trademark office 22 at our expense, then to use that work product for 23 them to argue with the patent office in 24 proceedings that we're completely shut out of, 25 these are ex parte proceedings, and then to have</p> |

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| Page 10 | Page 12 |
| <p>1 us bound by that decision. I mean on it's face 2 it's unfair. It's unreasonable. We wouldn't 3 agree to it. No reasonable party would agree to 4 it and no court ever has imposed those sorts of 5 conditions on granting or scheduling a stay. 6 A stay is merely a common sense case 7 management tool. It's an opportunity to have the 8 Court not expend substantial resources while 9 there's a pending reexam initiated by this third 10 party. 11 And I want to address the point they make 12 in their brief that somehow we're behind this 13 third-party proceeding. 14 First of all, it's completely false. 15 They come in to court without any evidence 16 whatsoever, not a shred of evidence other than 17 mere assertions by their attorneys and frankly I 18 think it's beyond the realm of any reasonable 19 argument that somebody should make -- be making 20 in their brief. If we had wanted to bring a 21 separate proceeding, we would have done so. We 22 have chosen not to and, in fact, the normal 23 proceeding is not for a third party to have 24 initiated something, but for the defendant itself 25 to have done that. We have chosen not to. We</p> | <p>1 defendant to be bound by the exam as a condition 2 for granting a stay. In fact, if you look at 3 that case, what the Court did there is examine 4 the same sort of traditional factors that the 5 courts here look at and concluded that based on 6 the -- the stage in which the proceeding were at, 7 the benefits that would be obtained, it was 8 appropriate to order a stay there. 9 It did note that in that case the 10 defendant who had initiated the PTO proceedings 11 there had voluntarily assured the Court that it 12 would not contest the issues that the PTO decided 13 provided that the plaintiff played fair in that 14 proceeding in which they were not party, but the 15 Court neither ordered the defendant to do that 16 nor did it form the basis of the Court's decision 17 to grant a stay. 18 And, in fact, when the plaintiff raised 19 this argument in it's brief, we searched for 20 cases in which other plaintiffs had made this 21 argument and frankly I was only able to find one 22 and I have a copy of it. It's not in your brief, 23 but I would be happy to provide the Court and 24 Counsel with a copy if I may approach. 25 THE COURT: All right.</p> |
| Page 11 | Page 13 |
| <p>1 would prefer to be in court if and when we have 2 to litigate this patent and, in fact, in most 3 proceedings where it is the defendant who's even 4 initiated the PTO proceedings, it's in those 5 circumstances that the courts still allow and 6 provide for the scheduling of the stay. That's 7 what's happened in all the cases that we have 8 cited in which Judge Ericksen and Judge Davis 9 have applied the stay. 10 In fact, as Judge Ericksen and Judge 11 Nelson wrote in the Vdata case, that's 12 specifically the framework that Congress 13 contemplated is that you would really have two 14 separate proceedings, each of which a defendant 15 could take advantage of. We didn't initiate this 16 proceeding and we shouldn't be -- because we have 17 chosen to be in court be forced in to creating 18 our own proceeding. 19 The sole case that plaintiff points to in 20 support of it's argument that Thomson and the 21 West Company should be bound by the results of a 22 PTO proceeding says nothing of the sort. The 23 Emhart [sic] case from the Northern District of 24 Illinois neither ordered a party to commence it's 25 own reexam proceeding nor did it order a</p> | <p>1 MR. LITSEY: Your Honor, this case 2 is a 2004 case from the Northern District of 3 Illinois entitled Zylk vs. Quick Logic [sic] and 4 if you actually look at the case it applies the 5 same three factors that courts in this district 6 do and concluded that a stay was appropriate and 7 then it addressed the contention of the 8 defendant. If you look at the last page of the 9 slip opinion the two paragraphs above the 10 conclusion it addresses the plaintiff's request 11 there to require the defendant who had actually 12 initiated the proceedings there to be bound by 13 the resolution of those proceedings and in the 14 last paragraph the Court says, quote, the Court 15 will not force defendant to abide by the PTO's 16 findings as a condition of granting the stay. 17 Plaintiff cites no authority that defendant is 18 obligated to abide by the PTO's findings. To the 19 contrary, courts have held that a non-patent 20 holder is permitted to challenge a patent both in 21 the PTO and in District Court, so to the extent 22 there's any precedent exactly on point out there, 23 Your Honor, it's this case and it rejects the 24 plaintiff's argument here. 25 In fact, if you look at the language from</p> |

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1 that quote that I just read where it talks about
 2 the patent holder being permitted to challenge
 3 patents both in the patent and trademark office
 4 and in the District Court it's exactly the
 5 observation that Judge Ericksen made when the two
 6 bites at the apple argument was made in the Vdata
 7 case. She said, no, that's exactly what Congress
 8 intended. And of course we're not even
 9 attempting to do that here. This is a third
 10 party reexamination in any event.
 11 In short, Your Honor, as a matter of case
 12 management, there's really no dispute that the
 13 factors employed in this District for scheduling
 14 a stay are overwhelmingly in favor of granting
 15 the motion. This is really, again, a classic
 16 textbook case in which the courts can manage the
 17 case by staying the proceedings and allowing what
 18 is happening in the patent and trademark office
 19 to run it's course, especially here where it's
 20 clear there's no prejudice to the plaintiff from
 21 doing it. It gets it's remedy at the end of the
 22 day. We're at the very early stages of
 23 litigation. No discovery has been conducted and
 24 we're here. There's been a substantial question
 25 raised about the validity of this patent that

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1 will be addressed in those proceedings.
 2 Once that proceeding runs it's course,
 3 then we will either be back here in front of the
 4 Court and litigating this case or we'll be back
 5 here with a substantially different patent and so
 6 therefore it makes sense to wait and manage this
 7 case and just stay the proceedings until that --
 8 until the PTO has finished it's work in those
 9 proceedings initiated by a third party.
 10 THE COURT: Okay. Thank you.
 11 MR. LITSEY: Thank you.
 12 THE COURT: And response?
 13 MR. HOSTENY: Thank you, Your Honor.
 14 Joe Hosteny on behalf of Timebase.
 15 A little bit of background. Timebase is
 16 a small company. It is an Australian company.
 17 In fact, it's gone through some changes because
 18 the original inventors of the technology left,
 19 encountering some financial difficulties and the
 20 patent is now in different hands.
 21 The investors in Timebase are not simply
 22 people interested in making money on a patent.
 23 They are pension funds and this is an investment
 24 by those pension funds or what they call
 25 Superannuation funds in Australia.

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1 The patent deals with electronic
 2 publishing. Basically you take pieces or
 3 portions of text and then portions of that text
 4 that are amended, store them in a database and
 5 link them in some fairly unobvious way so that
 6 you can explore the history of a written document
 7 as it may have existed a good deal of time in the
 8 past. For example, how a statute might have been
 9 amended, how a particular statute was amended in
 10 a particular year, whether a particular statute
 11 was amended with respect to certain wording in a
 12 section and it gives you the ability -- the
 13 patent gives examples of legislation, but it
 14 applies not only to legislation but also to
 15 technical documents, medical literature and the
 16 like. It's a useful invention.
 17 I am not certain where the defendants
 18 have gotten some of the ideas they have about
 19 what we supposedly asked them for. My partner,
 20 Art, had a conversation, I believe it was with
 21 Mr. Litsey when the question came up whether we
 22 would agree to a stay and we made three
 23 suggestions.
 24 One, we said, look, if Thomson, and you
 25 have to keep in mind that representatives of

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1 Thomson or some of it's subsidiaries and
 2 representatives of Timebase negotiated a number
 3 of years ago in an effort to reach an agreement
 4 concerning this 592 patent. They were unable to
 5 do so. One of the things that Timebase did was
 6 provide a standstill period so that the people
 7 they were negotiating with at Thomson would have
 8 the opportunity to go and investigate the patent,
 9 so we believe that Thomson or it's subsidiaries
 10 have investigated the patent. I believe
 11 Mr. Stignani who is here today was involved in
 12 some of those negotiations. I was not.
 13 So we made three suggestions. We said,
 14 look, if you are going to do a reexamination, if
 15 you have any inclination to do a reexamination,
 16 do it quickly. We know this other one is out
 17 there filed by an attorney in Connecticut on
 18 behalf of some anonymous third party. We don't
 19 know who it is. So we suggested first do a
 20 reexamination quickly so we don't have a double
 21 length stay. And I will get to it in a moment.
 22 The stays can be extremely long and that's one of
 23 Timebase's concerns and that was why it suggested
 24 to Thomson if you want to do a reexamination do
 25 it now or do it very, very soon.

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1 The second thing we suggested was let's
 2 make that reexamination have the maximum benefit
 3 and let's do it in a way that minimizes the
 4 prejudice to Timebase and the waste of everyone's
 5 time after a reexamination is over.
 6 More specifically we said, and you know I
 7 will quote just as Mr. Litsey will quote, all of
 8 those court decisions extolling the benefits of
 9 reexamination. The benefits are get the expert
 10 involved. He's a neutral expert. It's a patent
 11 examiner, let that person take a look. Then the
 12 Court's time is saved. The party's time is saved
 13 and money is not wasted relitigating issues.
 14 We said that's fine. Here's a way to do
 15 that. Let's have that reexamination considered
 16 not only what this anonymous third party has put
 17 in to play, but also anything that you, the
 18 defendants, have that you would like to put in to
 19 play that fall within the scope of reexamination,
 20 not all prior art, but patents and printed
 21 publications. We said if you presently possess.
 22 We didn't ask anybody to go dig up anything,
 23 although frankly I think they are probably very
 24 busy digging up things right now. We said
 25 anything that it presently possessed should be

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1 put into that reexamination so it could be
 2 considered as well.
 3 This is computer technology. It's
 4 database technology. It deals with markup
 5 languages and I think it would be a shame to go
 6 through a reexamination to resolve three
 7 documents only to get to the end of that
 8 reexamination and have Thomson tells us that here
 9 is three more documents, three more publications,
 10 three more patents or in the cases of what I have
 11 seen some defendants do, scores of patents and
 12 publications. Let's get them into the
 13 reexamination now. That benefits everyone.
 14 The last point was, and this is something
 15 that every party faced with a reexamination
 16 request and every Court faced with a
 17 reexamination request has to confront and that is
 18 will the defendant reargue the same piece of
 19 prior art that was considered in the
 20 reexamination after the reexamination is over.
 21 So we asked if they would agree to be bound. We
 22 didn't tell them they had to be. We asked if
 23 they would agree to be bound.
 24 The response to those three questions was
 25 silence until we received the motion for a stay

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1 and the motion for a stay did not address any of
 2 those three points and that's why our response
 3 lays them out and that's why our response says we
 4 don't like a stay. I don't want a stay because I
 5 have seen stays go on for, in my personal
 6 experience, five years. I have seen a stay go on
 7 in a case in my office for seven years. I've
 8 seen a stay go on in a case in my office for
 9 three years, so they are not all 19 months.
 10 That's one of the problems.
 11 I realize you have to make a decision
 12 based on the statistical data, but that's why
 13 stays scare plaintiffs and patent owners because
 14 they can be so, so long and so that's the basis
 15 of the conditions we suggested and that's why we
 16 came here and we said we're not necessarily
 17 opposing a stay, but we do think and we cited, I
 18 think it's the Landis case, stays are not
 19 automatic. Stays in litigation are not
 20 automatic. They are a discretionary decision of
 21 a Court when it weighs the factors that applies
 22 to both sides and looks at the potential up and
 23 downside or prejudice to both sides and I think
 24 if we're going to have a reexamination it's
 25 reasonable for Thomson to give us any prior art,

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1 not any prior art I should say, any patents or
 2 printed publications in it's possession now so
 3 that those can go into the reexamination.
 4 I think it's also reasonable while this
 5 case is on the Court's docket that Thomson has a
 6 period of time in which to file it's own
 7 reexamination request or should not do so.
 8 On the last condition, it was something
 9 we asked them to do. I am not even asking the
 10 Court to impose that condition. I simply will
 11 say that if we're all here some day down the road
 12 after a reexamination and we're all looking at a
 13 piece of literature considered by the patent
 14 office and Thomson is arguing that that piece of
 15 literature should, despite a contrary decision by
 16 the examiner, invalidate a claim or claims, we're
 17 wasting our time. We're really, truly wasting
 18 our time.
 19 By the way, one point on the
 20 reexamination statistics, I do not think that the
 21 majority of statistics as represented by the
 22 defendants result in patents being cancelled. I
 23 think the majority of patents -- first, I cannot
 24 recall in approximately 20 years of litigation
 25 experience, I cannot recall a reexamination

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1 request that was not granted. It is routine for
 2 examiners to say there's a substantial new
 3 question of patentability unless that reference
 4 is already in the file, so they always do that.
 5 Secondly, in my experience most patents
 6 come out of reexamination and I think that's the
 7 correct reading of the statistics cited in the
 8 party's briefs. Most patents come out of
 9 reexamination with at least some claims confirmed
 10 and therefore you have a patent in most instances
 11 that survives.
 12 I have nothing further unless the Court
 13 has any questions for me.
 14 THE COURT: I have a procedural
 15 question that popped up in my head when you guys
 16 were talking that you're -- the European findings
 17 are applicable here?
 18 MR. HOSTENY: No, they are not.
 19 European patent law has different legal standards
 20 entirely and in -- frankly in our view they
 21 have -- they write claims differently from how
 22 U.S. claims are written. I don't know. I can't
 23 go in to detail on what the standards of
 24 obviousness they apply. We think the examiner
 25 has been rigorous to the point of being

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1 persnickety on these particular references and
 2 our point of view and our client's point of view
 3 is they are going to get by those references and
 4 they are going to get -- achieve patent
 5 protection in Europe.
 6 I think what's going on in Europe has
 7 little or nothing to do with the decision that
 8 Your Honor has to make here regarding a stay.
 9 THE COURT: Okay. All right. Thank
 10 you. So what about the idea that, you know, what
 11 about this whole idea that at, you know, after
 12 let's say 20 months or 24 -- let's say two years
 13 down the line then you decide that you want to
 14 have a reexamination and we go on. I mean I
 15 don't like stays that go on for that period of
 16 time of either. Either we're in or out at a
 17 certain point, so how do we deal with that?
 18 MR. LITSEY: First of all, as I told
 19 Mr. Hosteny's partners, Art Gasey, when they
 20 first raised this with us, he must not have
 21 spoken to his colleague about what we talked
 22 about because I rejected these proposals out of
 23 hand. They are unreasonable. They don't make
 24 any sense. I said we're not intending to start
 25 our own reexam. There's a reexam that currently

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1 is in place by a third party and it makes sense
 2 as a matter of case management to wait until
 3 that's run its course before we all run off and
 4 conduct a bunch of discovery.
 5 Of course, the Courts permit parties to
 6 do both. We have chosen not to. We would prefer
 7 to be in court not in an ex parte proceeding
 8 where we don't get to present our evidence.
 9 If for any reason my client instructed us
 10 later to seek a reexam in this case, then we
 11 would be back -- A, we wouldn't necessarily be
 12 seeking a stay and B, if we were we would be back
 13 in front of Your Honor and we could read me the
 14 riot act and deny a motion if we brought another
 15 motion to stay, so that issue is really not even
 16 before the Court.
 17 And frankly with respect to being
 18 efficient, if the plaintiff truly wanted to be
 19 efficient there's nothing preventing the
 20 plaintiff from putting in whatever references it
 21 wants into the current reexam. It gets to argue
 22 with the patent office about that. We're totally
 23 a bystander here. We don't get to participate.
 24 They're suggesting that we give up our
 25 day in court, be ordered to start our own

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1 proceeding under what feasible procedures we
 2 decide what we have to do or not do and whether
 3 we would be back in front of the court as to
 4 whether we complied or not or whether somebody is
 5 taking my deposition about whether I had a Sports
 6 Illustrated article or something that was prior
 7 art that should have been put in. I mean it
 8 would be tantamount to ridiculousness, so we
 9 don't want to be in that proceeding. The
 10 proceeding exists.
 11 If the plaintiff believes there's
 12 additional art it's its obligation to go out and
 13 do what any reasonable patent owner does, conduct
 14 an examination, find the art and present it to
 15 the patent office and it's free to do that. We
 16 should not be compelled as part of our defense in
 17 this case to initiate proceedings that we don't
 18 want to be a part of.
 19 We're simply asking the Court in view of
 20 proceedings that already exist, in view of the
 21 fact that the European patent office which
 22 actually I think the obviousness standard is
 23 harder for a defendant there to overcome, they
 24 have written a lot about the claims there, all of
 25 which are very pertinent. They haven't denied

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1 that they are virtually the same as the ones
 2 here.
 3 The patent examiner here has found a
 4 substantial question of patentability. I think
 5 it makes ultimate sense. This is again a
 6 textbook case in which it makes sense to wait,
 7 stay these proceeding until that has run it's
 8 course and then we can be off to Australia or
 9 whatever or we may not even back here since at
 10 least in 10 to 12 percent of the cases it's
 11 rejected in it's entirety as it has been in
 12 Europe twice.
 13 THE COURT: Okay. All right. Thank
 14 you. I am going to take just a few minutes. I
 15 am going to look at a couple of things and then I
 16 believe I am going to be able to render an
 17 opinion here on the bench, so you folks know
 18 what's going on because either we're going to do
 19 Rule 16 or we're not is the bottom line, so give
 20 me about 10 minutes and I will be right back.
 21
 22 (A recess was had in the proceedings)
 23
 24 THE COURT: We're back on the record
 25 in the Timebase case. I am ready to make my

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1 decision known.
 2 I am actually a fairly practical person,
 3 but there are some parts of what plaintiff has
 4 talked about that makes some sense to me, but as
 5 I read the cases and I certainly note the ones
 6 that are in this District as well as the other
 7 ones that are cited, I just -- I just have to
 8 keep coming back to the question is whether I
 9 order a stay or not at this point and I go
 10 through the three factors and the three factors
 11 seem to me to be very clear that they do warrant
 12 a stay.
 13 I will mention a few things here just so
 14 you know where I am coming from.
 15 I think first clearly the stage of the
 16 proceeding is obviously the parties have not
 17 exchanged any discovery or even initial
 18 disclosures and I know some in regards that's of
 19 concern to the plaintiff's side, but the fact is
 20 is that we have yet to really start this case so
 21 obviously that does mitigate towards having a
 22 stay.
 23 Simplification of the issues, it does
 24 appear that those that are experts in the PTO
 25 area or PTO office that the reexamination will be

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1 considering prior art references to the 592
 2 patent and it will apparently narrow the issues
 3 from what I can tell.
 4 So what I really get to is the prejudice
 5 and tactical advantage and piece of that and
 6 whether this is just being done to cause
 7 prejudice or for tactical advantage. Well, it
 8 could be that there is strategy here that
 9 recognizes that. However, it does appear to me
 10 that that's something that the Court can, in
 11 fact, control.
 12 In this case we don't have -- we don't
 13 have U.S. products. We don't have U.S. presence
 14 really and there really isn't a great argument
 15 regarding prejudice except that they were hoping
 16 by the conditions that they were seeking, that is
 17 the plaintiffs, to at least make this efficient
 18 and that I can agree with, is efficiency is good.
 19 But that does not equal having undue prejudice or
 20 tactical disadvantage and so I find that that
 21 also mitigates towards having a stay.
 22 The main -- the main problem I see is
 23 delay, possible delay. That's the main problem I
 24 see and I believe that the Court can control that
 25 in terms of whether or not there is -- there are

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1 future requests for reexaminations and stays.
 2 Reexamination so be it, but request for stays I
 3 should say.
 4 The one area I wanted to touch on
 5 specifically is really the last thing that was
 6 discussed here which I should say we realized was
 7 not on the tape, so maybe you could describe what
 8 it was that you said at the very end so it could
 9 be in your words and not mine.
 10 MR. HOSTENY: Yes, Your Honor. All
 11 I was saying, I think was that, A, we weren't
 12 asking the defendants to necessarily find art.
 13 We believe they have some due to the passage of
 14 time. We wanted them to provide what they
 15 presently possessed by way of patents and printed
 16 publications.
 17 And then secondly I pointed out response
 18 to Mr. Litsey's point that we may well, that is
 19 Timebase, may well put additional references into
 20 the reexamination if there is or is none, so they
 21 can be considered, but we don't know that our
 22 universe is going to overlap exactly with the
 23 defendants. That's why we say if you folks have
 24 patents and printed publications, let us have
 25 them.

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1 THE COURT: All right. I did
 2 consider that because I understand how that would
 3 potentially increase the efficiency of going
 4 through all of this with at least this
 5 reexamination, but I don't believe that I have --
 6 I just don't see how one decides there's going to
 7 be a stay and then makes that conditional
 8 exactly. I suppose one would do that if I could
 9 find that there was undue prejudice and I just
 10 can't make that finding because I suppose there
 11 could be prior art between now and -- or the
 12 printed publication, something that is found a
 13 year from now and there's not much we can do
 14 about that, so it seems to me that while I
 15 certainly understand it that's not something I
 16 can make a condition of the stay.
 17 I will be limiting it, however, to the
 18 reexamination process. I am not going to do
 19 including all appeals at this point.
 20 Were you requesting all appeals?
 21 MR. LITSEY: We were, Your Honor,
 22 and we would, of course, understand if the Court
 23 wanted to extend the stay until that -- until the
 24 patent office was done with it. We could revisit
 25 the issue in the event that there's an appeal

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1 from that, but if there is an appeal then usually
 2 that is included in a stay because that completes
 3 the process.
 4 THE COURT: Okay. Well, I suppose we
 5 can visit that when we need to, but at this point
 6 I am limiting it to the reexamination process and
 7 I don't -- what I would like is to keep somewhat
 8 control over it. In other words, we don't all
 9 walk out the door and you folks remember the
 10 case, but a year from now whether we will
 11 remember it or not, I would like a letter that's
 12 filed.
 13 My suggestion would be on a six-month
 14 interval to tell me what's going on in the case.
 15 You folks know better than I, is that too
 16 frequent? Is nothing going to be able to be
 17 reported within --
 18 MALE SPEAKER: I wish I could say.
 19 THE COURT: Okay.
 20 MALE SPEAKER: There's a chance that
 21 we will have, you know, an office action I'm
 22 estimating within three to four months.
 23 THE COURT: Good.
 24 MALE SPEAKER: And typically the
 25 patent office will -- typically the patent takes

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1 as much time as it wants to take and tells the
 2 plaintiff or the patent owner to respond in 30 to
 3 60 days, usually 30 days, but I think the
 4 examiners indicated you have three to four months
 5 so there's a chance we will have something by six
 6 months, at least from the patent office and
 7 probably a response.
 8 THE COURT: Okay. Then I am going to
 9 say I would like -- I would like to have, in
 10 essence, a status letter six months -- in six
 11 month periods and if nothing else it reminds me
 12 what's going on in this case and reminds everyone
 13 to don't forget about it.
 14 I wanted to mention that for use if
 15 anyone is going to follow this up to the District
 16 Court that Vdata was my primary authority in
 17 really looking at this. I will even go ahead and
 18 mention that this Court actually ruled a slightly
 19 differently in another matter, but I don't think
 20 it's a published opinion in Cognex vs. VCode, but
 21 that case was, I find, and I will do it just now
 22 so everyone understands that I at least
 23 considered it, I find that case to be different.
 24 It was in a different posture in terms of it's
 25 procedural posture and it was also different in

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1 terms of what that case was about. It was about
 2 more than just the patents and so I -- for the
 3 reasons I stated in Cognex and affirmed by Judge
 4 Ericksen, did not allow the stay in that case,
 5 but I find that this is more like the Vdata and
 6 that is why I am acknowledging that I believe
 7 all -- all of the factors go towards a stay in
 8 this case.
 9 Now, if there is no disclosure at this
 10 point of current printed publications that the
 11 defendant knows and if there happens to be a
 12 reexamination later, then I do think it's clear
 13 that it becomes less and less compelling to allow
 14 any kind of serial stays if, in fact, there were
 15 things that could be done now that might have
 16 made the examination process that's currently
 17 under way more efficient ish, so I just throw
 18 that out there for everyone's consideration and
 19 certainly while I am not making -- I am not
 20 making a ruling ahead of time, my main concern
 21 about this whole thing in terms of how these
 22 things have played out over the years is serial
 23 stays are not something I prefer to do, so I will
 24 just say that. Okay.
 25 Well, so I am granting the motion, all of

1 that to say I am granting the motion.
 2 Okay. Anything else we can do today?
 3 Oh, that means we're not going to have the
 4 Rule 16. All right. Thank you all. Thanks for
 5 being here and for good argument and good written
 6 materials. I appreciate it.

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1 STATE OF MINNESOTA)
) ss.
 2 COUNTY OF DAKOTA)
 3

4 BE IT KNOWN, that I transcribed the
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