

Final Pretrial Hearing

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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TEXAS
LUFKIN DIVISION

ANASCAPE, LTD.		DOCKET 9:06CV158
		MAY 1, 2008
VS.		9:15 A.M.
MICROSOFT CORP., ET AL		BEAUMONT, TEXAS

VOLUME 1 OF 1, PAGES 1 THROUGH 155

REPORTER'S TRANSCRIPT OF FINAL PRETRIAL HEARING

BEFORE THE HON. RON CLARK
UNITED STATES DISTRICT JUDGE

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PROCEEDINGS REPORTED USING COMPUTERIZED STENOTYPE;
TRANSCRIPT PRODUCED VIA COMPUTER-AIDED TRANSCRIPTION.

1 (REPORTER'S NOTES ANASCAPE V. MICROSOFT,
2 9:15 A.M., THURSDAY, 05/01/2008, BEAUMONT, TEXAS,
3 HON. RON CLARK PRESIDING)

4 (OPEN COURT, ALL PARTIES PRESENT)

5 THE COURT: All right. I call Anascape
6 versus Microsoft and Nintendo, Number 9:06cv0158.

7 Is Anascape ready?

8 MR. CAWLEY: Good morning, your Honor.
9 Douglas Cawley for Anascape.

10 THE COURT: Welcome back.

11 MR. CAWLEY: Thank you, your Honor. It's
12 good to be back; and, yes, we're ready.

13 THE COURT: Okay. And is Microsoft ready?

14 MR. HEARTFIELD: Good morning, your Honor.
15 Thad Heartfield for Microsoft, and we are ready.

16 THE COURT: Okay.

17 MR. HEARTFIELD: We do have a settlement to
18 announce.

19 THE COURT: Right. And you might as well
20 stay right there because that will be the first thing I
21 take up.

22 And is Nintendo ready?

23 MR. GUNTHER: Your Honor, Bob Gunther.
24 Nintendo is ready.

25 THE COURT: Okay. I understand that Anascape

1 and Microsoft have, in fact, settled; is that correct?

2 MR. HEARTFIELD: That is correct.

3 THE COURT: All right. Do one of you want to
4 outline what has been settled?

5 MR. HEARTFIELD: Judge, Anascape and
6 Microsoft have settled all claims with prejudice.
7 Microsoft has taken a license to all patents and pending
8 applications. There is a lump-sum payment that will be
9 made within about 13 days from today. The settlement
10 document has been fully signed by both Anascape and
11 Microsoft. There is going to be a stipulated dismissal
12 filed Monday, May 5th; and we intend to attach the
13 settlement document with all terms at that time. If the
14 court would like to see the settlement agreement
15 in camera, I am prepared to give that to the court. If
16 Nintendo must see it, I can provide it to them under the
17 protective order.

18 THE COURT: Does the settlement agreement --
19 do the amounts paid and cross-licensing and so forth
20 cover all costs of court and attorney's fees?

21 MR. HEARTFIELD: Yes. Yes, your Honor.

22 THE COURT: All right. And let me hear from
23 Anascape, then. Is that your understanding of the
24 agreement?

25 MR. CAWLEY: It is, your Honor.

1 THE COURT: Okay. So, this settlement
2 agreement disposes of all of Anascape's claims -- past,
3 present and future -- dealing with the patents in
4 question, whether they were asserted or not, correct?

5 MR. CAWLEY: Yes.

6 THE COURT: Okay. And all possible causes of
7 action, whether they were asserted or not, whether it's
8 under patent or antitrust or tort law, contract law, in
9 other words --

10 MR. CAWLEY: Yes, your Honor.

11 THE COURT: -- it's everything?

12 MR. CAWLEY: It's a complete, global release.

13 THE COURT: Okay. And all possible
14 counterclaims of Microsoft for declarations of
15 invalidity, whether asserted or not, those are also
16 disposed of by this settlement, correct?

17 MR. HEARTFIELD: Yes, your Honor.

18 THE COURT: Okay. In that case I will expect
19 the settlement documents to be filed as you've stated
20 and will consider the cause of action between Anascape
21 and Microsoft to be dismissed.

22 Anything further? I noticed someone was
23 making a comment. Is there something else that needed
24 to be added?

25 MR. CAWLEY: Oh, no. There's nothing

1 further, your Honor.

2 THE COURT: In other words, as an attorney in
3 this district used to say, its blood, guts, and
4 everything is gone, right?

5 MR. CAWLEY: It's gone, judge. That's right.

6 THE COURT: Mr. Heartfield?

7 MR. HEARTFIELD: Correct.

8 THE COURT: Okay. In that case,
9 Mr. Heartfield, you're excused.

10 MR. HEARTFIELD: Thank you, judge.

11 THE COURT: Thank you for being here.

12 All right. I guess the next question that
13 brings up is since the parties -- we've now eliminated
14 one of the parties, the need to take a look at the time
15 this trial is going to take. And I think Ms. Chen had
16 indicated to me the parties had already had some
17 discussion about that.

18 MR. CAWLEY: That's correct, your Honor.

19 THE COURT: What's your proposal now?

20 MR. CAWLEY: If the court is agreeable,
21 Mr. Germer and I discussed this this morning; and we
22 would request that the court allow 17 hours per side.

23 THE COURT: I guess originally I had -- each
24 defendant had 14 and plaintiff had -- what -- 23 or
25 something like that?

1 MR. CAWLEY: Yes, your Honor.

2 THE COURT: I guess that would seem
3 appropriate. That's going to include, though, the time
4 for interim statements. In other words, I think I had
5 indicated each side would get some 15 or 20 minutes for
6 interim statements. That will be included in the 17
7 hours rather than trying to keep --

8 MR. CAWLEY: Yes, your Honor.

9 THE COURT: -- two sets of clocks. I can't
10 see that making a big difference there, but it will make
11 it a little easier on the deputy clerk and her time
12 keeping.

13 And is that agreeable, then, as far as the 17
14 hours with Nintendo?

15 MR. GERMER: Yes, your Honor.

16 THE COURT: Okay. Ms. Chen will now hand out
17 to you -- I've already gone ahead and ruled on a number
18 of the issues in writing, and it might save some time to
19 just hand those to you. I didn't want the settling
20 parties to change their mind based on some of my
21 rulings; so, that's why I waited.

22 Now, we're going to get to -- there's a
23 second motion dealing with Mr. Howe as to his more
24 recent filing or supplement, and I'll deal with that
25 separately. And I'll note that on the order on

1 plaintiff's motion in limine -- I still have one
2 question on defendant's motion in limine which is why
3 that's not out before you yet. I'm going to discuss
4 that with you in a second.

5 Just so there's no question about it, in my
6 mind a motion in limine is just that, a motion in
7 limine. It's don't bring this up in front of the jury.
8 I'm not inviting, obviously, a rehash of every single
9 ruling; but I also understand, having tried many cases
10 myself, that from time to time things change, some
11 witness opens the door, something suddenly becomes
12 relevant, new testimony comes in.

13 I don't mind a lawyer in good faith asking
14 for a review outside the presence of the jury but I
15 would say let's see some anticipation on the part of
16 counsel here and let's do it at a break, at lunchtime,
17 after trial ends for the day or early in the morning.
18 I'm not at all interested in having citizens sitting in
19 the jury room wondering what on earth lawyers and judges
20 are doing wasting their time. That's just not right;
21 and we're going to lose our jury system if we do that, I
22 think, over a long run. We need to be careful. These
23 are citizens. They are not getting paid like we are;
24 they are getting \$40 a day. So, like I say, I'm not
25 inviting a rehash of every single ruling; but on the

1 other hand, these are motions in limine.

2 And the same on the rulings on exhibits.
3 Keep in mind that you have filed hundreds of exhibits
4 and hundreds of objections, and I can look at -- I look
5 at the exhibits that have been presented and make a
6 ruling but I understand that, for example, something
7 that was seemingly irrelevant and useless suddenly can
8 change because of the testimony of a witness. So,
9 you'll have to make your own judgment on that; but there
10 is no practical way I can, on most of these things, just
11 issue an absolute final ruling right now until we get
12 into the trial. But it does save some time.

13 And, again -- and I think counsel have all
14 done this before -- the exhibits to which an objection
15 has not been sustained are considered admissible, which
16 means you do not have to lay the predicate when you
17 present it. We can save some time without going through
18 the lengthy predicate, for example, a computer printout
19 or a photograph or whatever. On some of these, when we
20 get to the exhibits, you're going to see there is no
21 ruling at all. In that case you can use it, and the
22 other side can object if you think the objection is
23 necessary. It probably means I can't figure out what
24 your objection is or can't figure out the basis for it
25 from what you've presented to me. So, you know, go

1 ahead and make your objection.

2 If an objection is made, if it's up on the
3 screen, have your tech -- I mean, your tech person needs
4 to be prepared to just pull it down; and we'll deal with
5 the objection at that time. If I see one side or the
6 other objecting thinking they can run up somebody's
7 time, I'm going to start counting it against your time.
8 Now, again, you've got to represent your clients; and a
9 valid objection is one thing. But I'm a little
10 concerned I say that, "valid," because some of the ones
11 I've seen on here on both sides are, charitably put,
12 flaky, dredged up from a form bank on the thought that,
13 gee, maybe there is some error here or something.

14 Especially since I sent out an order directing counsel
15 to confer in good faith on these, I've got to tell you
16 when we get to the exhibits, it's not what I expected.

17 All right. Getting to the defendant's motion
18 in limine and Item Number 1 is the -- this seems to also
19 carry over into the exhibits; and it seems to be a
20 fairly important issue among the parties, unless you're
21 just wasting each other's time -- any evidence or
22 argument regarding the Sony-Anascape license agreement.
23 Anascape says it's just a license; so, it should come in
24 under the Georgia-Pacific factors. And as I understand
25 it -- well, actually, I don't know for sure. Since it

1 was a joint motion in limine, I don't know what
2 Nintendo's position is. That might have been
3 Microsoft's position. But originally defendant's
4 position seemed to be that that's inadmissible because
5 it was the product of threatened litigation; is that
6 correct?

7 MR. GUNTHER: Yes, your Honor.

8 THE COURT: All right. What is the basis for
9 saying it was the product of threatened litigation or
10 there were other concerns that would make that
11 inadmissible as evidence of value?

12 MR. GUNTHER: Your Honor, the cases -- and
13 the Hanson case from the Federal Circuit, I think, is
14 probably the one that's most --

15 THE COURT: Yeah. I'm familiar with the law.

16 MR. GUNTHER: Yes, sir.

17 THE COURT: What I need to know is what is
18 the evidence that backs up your position.

19 MR. GUNTHER: Yes, sir. In terms of the fact
20 that litigation was probable -- and that, I believe, is
21 the standard, that litigation was probable --

22 THE COURT: What's the evidence of that?

23 MR. GUNTHER: The evidence is this, your
24 Honor, that on the face of this document, on the very --
25 and in the recital clause, it says: Whereas the parties

1 have -- the Anascape parties have alleged that Sony is
2 infringing and whereas the parties are interested in
3 resolving that dispute. That's right on the face of the
4 license, page 1.

5 When they were negotiating, your Honor, there
6 were a series of charts that were put -- that were given
7 by Anascape and Anascape's lawyers. This is the stack
8 of it. I think there's something like 40 of them where
9 they gave them claim charts to show the infringement.
10 Every one of those is marked with "408 confidential
11 settlement negotiations" so --

12 THE COURT: If you've got them there, that's
13 what I want to see.

14 MR. GUNTHER: Yes, sir.

15 THE COURT: Will you pass them on up?

16 MR. GUNTHER: I will. Your Honor, these
17 are --

18 THE COURT: I'll give them back to you.

19 MR. GUNTHER: You're absolutely entitled to
20 them. You can keep them.

21 THE COURT: All right. You have it marked as
22 "Exhibit 2"; and just for the record, that was Exhibit 2
23 to what?

24 MR. GUNTHER: I believe, your Honor, that's
25 Exhibit 2 to our motion in limine.

1 THE COURT: And if I recall, Anascape's
2 response was that this was a negotiation that went on
3 for some period of time. Perhaps you could -- and you
4 can speak from the desk there. You've got a microphone.

5 MR. CAWLEY: Yes, your Honor. It went on for
6 four years. And as your Honor knows, the relevant
7 inquiry here under the cases is -- is the licensee, in
8 this case Sony -- was Sony's state of mind influenced
9 out of fear of impending litigation in such a way that
10 it would be fair to say that their decision to enter
11 into a license was so influenced by that fear of
12 litigation that it renders less than probative the arm's
13 length transaction. And there's no evidence like that,
14 your Honor. This was a lengthy litigation [sic], unlike
15 the background of many of the Federal Circuit cases
16 finding 408 applicable prelitigation in these
17 circumstances in which the patent holder is out suing
18 other people and, therefore, giving rise to --

19 THE COURT: Did you say this was a lengthy
20 litigation?

21 MR. CAWLEY: I'm sorry?

22 THE COURT: Did you say this was a lengthy
23 litigation?

24 MR. CAWLEY: I meant negotiation.

25 THE COURT: Oh, okay.

1 MR. CAWLEY: In many of those cases the
2 plaintiff -- the patent holder is already out suing
3 people, which the courts have found gives rise to a
4 reasonable apprehension by the licensee that maybe there
5 will be litigation.

6 That is not the case here. Anascape hadn't
7 sued anybody. It negotiated for four long years. It
8 never made a threat of litigation; and, most
9 importantly, there is no evidence that can be brought
10 before this court to show that Sony was influenced at
11 all by the fear of litigation.

12 THE COURT: Let me ask defendant. I mean, I
13 guess in today's -- and this, I guess -- this debate
14 raged back in the Eighties and under Texas law as to
15 whether communications were an anticipation of
16 litigation or not or investigation was an anticipation
17 of litigation or not, and it's somewhat similar.

18 If a patent holder is going to go negotiate
19 with somebody and they don't want to be found to have
20 waived or voluntarily disclosed all their information or
21 something or just distribute it later on when a suit
22 does come, wouldn't the prudent lawyer advise covering
23 their documents with things like "this is for settlement
24 purposes only," "this is confidential," "not for" -- I
25 mean, we all tend -- I mean, most lawyers tend to wear a

1 belt and suspenders; and if you can put two warnings on
2 a document, why not put three.

3 So, how does that show that -- I mean, other
4 than the fact that litigation is always possible and in
5 the back of your mind, you probably know if you don't
6 settle, you may get sued. That can't be the test
7 because that's always the possibility. So, what else is
8 there in here that shows me a basis for saying, well,
9 they're under undue pressure; this is not an arm's
10 length transaction? Because in any one of these offers
11 to sell a patent or patent rights, in the end the
12 implied threat is, well, you're stealing my intellectual
13 property; I'll have to sue you. So, tell me what -- and
14 I did look at this in your exhibits.

15 MR. GUNTHER: Yes, sir.

16 THE COURT: So, what else do you have?

17 MR. GUNTHER: Your Honor, what I have is
18 this. It's those documents plus what was logical as a
19 result of those documents and as a result of the
20 discussions that they were having. This wasn't sort of
21 a situation where they said sit down -- let's sit down
22 and we have some technology we think you would be
23 interested in and we should take a license -- and you
24 should take a license. That kind of back and forth,
25 your Honor, is the typical non-408 situation.

1 This is a situation, your Honor -- and it's
2 shown by those documents. It's shown by testimony that
3 we've put in from Mr. Tyler and Mr. Armstrong that they
4 made claims of infringement. And, your Honor, those
5 documents that I gave you and you've looked at already
6 are marked 408 by the plaintiff, not by Sony. And why
7 did they do that? Well, maybe it was for -- you could
8 argue belt and suspenders.

9 But at the end of the day, your Honor, why
10 did they put the belt and suspenders in there? Because
11 what was going to happen at the end of the day if they
12 didn't reach an agreement? If they didn't reach an
13 agreement at the end of the day, all of that information
14 is put in there; and all of those allegations of
15 infringement have been made. And that to me, your
16 Honor, when you take all of those things together, is
17 sort of like what was going to happen at the end,
18 whether it was a year or two years or four years, what
19 was going to happen at the end if they didn't reach a
20 resolution.

21 And given the way this was set up, with 40
22 infringement charts marked under 408, with explicit
23 claims of infringement, your Honor, I think there can be
24 no question objectively -- forget what was in Sony's
25 mind subjectively -- objectively that in those

1 circumstances that they would be considering -- anyone
2 who was in that circumstance would be considering at the
3 end of the road, if they couldn't reach an agreement,
4 that litigation would be probable.

5 Because, otherwise, why would they spend four
6 years going back and forth with them and arguing about
7 infringement? Because, otherwise, they just -- if it
8 was one of these things where there was no infringement
9 that was probable, you would expect that people would
10 have maybe just walked away. But they kept at it. They
11 kept giving them infringement charts. They kept making
12 allegations of infringement. They marked them with 408.
13 And then, your Honor, when they actually enter into the
14 license agreement, it's not a license agreement that
15 says it's at arm's length. It says we charged you with
16 infringement, you dispute the claim, and we're settled
17 the claim.

18 So, I think under those circumstances, your
19 Honor -- I mean, you're asking me very specifically what
20 else have I got; and I'm telling you I think based on
21 what I've given you and the logical objective facts that
22 you draw from those circumstances and inferences, that
23 litigation was clearly probable in this situation.

24 THE COURT: And you reminded me of the
25 testimony of Tyler, and in your motion -- help me out

1 here. Which of the exhibits was that?

2 MR. GUNTHER: Yes, sir. Let me see if I can
3 get that. Your Honor, I have the testimony. I'm not
4 sure exactly what exhibit it is.

5 THE COURT: I see three deposition extracts
6 from Mr. Armstrong, but I don't recall --

7 MR. GUNTHER: Yes, sir.

8 THE COURT: Not that I've memorized it all.

9 MR. GUNTHER: No. And, your Honor, I
10 apologize. I haven't either. I have an extract, and I
11 can read this into the record.

12 THE COURT: Okay. Let me take a look at
13 that, then.

14 MR. GUNTHER: Yes, sir. This has got my
15 handwritten notes, and there is some marking on it.

16 THE COURT: Okay.

17 I'll hand this back to you, and if you want
18 to read in that -- this is from Tyler's deposition?

19 MR. GUNTHER: Yes, sir.

20 THE COURT: It's at page 173, line 23.

21 "Question: Did there come a point in time
22 where Anascape believed that Sony, Sony's products, were
23 infringing one or more of Anascape's patents?

24 "Answer: Yes.

25 "Question: Okay. When did that happen?

1 "Answer: I don't recall the exact time.

2 "Question: Is it your view as you sit here
3 today that Sony's PlayStation products which are
4 currently on the market are covered by one or more of
5 Anascape's patents?"

6 There is an objection.

7 Then the witness at line 10 says: "I don't
8 know if all PlayStation products are; but, yes, there
9 are some."

10 MR. GUNTHER: And then --

11 THE COURT: And then later on it says: Do
12 you consider Sony to be currently licensed under -- this
13 is at page 176, line 6 -- "Do you consider Sony to be
14 currently licensed under Anascape's patent portfolio?"

15 "Answer: Yes."

16 MR. GUNTHER: Your Honor, there's also one
17 other piece of testimony that I marked about one -- I
18 think it's on the last page or second to the last page.

19 THE COURT: Okay. And this would be at
20 page 183.

21 "Question: Okay. Were they making arguments
22 that they didn't infringe or that the patents -- and/or
23 that the patents were invalid?"

24 "Answer: I believe they were.

25 "Question: Okay. So, there's quite a bit of

1 back and forth on that over the years with -- with Riley
2 Russell of Sony?

3 "Answer: The first one appears to be a
4 message that he left on -- on my phone, and the second
5 one appears to be notes of a conversation that I had
6 with Riley --"

7 I'm sorry. At page 183 the question was:
8 "Okay. Were they making arguments that they didn't
9 infringe and/or that the patents were invalid --"

10 I need another cup of coffee, obviously.
11 Starting again at page 183.

12 "Question: Okay. Were they making arguments
13 that they didn't infringe or that the patents -- and/or
14 that the patents were invalid:

15 "Answer: I believe they were.

16 "Okay. So, was there quite a bit of back and
17 forth on that over the years?

18 "Answer: I don't know if it was quite a bit,
19 but they made those arguments. But ultimately they --
20 they decided they wanted to come on board with us."

21 Okay. Hand that back.

22 And if there's other parts you want to put in
23 the record --

24 MR. GUNTHER: No, your Honor. That was it.

25 I think our position is this, if I could put it in a

1 nutshell. There is a claim of infringement that's made.
2 There are claim charts that are given to them. They're
3 marked with 408. The discussion that leads to the
4 license is all in the context of, Sony, you are
5 infringing. So, you are infringing.

6 And Sony is denying infringement and it goes
7 on for a period of years and ultimately, your Honor,
8 they don't walk away from it. They don't sit down and
9 say, hey, we've got some technology that you might be
10 interested in that -- you know, whether you're using it
11 or not. It's all in the context of an infringement
12 claim.

13 So, objectively, what is Sony thinking? Not
14 subjectively but objectively. Is litigation probable?
15 And, your Honor, in those circumstances it is our
16 position that litigation was very probable because that
17 was the whole context of the negotiation.

18 THE COURT: And as I understand it, in the
19 end it was a payment of about -- what -- \$10 million
20 plus a transfer of technology or cross-licensing?

21 MR. GUNTHER: It's very specific. There's
22 really -- there's two licenses in the Sony license.
23 It's really two in one. The first one is \$10 million to
24 buy a patent that's not involved in this case, the '606
25 patent. And it's an outright -- your Honor, it doesn't

1 say "sale"; but it's an exclusive license and transfer
2 of all substantial rights. So, that's license 1; and,
3 in fact --

4 THE COURT: And that's from Anascape -- it's
5 Anascape's patent to Sony, right?

6 MR. GUNTHER: That's correct. That's the
7 '606 patent. It has something to do with multiplying
8 sheets. Sony apparently infringed that patent. But
9 Mr. Armstrong has admitted in his deposition, as
10 Anascape's representative in this case, that Nintendo
11 does not infringe that patent. So, that's License 1;
12 although, I would frankly call it "Sale 1." That's the
13 sale of the '606 patent to Sony, \$10 million.

14 Then the second license, your Honor, is a
15 bulk license of every -- a nonexclusive license of
16 everything else, everything else that Anascape had at
17 that time both in terms of patents and patent
18 applications; and there was no value that was exchanged
19 for that. In fact, your Honor, in that part of the
20 license, the second part of the license, they explicitly
21 agreed -- there was a cross-license of some Sony
22 technology, some three Sony patents; and I think it was
23 39 patent and patent applications from Anascape. They
24 said we can't value these; and, so, we're not going to
25 have any exchange of money with respect to them at all.

1 And, your Honor, to make the cheese more binding, it
2 wasn't just a bulk transfer, a free cross-license of
3 patents. The patent that's involved in this case, in
4 this suit, wasn't even a patent then. It was a patent
5 application.

6 So, your Honor, in terms of Sony, the really
7 problematic thing from our point of view, your Honor --
8 and, now, I recognize I'm getting past your specific 408
9 question. But really problematic thing for us is that
10 that goes in front of the jury. The jury's going to
11 look at it and say, boy, Sony paid them 10 million
12 bucks. You know, these patents must have some value.
13 And why isn't Nintendo doing that?

14 And, your Honor, the unfairness to us in
15 terms of that, the unfair prejudice to us, is that the
16 '606 patent where the \$10 million was paid, that has
17 nothing to do with this case; and they're not suing us
18 on it. That's A. And, B, with respect to the patents
19 that are -- that were bulk transferred cross-licensed
20 for free, there is absolutely no nexus that that '700
21 patent application that was part of that nonexclusive
22 grant of the bulk license had any value to Sony or to
23 anyone; and, in fact, they made that part of the free
24 exchange.

25 So, your Honor, that's why we think it's

1 improper under 408. But even if your Honor doesn't
2 agree with me on 408, on 403, given the incendiary
3 nature of that document, it should be out.

4 And, your Honor, while you're looking at
5 that, let me just say one last thing. Their expert --
6 their damages expert says that this agreement is not
7 instructive of a reasonable royalty in this case. And
8 that goes directly to the 403 point, as well.

9 THE COURT: And I guess that was my last
10 question on that, is why should this come in if your
11 expert is saying it is not instructive? If everyone
12 agrees it is not instructive, what's the point?

13 MR. CAWLEY: Well, I don't think everyone
14 does agree that it's not instructive, your Honor. He
15 considered many factors of which this was only one. But
16 clearly under Georgia-Pacific, there's no question that
17 prior licenses relating to the technology are highly
18 relevant. And their expert considered this agreement.
19 It's all over his report.

20 THE COURT: I guess in my mind that's what's
21 kind of odd, because usually defendant really wants one
22 of these lump-sum relatively small-dollar payments. I
23 mean, \$10 million is a lot of money to everybody else in
24 the world but given the amounts that are being asked for
25 in this case -- if defendant was so unfortunate as to

1 get an adverse verdict on liability, they would probably
2 be quite happy to get a 10 million-dollar lump-sum
3 verdict on damages so --

4 MR. CAWLEY: Well, we're going to have to
5 basically explain that away, your Honor. That's
6 absolutely correct.

7 THE COURT: Well, that's what I'm saying is
8 it's an odd -- usually the arguments are going the other
9 way. You're trying to keep it out -- the plaintiffs
10 trying to keep out the lump sum; the defendants are
11 trying to get it in.

12 MR. CAWLEY: That's very true.

13 THE COURT: All right. I am familiar with
14 the Georgia-Pacific factors, obviously, and the Hanson
15 case; and it's not much different than the law on proof
16 of value for almost anything, including condemnation or
17 land. And the cases make it quite clear that we're
18 supposed to be looking at this hypothetical willing
19 buyer, willing seller; and settlements made under the
20 threat of litigation or as part of litigation or that
21 have some other factor in there that really makes them
22 based on something other than a desire to exchange the
23 properties start to become suspect. And it's on a
24 continuum. I mean, clearly if it's in the middle of a
25 lawsuit and the settlement of a lawsuit, those are out.

1 The problem I'm having here, as I mentioned
2 before, is that in the sale of patent property, since
3 what you have in a patent is intellectual property right
4 and basically the right to sue somebody and to exclude
5 them, there's always in the background, when someone
6 comes and says, "I want to sell you this," if they're in
7 the business of producing the same kind of product, the
8 threat of litigation. There is just no way to get
9 around it.

10 I don't find that there is enough evidence
11 before me to find that that is Sony's basis. The
12 negotiations went on for some four years. Counsel's
13 quite correct. The documents do have warnings on them
14 and protections on them, but that is probably -- or
15 that, not probably, is the kind of thing that prudent
16 lawyers will probably do.

17 On balance I can't see, though, that there's
18 been a showing that this could not be considered by
19 experts as some indication of what a reasonable royalty
20 would be under the Georgia-Pacific factors. And the
21 fact that defendant's expert has considered it and
22 plaintiff's expert has indicated that perhaps it is less
23 probative -- I think the term he used was "not
24 instructive" -- reduces any possibility of unfair
25 prejudice to defendant by bringing this in. I mean,

1 you've got plaintiff's expert himself saying this isn't
2 one of the things he relied on. Although, it is one of
3 the things to be considered. And I have to weigh that
4 against the problem of in many of these patent cases
5 there may not be a large number of prior licenses in the
6 general field.

7 The argument as to the \$10 million was for
8 another patent, that doesn't make it inadmissible. I
9 think the test is licenses for similar kinds of
10 technology, and that can be brought out in
11 cross-examination.

12 So, for those reasons and -- and admittedly
13 it's a question that with a little more evidence one way
14 or the other might come up with a different ruling. I
15 just don't find that there is enough here to show that
16 this negotiation and this license was the result of
17 threatened litigation, and that's partly on the basis
18 that we would get to the point where almost every
19 negotiation of patent rights has that threat behind it.
20 So, I am going to overrule the defendant's motion in
21 limine on that point.

22 MR. GUNTHER: Thank you, your Honor.

23 THE COURT: And then -- that's the only
24 question I had on defendant's, and what we'll do before
25 you leave is we'll go ahead and get you the printed

1 ruling on everything else.

2 And the reason I'm handing those to you is --
3 and, again, I'm not asking for arguments on rehash; but
4 if there is some question -- last night, for example, I
5 found that on one of the rulings either a typo or my
6 mistake had put basically an incomprehensible ruling
7 there in that answer block; and when I proofread it, I
8 realized this doesn't make any sense. Now, as you read
9 through those, I don't really need to know which ones
10 you disagree with. I assume if I ruled against you, you
11 disagree with me. But if there is something there that
12 is just incomprehensible, for example, on the order on
13 plaintiff's motion in limine that I think you already
14 have and then when you get this one, let me know; and
15 we'll deal with it right now. I want to be sure that
16 we're at least clear on the ground rules right now.

17 Now, let's take a look at the objections to
18 exhibits. And I guess I understand that there is a
19 tendency to -- and I don't want to cast any aspersions,
20 and I used to really dislike certain judges when I was
21 younger who were hassling attorneys. That just didn't
22 seem appropriate. But let's take a look at this Trial
23 Exhibit 37, DX 37, which is on page 4 of this
24 defendant's responses chart, at least on my copy of it.

25 So, we have Defendant's Exhibit 37. We have

1 plaintiff's objection about failure to timely identify
2 or produce as required; and the response is that it was
3 provided in defendant's identification of prior art
4 pursuant to 35 USC, Section 282. I'd be interested to
5 know which attorney came up with that. I mean, who is
6 the attorney who actually came up with that response?

7 Okay. You'll take responsibility?

8 MR. BLANK: I'll take responsibility.

9 THE COURT: All right.

10 MR. BLANK: I'll also blame it on the
11 Microsoft attorneys who aren't here anymore.

12 THE COURT: All right.

13 MR. BLANK: I'll take joint responsibility on
14 that one.

15 THE COURT: Let me -- I don't know if you
16 have read the Local Rules or not, but we're not the only
17 district that has them -- or read any of the cases that
18 talk about the reasoning for the Local Rules. But the
19 whole reason we have the requirement for infringement
20 contentions and invalidity contentions is 35 USC,
21 Section 282, with about a 30-day notice before trial, as
22 you can imagine, would be literally impossible. I mean,
23 I don't -- you know, you must have sat through this case
24 long enough to understand that there's just no way if
25 everybody -- if they had dumped all their stuff on you

1 30 days before trial and you had dumped it on them, we'd
2 be nowhere; although, I understand in the old days
3 people tried cases that way.

4 And I guess my point is why would you waste
5 my time with that kind of a response when there's
6 probably some real important things you want me to look
7 at? And, I mean, I'm going to go through the same thing
8 on plaintiff's. I mean, there are some important issues
9 here; but both sides have buried -- and I keep looking
10 for the key ones. If you're going to put in five
11 objections or some, you know, lengthy response that
12 makes no sense in light of the fact that there is local
13 rules that take care of that, why on earth do you expect
14 the court to figure out what your good one is and then
15 go for it?

16 The next question I have is you mentioned
17 that -- or plaintiffs have objected that it was not
18 timely identified or produced as required by Local
19 Rules 3-3, 3-4, and 3-6. And the response is it's not
20 offered as invalidating prior art but it's evidence of
21 the state of the art. What's the difference?

22 MR. BLANK: The difference is, your Honor --
23 and I understand what you're saying completely. The
24 difference is that it was referred to by our expert
25 witness as background in his expert report. It is not

1 relied upon by Mr. Dezmelyk as a reference to invalidate
2 the patent. That is why it was not disclosed in the
3 preliminary invalidity contentions, but it was disclosed
4 in his report.

5 THE COURT: Well, I guess if there had been
6 one of these, I could say, all right, you know, the
7 expert's got this one he's talking about. Here's what
8 the general art is.

9 But it looks to me like there's -- I didn't
10 count them. There's a lot of these patents that
11 defendants are trying to get in to show the, quote,
12 state of the art, closed quote. And I'm having trouble
13 seeing that as anything other than a way of, well, here
14 is our invalidating prior art which we properly
15 disclosed but there is all this other stuff out there
16 that the jury ought to be thinking about but we're not
17 going to explain it. It's just going to be there in an
18 effort to get around the rules.

19 I mean, why should I let in -- and it may be
20 as many as a dozen, maybe more -- plaintiff's probably
21 counted them up -- of these patents that the expert
22 looked at. And to talk about just a general
23 state-of-the-art concept, what does that add to the
24 jury? I mean, I'm going to instruct them on what one
25 skilled in the art would know or the education they

1 would have. I mean, tell me why these patents should
2 come in as exhibits.

3 MR. BLANK: Well, actually, your Honor, we
4 have -- we did withdraw several of them last night in a
5 letter to Ms. Chen; so --

6 THE COURT: I noticed that. That was further
7 on down, if I recall, starting about 123; and I
8 appreciate that.

9 All right. On these -- I mean, keep in mind,
10 also, that an expert can rely on things that are not
11 admissible. It is one thing for the expert to say,
12 well, someone at the time would have known about any
13 number of patents that did thus-and-so or the state of
14 the art is thus-and-such. But to bring them in as
15 exhibits to go back to the jury room and have the jury
16 pouring over them when there hasn't been much
17 explanation of them doesn't make much sense.

18 If they were not -- I'm gathering since the
19 response -- in none of these responses is there, yes, we
20 did, too, properly identify it. I'm going to assume if
21 you didn't say that, that plaintiff is correct; so, I'm
22 going to sustain those objections as to -- and I'm not
23 saying that the expert can't talk about generally this
24 is the knowledge or whatever; but that doesn't make it
25 an admissible exhibit.

1 And that brings me -- oh, that reminds me.
2 On any exhibits that are more than ten pages long, we're
3 going to be trying to keep track of what pages your
4 witnesses actually refer to and discuss. And, so, if
5 there is, for example, a book which is -- and this is
6 just an example because I don't recall one. But if
7 there was a book, say, that was an invalidating
8 reference or piece of prior art, what I want to go back
9 to the jury room would be the cover page, the
10 publication page showing the date, maybe the table of
11 contents and then the pages that the witnesses talked
12 about and maybe, if necessary, a page in front of or
13 behind those pages that put it in context.

14 But I'm not -- I see no point in sending back
15 a 200-page book or a 200-page document or even a
16 hundred-page document and then the jury has to pour
17 through trying to remember what pages were discussed.
18 Just for record purposes, I'm taking this from
19 suggestions by Judge Schwartz and Judge Schwarzer, one
20 of who issued an article in the Federal Rules Decision
21 about 1991. That was Judge Schwarzer, I believe. And
22 Judge Schwartz has recently put out a book through the
23 Federal Judicial Center on patent litigation, and these
24 are suggestions.

25 But unless counsel can show me there is a

1 reason to put in some long, lengthy document, all the
2 pages of it, none of which have been discussed -- or
3 parts of which have not been discussed at all or
4 mentioned to the jury just so there is something there
5 that they might peruse through or something you can try
6 to build in a secret error or something later, I'm not
7 going to do it.

8 Now, the whole patent can go in, obviously;
9 and the prosecution history can go in. I mean,
10 that's -- but a lot of these other documents -- and
11 plaintiff has something like 500. I hope you're going
12 to pull some of those out. A lot of them seem to deal
13 with Microsoft. But presumably you want the jury to
14 look at and read your exhibits and the stuff that you
15 talked about. I want to give it to them in a form that
16 they can actually look at it. And, again, that's what
17 these other learned -- far more experienced judges than
18 I -- have suggested.

19 Okay. The next question I had on these
20 defense exhibits was there was a series of videos, and I
21 was unable to pull -- whatever one of the current
22 players, Windows media player systems, the laptop I was
23 using didn't have it; so, I couldn't play it right then.
24 I'll have to download it later. But what I'm gathering
25 from the objection is that these are clips where the --

1 it says: Defendant's expert testifies by video. What
2 is that? And let's just take look at Defendant's
3 Exhibit 63, for example. That's the first one. What do
4 you mean he's testifying by video? What's he doing?

5 MR. BLANK: That one I'm really going to
6 blame on Microsoft. That's from Microsoft's expert --

7 THE COURT: Look, I'm not going to hold you
8 in contempt or something. I'm just --

9 MR. BLANK: We'll withdraw all those videos
10 that are attached to Microsoft's expert report.

11 THE COURT: Okay. That solves that.

12 At the end of the -- before we leave here --
13 because I'm going to go ahead and give y'all a ruling.
14 I'd like -- I mean, if there are things you're going to
15 withdraw, if you'll get with Ms. Chen before you leave
16 and let's go through a list of what's being withdrawn so
17 I don't have to try to rule on it, that would be very
18 helpful to me.

19 MR. CAWLEY: Your Honor?

20 THE COURT: Yeah.

21 MR. CAWLEY: I hate to interrupt, but
22 certainly the settlement with Microsoft which occurred
23 late yesterday has put the ball in our court to withdraw
24 a number of our exhibits that relate exclusively to
25 Microsoft. However, there's a little complexity there

1 because there may be documents, of course, that have
2 Microsoft's name on them that still are relevant in some
3 way. So, we're going to go through all of those
4 exhibits; although, we haven't done it yet because of
5 how late the settlement occurred. And it may take us,
6 you know, a bit of time to get through all those.

7 THE COURT: Well, what you're probably going
8 to get from me, then, is a -- anything I think that
9 deals with -- that appears on its face to deal with
10 Microsoft, my ruling is going to be "moot." And if for
11 some reason -- which in my mind means that I'm assuming
12 you're going to withdraw it.

13 If it turns out that you are, in fact, going
14 to use it, you need to let defense know; and if there is
15 still an objection to it, then I get a chance to rule on
16 it. In other words, it will not be one of the
17 admissible ones. It's one that you're going to have to
18 bring it forward outside the presence of the jury and
19 let me know what we're going to do with it.

20 MR. CAWLEY: All right. I understand.

21 THE COURT: In other words, I was trying
22 doing that last night; but I just put "moot "down on
23 them because I thought that might be the case. What
24 you're saying occurred to me that some of them might
25 actually --

1 MR. CAWLEY: Yes, your Honor. And that may
2 be the case for both sides. I know that the defendants
3 have withdrawn some exhibits, but I think they still
4 have a number on their list that seem to relate to
5 Microsoft on their face.

6 THE COURT: Yeah. So, that's what I'm saying
7 is let Ms. Chen know at the end of this morning as much
8 as you can what's coming out; and then --

9 MR. CAWLEY: Yes, your Honor.

10 THE COURT: -- other things -- I mean,
11 obviously if they get withdrawn, we don't have to worry
12 about them. If I put "moot" on the chart, then you know
13 that you're going to have to either -- you're going to
14 have to establish it. In other words, bring it up
15 again, offer it, whatever.

16 MR. CAWLEY: I understand, your Honor.

17 THE COURT: But I -- you need to get some of
18 these rulings out to deal with what you're dealing with,
19 and others there's just no point in spending a lot of
20 time on.

21 Okay. Then we get into -- and this is
22 talking to Defendant's Exhibit 102 which is the
23 Flightstick Pro, Dezmelyk's Rebuttal Exhibit 31. And
24 there is a series of these which evidently are
25 controllers of various kinds that were not timely

1 identified or produced as required by Local Patent
2 Rules 3-3, 3-4, and 3-6 and then the response being that
3 it's publicly available for purchase and on that one is
4 actually disclosed in the '700 patent. Why would
5 something that Mr. Armstrong says is prior art in his
6 patent not be admissible to show what he's talking
7 about?

8 MR. GARZA: It's our understanding that we
9 haven't seen how defendants are using this exhibit to
10 show what Mr. Armstrong was talking about or how this
11 was actually used in the file history. I think the idea
12 is -- all we can tell is that this was being put in to
13 show invalidity of some sort. And seeing that it wasn't
14 disclosed, we didn't think that was proper.

15 THE COURT: Well -- okay. If it's not
16 properly -- I'm not sure how it's done in every court,
17 but here what the jury is going to get is an actual
18 listing of the actual items of prior art they are to
19 consider in their instructions. In other words, there
20 will be an instruction: Defendants are relying upon the
21 following -- however many items there are -- as
22 anticipation. And then further on the instruction --
23 and you can look at the last couple of cases I've done
24 and see this. Same thing for obviousness. They're, you
25 know, relying upon the following items in combination or

1 whatever. There will be a specific instruction. So, if
2 it is not properly listed, they're not -- the jury is
3 not going to consider it for invalidating art. But I
4 have a difficulty seeing why the expert can't talk about
5 something that's -- or even show the jury something that
6 is actually listed in the patent. So -- I mean, if
7 that's your only objection, that you don't want it to be
8 invalidating --

9 MR. GARZA: Well, I think if there is any
10 suggestion by the expert that this should be considered
11 as invalidating art, then we would like to reserve the
12 right to re-object at that time if they actually are
13 trying to get it in as invalidating art.

14 THE COURT: Well, again, as I've mentioned on
15 these rulings, they are also in the nature of in-limine.
16 And if you think the other side is taking advantage of
17 the ruling and trying to get it in for an improper
18 purpose, make your objection. I can't read your mind on
19 those things. And the fact is that there may be a lot
20 of tactical reasons not to object because you're trying
21 to spring a trap on the other side; and it's not up to
22 me to mess up your strategy by figuring out that, gee,
23 you wanted to object or you wished to you'd object or
24 you may actually be laying in wait for them; so, I try
25 to stay out of that as much as possible. If you think

1 it's improper, say something.

2 All right. Then on Defendant's Exhibit 113,
3 if that is to be used to show suitable noninfringing
4 alternatives, that might be admissible. Obviously it's
5 not going to be for invalidating prior art if it's
6 not -- if it wasn't properly listed.

7 All right. Then we get into a series of
8 items that Nintendo wants to get in to show independent
9 development by Nintendo or how they were doing their
10 accused products. Now, this comes close to my previous
11 concern about using state of the art as a way of getting
12 around invalidating art which is supposed to be properly
13 disclosed.

14 But on the other hand, if plaintiff is going
15 to make a copying case as opposed to an infringement
16 case, then it does seem that defendant should be allowed
17 to say, well, wait a minute. We didn't have to copy; we
18 were doing all this other stuff. I mean, I don't think
19 plaintiff can have their cake and eat it, too; so, tell
20 me about that.

21 MR. GARZA: We think the patent is -- has
22 some probative value of showing development of the
23 products. They haven't given us any sort of development
24 history, any sort of testing of these products, or any
25 sort of relevant documents that would help us discern

1 how these products were actually developed and whether
2 they do, in fact, rebut our copying case. I think
3 without that type of discovery, using the patent to show
4 this purpose isn't really proper.

5 THE COURT: Okay. Well, I'm going to
6 overrule that. If that's the basis, I'll overrule that.
7 Obviously, it can't be used as prior invalidating art.
8 If what you're trying to do is rebut copying and
9 showing, no, we've got our own cycle -- if plaintiff
10 wants to go with copying, then I don't see how I can
11 keep out your argument that, no, you didn't or didn't
12 need to; and the jury can just decide it.

13 MR. GARZA: If I could make one more point.
14 This particular patent, I think, does show -- oh, I'm
15 sorry. It doesn't. There are some patents in this list
16 that have similar objections to them that actually show
17 pictures of defendant's accused products in the patents;
18 and we do think those patents are highly prejudicial to
19 the jury because we're unsure if they'll understand the
20 concept that a product may be patented by some of
21 defendant's patents and, yet, may at the same time
22 infringe our client's patent. So, I think this
23 particular patent, DX 137, does include some of
24 defendant's products in the patent; but I don't think
25 that it's one of these that do have the actual accused

1 product in it.

2 THE COURT: Well, I think the answer there is
3 going to be a very careful instruction. And, I mean, I
4 would even consider putting that in the preliminary
5 instruction that I give them just to avoid any confusion
6 or an instruction when the evidence first starts coming
7 in and then also including it in the final instruction.
8 So, you might be thinking of a short, clear instruction
9 that would help, probably something along the lines of:
10 I'll instruct you that just because something is
11 patented in another patent doesn't mean it can't
12 infringe --

13 I mean, it's true; but there's lots of
14 confusing issues in this case. We still have a jury.

15 MR. GARZA: That's true.

16 THE COURT: We're going to have to rely on
17 clear instructions. And if you're dead set on a copying
18 case, then I think they've got to -- I can't just take
19 away their chance to rebut it.

20 All right. What's the -- okay. And this
21 applies to both sets in case I've missed some of them;
22 but, obviously, expert reports are not coming in, on
23 either side. Now, charts and graphs that the expert has
24 prepared and wants to get up and explain and discuss or
25 a summary of evidence, that's admissible; but those have

1 got to be individual charts and graphs and so forth.
2 Those can come in but not the whole report.

3 I had a question on Defendant's Exhibit 291,
4 the Ultimate GameCube. The objection is hearsay. It
5 pretty clearly is hearsay. And the response is it's to
6 establish the substance of plaintiff's research?

7 MR. BLANK: This was a document that
8 Mr. Armstrong actually had in his possession at the time
9 that -- that he was doing research with respect to the
10 predecessor to the accused -- the GameCube controller.
11 He was doing research, and this was a document that he
12 had actually located as a result of his research. It's
13 a document that describes the GameCube controller that
14 Mr. Armstrong had in front of him when he was drafting
15 the claims that are asserted here. It's not being
16 offered for the truth of the matter asserted; it's being
17 offered to show what was going on, what he was looking
18 at and his state of mind at the time that he was
19 drafting the claims.

20 THE COURT: And how does his state of mind
21 have anything to do with the case? I mean, the
22 claims -- unless I've missed something from the Federal
23 Circuit, the jury takes a look and compares each
24 claim -- each element of the claim with the accused
25 device and decides whether or not it is infringing. And

1 then on invalidity, they take a look and see if there is
2 prior art. How on earth does the inventor's state of
3 mind have anything to do with it? If we started letting
4 that in, he could get in there and testify all kinds of
5 neat stuff in his favor.

6 MR. GUNTHER: Your Honor, his state of
7 mind -- remember this is an unusual case. The inventor
8 wrote the patent application in 1996. I'm just going to
9 go over to the mic. I'm not sure --

10 THE COURT: Sure.

11 MR. GUNTHER: Your Honor, the inventor wrote
12 the patent application in 1996 himself. Every word in
13 that '96 application is his. And, your Honor, then in
14 2002, some six years later, he gets a copy of the -- he
15 gets ahold of the Nintendo GameCube controller. He
16 takes it apart. He looks at the insides.

17 Before that, he's looking at everything he
18 can find out about the Nintendo GameCube controller on
19 the Web; and that's what leads him to file the 2000
20 patent application that's the '700 patent. And now,
21 your Honor, what -- and this is the crux of the case.
22 The crux of the case for us in invalidity is that he
23 sits there with our product and copies it and writes
24 claims in 2002, and now he's saying that that multiple
25 input member GameCube controller is the same invention

1 as what he did in 1996. So, your Honor, we don't --

2 THE COURT: But aren't you there going to
3 improper written description or insufficient written
4 description?

5 MR. GUNTHER: Absolutely. Absolutely.

6 And, your Honor, what he's going to say,
7 because he drafted everything -- he's going to say, oh,
8 no, there was -- and he testified to this in his
9 deposition -- there was plenty of support in the 1996
10 application for the multiple input member claims.

11 And I said to him, "Okay. Show me." And he
12 points me to figures that are single input member
13 figures.

14 And, so, your Honor, all of this -- this is a
15 crucial part of the cross-examination of Mr. Armstrong,
16 the writer of the 1996 application and the drafter of
17 the 2002 claims and the drafter of the 2000 application.
18 Your Honor, his credibility is directly in issue. He's
19 saying that the 1996 specification supports his claims.
20 We must -- we absolutely must be entitled to
21 cross-examine him on that given that he wrote all of
22 that stuff.

23 And, your Honor, this is not a situation --
24 and it might be different maybe -- I'm not even sure it
25 would be -- if it was a patent lawyer and the patent

1 lawyer had drafted the specification and the patent
2 lawyer had copied our products when he wrote our claims.
3 But this is the inventor. The inventor -- remember,
4 he's wearing all these different hats. And, your Honor,
5 we're in a position where we must be able to take him
6 through that and challenge his statement which he's
7 going to make that it's the same invention in 1996 as
8 the claims that he wrote in 2002.

9 And that goes to his credibility. That goes
10 to whether or not, your Honor, in fact, the disclosure
11 is in 1996. This is not something where we just sort of
12 do, I think, a sterile cross-examination of their
13 expert, Dr. Howe, on this. We must be able to, in my
14 judgment, your Honor. And this is a critical point, why
15 I'm getting a little exercised about it. We must be
16 able, in my judgment, to examine Mr. Armstrong on this.

17 And all of the stuff that he was doing and
18 looking at and thinking about goes to the key issue in
19 this case, is the 1996 single input member invention
20 that he put out there where he says it's a single input
21 member and Cheng multiple input members is no good, is
22 that the same invention as the claims that he wrote when
23 he copied our product in 2002. That's what this case is
24 about, your Honor, at the end of the day.

25 THE COURT: Do you have any authority for the

1 proposition that what the inventor thinks -- I mean,
2 he's not listed as an expert; so, I'm not even sure I
3 would allow him to assert an opinion as to this is the
4 same as that on plaintiff's case -- I mean, assuming
5 there is a proper objection.

6 So, why would -- the problem I see is just in
7 general if you start letting in the inventor giving his
8 self-serving opinions as to what is or isn't when what
9 the jury is supposed to be looking at are the claim
10 language itself and the specification itself --

11 MR. GUNTHER: Your Honor, can I just speak on
12 that?

13 THE COURT: Yeah. I guess what I'm wondering
14 is I've not seen the issue -- I'm not saying it doesn't
15 exist. But do you have any authority that would guide
16 me on letting inventors babble on about how great their
17 product is and give opinions that it is infringing or
18 not infringing or is invalid or isn't invalid when
19 they're not --

20 MR. GUNTHER: Your Honor, we've looked for a
21 case; and I'll go back and look again. Here's the
22 problem. This is a very, very unusual situation. And
23 the situation is that the inventor, not a patent lawyer,
24 not somebody at a company -- you know, a patent lawyer
25 at a company that's, you know, working with a bunch of

1 inventors. The inventor sits down and he gets a copy of
2 our product and he copies our claims. And then, your
3 Honor, he says to us -- he's testified that what he
4 did -- and this is all part of the factual development
5 of how these claims came to be. He testifies that what
6 he did is he went back and looked -- as he was writing
7 the claims, he was doing two things. He was looking at
8 our product and writing claims to copy the product, but
9 then he was going back and trying to assure himself that
10 there was support in the specification to support those
11 claims.

12 Now, your Honor, that -- there's no notes of
13 that. It's not in the file history. It's in his head.
14 And, your Honor, that's how these claims came to be; and
15 it is, in my judgment, critical for us to be able to say
16 that here is what he did, here is how these claims came
17 to be, and you, jury, are going to have to make a
18 determination of whether or not what he says he did, the
19 process that he factually went through to actually write
20 these claims and then go back and try to take the
21 position that it's really the same invention in 1996,
22 that he went to specific figures, not the whole
23 patent -- he said -- I took him through it. I said you
24 tell me what you were looking at when you wrote these
25 claims and what was in your mind, what was your thought

1 process, what did you do to find support.

2 And he said, yes, I did. I absolutely did go
3 back and look to find support; and here's where it is,
4 Figures 20 through 28 and Figures 45 and 46. And, so,
5 that is his -- not only his state of mind; that's how
6 these claims came to be. And that is the crux of the
7 issue in this case is that when you look back at those
8 things that he has said, he specifically looked at as a
9 matter of fact when he was going back to 1996 and trying
10 to say it was the same invention, is that true, is that
11 true. That, your Honor, again -- it's inventor
12 himself --

13 THE COURT: Well, but the question is --
14 let's say he's dead. Let's say he's a liar. I mean,
15 who cares -- I mean, the claims are supposed to set out
16 for the world the boundaries of the invention. It
17 doesn't really matter what the inventor thought he had,
18 wished he had, wanted to have. It's what's in the
19 claims. And then the law is that the claims have to be
20 supported by adequate written description. Again, it
21 doesn't matter what the inventor wished he had, thought
22 he had. Surely you wouldn't, you know, allow him to
23 come in and be talking about, oh, yeah, it's all
24 supported; it's, in my opinion, supported. I've never
25 seen that in a case. I'm not --

1 MR. GUNTHER: I don't mean to cut you off,
2 your Honor, but this is such a critical issue for us.
3 It's not --

4 THE COURT: But if I allow it here -- if we
5 set a rule that we're going to let inventors wax
6 eloquent on what their thought process was as opposed to
7 what they actually wrote, where does it stop?

8 MR. GUNTHER: Your Honor, here's where it
9 stops. If he starts offering opinions on things that
10 might be one thing. What I'm asking him and what I
11 asked him in the deposition is: What did you do as a
12 matter of fact? What was your thought process? Why did
13 you get a copy of the GameCube controller and copy it
14 when you were writing the claims? What did you think --
15 what were you thinking when you did that, and how did
16 you take -- what was your position as to where there was
17 support in the 1996 specification?

18 And all of that, your Honor, goes to what he
19 was doing, how those claims came to be, and then what he
20 did in terms of satisfying at least himself this is what
21 he claims in his own mind that there was support.

22 Then the jury can look, your Honor. And,
23 again, it's not opinions; it's what he did. It's a
24 fact -- it's the factual history as he's testified in
25 his deposition as to what he did. Then the jury I

1 think, your Honor, can look at that and say, okay, this
2 is what the guy at the time said that he was relying on
3 in the patent specification.

4 And that is certainly evidence that's
5 relevant to whether or not it is, in fact, the same
6 invention or it's a different invention. Because,
7 otherwise, what we're left with, your Honor, is just
8 experts who are going to give opinions with respect to
9 these issues; but they are not going to be able to --
10 and, frankly, I think the experts are entitled to give
11 those opinions informed by what as a matter of fact the
12 inventor did and what he was thinking.

13 Your Honor, if -- and this is not the case.
14 But if that had been written down in the document --
15 and, of course, he didn't write it down; but he
16 testified to it --

17 THE COURT: If what had been written down?

18 MR. GUNTHER: If he had written down what he
19 told me in his deposition, it was a memo that said
20 here's how I -- the drafting history of the 2002 claims
21 and he wrote all of that down, then, your Honor, I would
22 say that that is directly relevant to what he did and
23 whether or not it's going to be very helpful to the jury
24 in figuring out here's what he pointed to.

25 This is the best he could do, the guy who

1 wrote the claims, the guy who wrote the specification,
2 the guy who wrote the 2000 application. This was the
3 best he could do in attempting to say that "I've got
4 support in my 1996 specification." And, your Honor, the
5 jury's entitled to evaluate those statements. The
6 experts are entitled --

7 THE COURT: Wait. That's two different
8 things, it seems to me. It's one thing to go through
9 and say what is your support and he points to something
10 in the application which is a single degree of freedom
11 or a single member or whatever and you point out, well,
12 no, that's not what the claim is. What we're talking
13 about here is the copying part. I mean, those are two
14 different issues. And this 291, as I understand it,
15 is that he looked at your client's GameCube and drafted
16 the claims to try to include them.

17 MR. GUNTHER: Yes, sir.

18 THE COURT: Okay.

19 MR. GUNTHER: Your Honor?

20 THE COURT: But doesn't that then go back to
21 the question of...

22 MR. GUNTHER: Your Honor, he wrote claims.
23 He wrote claims on our products. That's a matter of
24 fact. And, your Honor, that matter of fact is a fact of
25 crucial importance in determining whether the claims

1 that he wrote are the same invention as what he put in
2 the patent application in 1996 because, your Honor, here
3 is the thing. Your Honor has construed those claims and
4 construed them broadly, but the fact of the matter is
5 those claims don't say in them -- he wrote them cleverly
6 in this sense, your Honor, he writes "rotating a
7 platform with four unidirectional sensors." Well, he
8 wrote that to cover the cross-switch of the GameCube.

9 He writes: "said second element structured
10 to activate two bi-directional proportional sensors."
11 He wrote that to cover the joysticks in the GameCube
12 controller.

13 Your Honor, it is critical for us to be able
14 to tell the jury that that's where these claims came
15 from, that he sat there with the products in front of
16 him, copied them, and then turned around and now he's
17 trying to say, at the same time that he was copying, he
18 looked back and tried to find support in his
19 specification. It's two sides of the same coin.

20 Now he's trying to say I can find support in
21 my specification for these claims that I've written to
22 cover this product, this GameCube product and you look
23 at it and it's a single input member specification. So,
24 we can't -- we shouldn't be in a position, your Honor --
25 this is my point -- of only being able to tell half that

1 story to the jury. Well, here are these claims. We
2 don't really know where they came from. And now the
3 question is, you know, sort of a sterile exercise of
4 determining whether or not those claims are supported by
5 the 1996 specification. Well, it certainly informs the
6 idea of what the breadth of those claims are to
7 understand what he was doing when he wrote those claims.
8 That, your Honor, I think is directly relevant.

9 And it's directly relevant to another thing.
10 Let me add one more thing. He writes those claims very
11 specifically to cover the GameCube which comes out in
12 2001. What doesn't he have in front of him in terms of
13 an accused product in 2001? He doesn't have the Wii,
14 the Wii controller, the remote and the Nunchuk that you
15 hold together. And that's because that didn't come out
16 until after this lawsuit was filed, in 2006.

17 So, your Honor, one of the things that's
18 critical for us to be able to do is say that he wrote
19 those claims as a picture claim to cover a very specific
20 product; and now there's two questions for the jury.
21 Invalidity. Is that picture claim that he wrote to
22 cover GameCube the same as the invention of 1996?
23 That's Point 1. Point 2, does that picture claim that
24 he wrote to cover the GameCube precisely -- does that
25 cover something he never dreamed of in 2006, which is

1 the Wii remote that has an accelerometer in it and stuff
2 that he admits he never invented and is not in his
3 patent application?

4 So, your Honor, that context -- that
5 absolutely strips context from the jury in terms of what
6 that claim is and what it was designed to cover. What
7 it was designed to cover, I think, is relevant to both
8 invalidity and noninfringement and critically relevant.

9 THE COURT: All right. Let me hear from
10 Mr. Cawley.

11 MR. CAWLEY: Thank you, your Honor.

12 Your Honor, what Nintendo is telling
13 your Honor that this is critical to their case is a
14 guise for what apparently, according to the Pretrial
15 Order, is going to be their attempt to make an
16 illegitimate legal argument to the jury.

17 They wish to argue to the jury that
18 Mr. Armstrong, the inventor, didn't invent much of
19 anything in his original application in '96, that he
20 copied their products and then, to use what we believe
21 is going to be their word to the jury, "backdated" them
22 to the original application in '96. And they're going
23 to use that terminology to attempt to raise the
24 inference before the jury that there is something wrong
25 with that.

1 The fact of the matter is there is nothing at
2 all wrong with an inventor looking at an accused product
3 and writing claims to cover that product, assuming, of
4 course, that that continuation can be supported by, in
5 this case, the '96 specification.

6 THE COURT: Okay. Do you have any authority
7 for that statement?

8 MR. CAWLEY: Of course.

9 THE COURT: All right. That's what I want.
10 I asked counsel --

11 MR. CAWLEY: That is common practice, your
12 Honor, that --

13 THE COURT: Okay. Never mind common
14 practice.

15 MR. CAWLEY: -- happens all the time.

16 THE COURT: I want to see -- what I'm trying
17 to get from both of you -- I mean, maybe Federal judges
18 aren't supposed to admit it but I don't know all the law
19 and I haven't read every case and this --

20 MR. CAWLEY: We'd be glad to supply that for
21 your Honor.

22 THE COURT: I'd like to see the key case on
23 this point because conceptually I'm having a little
24 trouble with this idea of allowing inventors to talk
25 about what was in their mind as opposed to what is in

1 the claims and in the specification.

2 MR. CAWLEY: Precisely, your Honor. And your
3 Honor is exactly correct. That is utterly irrelevant.
4 Because just as we could not put the inventor on the
5 stand to say, "Well, when you wrote this in 2002, didn't
6 you really mean to write this and didn't you really mean
7 to cover it?" That's not going to be admitted. He
8 wrote what he wrote, and it's either supported in the
9 '96 specification or it's not.

10 But by the same token, to ask him, "Well,
11 here's the reason that you wrote it in 2002, here's what
12 you were looking at in 2002, here was your mental
13 process in 2002," it's irrelevant because he wrote in
14 the claim what he wrote. It got allowed the way it got
15 allowed. It's either found and supported in the '96
16 specification, or it's not. And what he was doing, what
17 he was looking at at the time he wrote the claims, is
18 completely irrelevant.

19 THE COURT: What I'm going to ask, then, is
20 if there is -- it would be nice if the U.S. Supreme
21 Court had decided this precise issue in a white horse
22 case that I could look at and say here is the answer,
23 but give me your best shot on what the cases are. I
24 mean, you know what my concern is. I'm looking at this.
25 It seems kind of odd. I can see why defendant -- I

1 mean, it would obviously be very helpful to defendant to
2 be able to show to a jury that he just merely copied
3 their GameCube and then went on from there. And --

4 MR. GUNTHER: Your Honor, can I say one thing
5 about that?

6 THE COURT: Yeah.

7 MR. GUNTHER: I want to be very clear about
8 this. We are not saying that it is as a matter of
9 patent law improper to -- in a vacuum to copy someone
10 else's product in a continuation application. What we
11 are saying, though, is that it is improper -- it is
12 absolutely improper to do that if you don't have support
13 in your claims.

14 Mr. Cawley's statement to you was that same
15 thing. So, now in terms of evaluating -- we're going to
16 go back and hunt again, your Honor, for cases on this
17 issue; and I want to give that to you because this is so
18 important.

19 THE COURT: But that -- I guess that's the
20 issue, then, is what is allowable to show whether or not
21 there was support. Now, I suppose you could ask him
22 where is your support and he points to it and you could
23 point out that, all right, that is a single member that
24 has nothing to do with anything, just like you could ask
25 their expert, "Where is your support?"

1 MR. GUNTHER: Right.

2 THE COURT: But --

3 MR. CAWLEY: So, your Honor, we seem to be
4 agreed on what the legal principle is. And the legal
5 principle is that it is absolutely proper for an
6 inventor to have in this case the '96 disclosure that
7 discloses a lot of inventions and then subsequently to
8 file and prosecute continuations that are supported by
9 that earlier specification. It is --

10 MR. GUNTHER: But your Honor --

11 MR. CAWLEY: Excuse me.

12 MR. GUNTHER: I'm sorry.

13 MR. CAWLEY: It is absolutely proper for them
14 to write new claims that cover products that have
15 subsequently adopted their originally disclosed
16 technology.

17 Well, if we're agreed on that legal
18 principle, then once again the question becomes: What's
19 the relevance of the inventor's wishes or state of mind
20 or methodology to arrive at the claims that were issued?
21 The question is -- if the question is are the issued
22 claims supported by the original disclosure, then that's
23 a question of the court and the jury reading the
24 original disclosure and the claims and coming up with an
25 answer. But his mental state of mind, what he was

1 reading, what he was looking at at the time he wrote
2 those claims is irrelevant to any legal issue in this
3 case.

4 MR. GUNTHER: Your Honor, just to say two
5 things. One, there is no case that I'm aware of -- and,
6 again, we're going to go back and hunt given the
7 importance of this -- that says that if that's what the
8 inventor did, irrespective of whether it's okay because
9 he had support in the original specification -- there is
10 no case that I'm aware of that says that what the
11 inventor did in writing that claim is irrelevant and
12 should be excluded from evidence.

13 Your Honor, the fact of the matter is this,
14 that at the end of the day whether or not it's okay for
15 him to have done what he did is going to be a key issue
16 in this case. And it's on two sides, your Honor, not
17 just the invalidity. It's on the side -- it's on, A,
18 the side of whether there is appropriate support in the
19 '96 specification, the fact that he wrote that to cover
20 a specifically broader thing than what he is now trying
21 to get back to. It's not sort of what he wished or what
22 he thought; it's what he did. It's what he did.

23 And that is relevant to that side of the
24 coin; and it's relevant, your Honor, on the
25 noninfringement side of the coin because what he did in

1 taking a picture of the GameCube in 2002 is relevant to
2 whether or not they can take that claim and stretch it
3 to try to cover the Wii which they never knew about.

4 MR. CAWLEY: That's utterly irrelevant to
5 that, your Honor, because the claim says what it says.

6 THE COURT: Well, okay, I'm going to give you
7 a chance to -- I mean, even if there is not a precise
8 case on point, maybe there is a case or a text on the
9 theory you're talking about. Again, it is one of those
10 ironic things that usually it is the plaintiffs who want
11 to get it all in and let the jury sort it out and get in
12 as much prejudice as they can because, after all,
13 they're perfectly capable of weeding through the bad
14 prejudice and awarding an appropriately large verdict --
15 is a quick summary of arguments I've heard from many
16 plaintiffs.

17 And on the other hand, it is usually the
18 defendant that wants to keep it very narrow. It's
19 switched here. But, you know, if Congress has written a
20 law; and the higher courts have interpreted it such that
21 an inventor can do that. I'm not sure that it's up to
22 me to try to change it, regardless of how unfair it
23 sounds for him to go ahead and copy your device and
24 stretch his claims -- I mean, I understand what you're
25 saying. I understand the so-called "fairness" aspect.

1 But this is a statute that I'm dealing with, and I've
2 got to look at what -- you compare the claims with the
3 written specification. I'm not sure why intent has much
4 to do with it, but I'll give you your --

5 MR. GUNTHER: I appreciate that. And,
6 your Honor, remember in this context I haven't seen your
7 rulings on our motions in limine yet, ours; but I
8 suspect that you're going to allow them to make a
9 copying case based on what you said a few moments ago
10 with respect to the meeting with Mr. Cheng and the
11 prototype. Or maybe I'm wrong on that. I don't know.

12 But if they are going to do that, they're
13 going to make a copying case that basically says even
14 though the prototype didn't practice our invention and
15 even though the patent hadn't even been applied for or
16 issued in 1997 when they met with Mr. Cheng, that they
17 are entitled to still sort of throw that stuff at the
18 jury and see if they think there is some kind of
19 copying.

20 Well, your Honor, that's -- if that's your
21 ruling, I'll accept that. But it also seems to me, your
22 Honor, when you turn around and look at the other side
23 of the coin, that what the inventor was doing, not what
24 he was hoping for or wishing, what he was doing in 2002
25 when he wrote those claims, your Honor, taking that away

1 from us and not being able -- us not being able to
2 explain to the jury what he did and now to let them
3 evaluate what he did in light of what he wrote in 1996,
4 your Honor, that really ties probably two hands and
5 maybe one foot behind my back --

6 THE COURT: All right.

7 MR. GUNTHER: -- and a couple of toes.

8 THE COURT: Okay. Come up with whatever you
9 can come up with. I'll take a look at that.

10 MR. GUNTHER: Thank you, sir.

11 THE COURT: We had on a number of these --
12 just so you'll understand, on a number of these there is
13 an objection of authenticity; and my ruling is
14 "authenticate." Basically what that just means is --
15 because usually the response is "we'll authenticate with
16 a witness," and my response is "authenticate it." If
17 you're going to authenticate it, fine; and if there is
18 an objection to the way it is authenticated, bring it up
19 at trial.

20 Now looking at defendant's objections to
21 plaintiff's trial exhibits -- and there do seem to be an
22 lot of these that dealt with Microsoft which ought to be
23 pulled out, and there is an awful lot of these
24 objections that seem to be very confusing and hard to
25 follow.

1 Just in general -- and I'm not going to try
2 to go through them all right now -- plaintiff can't try
3 to bring in or factor in overseas sales. It's got to be
4 sales in the United States. And there are some of these
5 objections that seem to be the overall size of Nintendo
6 or the overall total money they make with their overseas
7 sales. I mean, that's not proper -- or at least no
8 basis I know of that it's proper.

9 I've got a question on Plaintiff's
10 Exhibit 242. What's the point of it?

11 MR. GARZA: Your Honor, this was a document
12 put together by Canadian company called "Chipworks."
13 And Chipworks is in the business of reverse engineering
14 several components and selling those reports to
15 interested parties, whether they be other companies or,
16 in our case, law firms. We purchased two Chipworks
17 reports, one for an accelerometer in the Wii remote and
18 one for an accelerometer in the Wii Nunchuk, to see the
19 results of their reverse engineering and use it for
20 infringement to see how the accelerometers in these
21 products worked. And we have, as 241, the declaration
22 from someone from Chipworks to authenticate and say that
23 these reports were made in the ordinary course of
24 business and this is what they do.

25 THE COURT: So, 242 is a report -- I mean, I

1 started looking through it; and it seems to be something
2 about STMicroelectronics.

3 MR. GARZA: Yes.

4 THE COURT: I was having problems figuring
5 out what it had to do with this case.

6 MR. GARZA: Well, I think the Nintendo
7 attorneys could speak about the Nintendo products, as
8 well. But there are two different accelerometers in the
9 two products, and one Nintendo purchases from a company
10 called "STM." And I think it may be STM
11 Electronics [sic]; I'm not sure about that. The other
12 accelerometer is made by a company called "Analog
13 Devices." So, one report is directed toward the
14 accelerometer in the Wii remote; and the other is
15 directed to the accelerometer in the Wii Nunchuk.

16 THE COURT: Okay. What do they have to do
17 with the case?

18 MR. GARZA: They show how the accelerometers
19 work. So, to read the Wii remote and the Wii Nunchuk
20 and apply them to the claims in this case, it is
21 important to understand how the actual innards of the
22 accelerometers work so that the expert can apply it and
23 understand how it works to the claims. So, it's
24 basically just an analysis of the small accelerometer in
25 the Wii remote.

1 THE COURT: Well, I mean, obviously the
2 expert can rely on things that are not admissible; but I
3 don't see how some engineer or technician's report on
4 how he analyzes an object comes in as an unidentified
5 testimony of an expert or -- I mean -- okay. I'm going
6 to sustain those objections. That's not to say your
7 expert can't say here's how these things work, but I
8 don't think he gets to bring into evidence the hearsay
9 within hearsay. Yes, it's a business record but then
10 you've got hearsay within hearsay on those two things
11 and you've also got the opinion testimony of people who
12 weren't identified as experts. That may be the kind of
13 thing he normally relies upon, but he doesn't get to
14 bootstrap that in as exhibits.

15 All right. Okay. On -- there were some
16 objections to interrogatory responses. Some of them
17 have been presented as exhibits. We're looking here at
18 Plaintiff's Exhibits 329, 330, 331, so forth.

19 MR. BLANK: Your Honor, these are all
20 Microsoft's --

21 THE COURT: Okay. So, they are going to be
22 gone?

23 MR. BLANK: Well, maybe Anascape can tell us.

24 MR. CALLAHAN: Presumably, yes.

25 THE COURT: Okay. Well, then, we don't need

1 to raise -- I guess that was one of the questions. You
2 know, typically -- especially if some witness says
3 something and you want to cross-examine them with an
4 interrogatory, it's typically you read it in; you don't
5 put it in. But if counsel want to agree that, yes, the
6 question and the answer can be submitted to the jury as
7 an exhibit, I don't have a problem with that. I'd like
8 to have basically the signature -- you know, that
9 particular question, that particular answer, and the
10 signature page. I don't want 30 interrogatories
11 floating around back in the jury room when we're only
12 looking at Number 6, for example. So, if you get into
13 that, get it redacted down so it is something that they
14 know what you're talking about. The other way of doing
15 it is like we usually do with depositions. You get up
16 there and show it to them, make them deal with it.

17 Okay. I have not had an opportunity to go
18 through the deposition designations and objections. I
19 do need you to -- it doesn't look like there may be a
20 lot of them here. But if there's ones that deal with
21 Microsoft, I'd like you to let Ms. Chen know so I'm not
22 spending time on that.

23 MR. BLANK: Actually, most of them do deal
24 with Microsoft; so, I think that those are moot. The
25 ones as to Nintendo, all respective objections are very,

1 very limited.

2 THE COURT: Okay. If you can help me out and
3 let her know what those are so I'm just focusing on the
4 ones, it will save me some time.

5 MS. SHOUSE: Your Honor, can we address one
6 issue regarding deposition designations briefly?

7 THE COURT: Okay. As a matter of fact, I'm
8 looking at the -- in fact, we are going to take a
9 ten-minute recess. I had another issue here that I
10 thought I had my notes for a ruling on. I don't seem to
11 have them. Let me go ahead and look back in chambers,
12 and we'll be in recess until five past.

13 (Recess, 10:55 a.m. to 11:11 a.m.)

14 THE COURT: Okay. We also had a dispute over
15 the supplemental report of Dr. Robert Howe. And this is
16 the one -- I don't know if it is the only supplement,
17 but this is the one dated April 24th of 2008. Clearly,
18 that's far past the deadline for disclosure of expert
19 reports and opinions; and the basis -- or the argument
20 is whether a recent case, the PowerOasis, Inc. versus
21 T-Mobile USA, Inc., case decided by the Fed Circuit on
22 April 11, 2008 -- and the citation right now is 2008
23 WL1012561 -- has changed the burden of proof. And just
24 to be sure there is no question for the basis of my
25 ruling, I'm going to take a little bit of time on this.

1 It has been the law for a long time that to
2 obtain priority of a prior application, the written
3 description of the earlier application provides support
4 for the claims that are done later. We see that in
5 cases like *In re Chiu*, 56 F.3d 292, page 297. That's
6 Fed Circuit 1995.

7 And there is some discussion in the
8 *PowerOasis* case that where a patent is a pure
9 continuation and not a continuation-in-part, we look at
10 the early application and claims of the later patent in
11 question. And the difference is in a
12 continuation-in-part, sometimes there's going to be
13 items in that that were not supported by the earlier
14 application; so, the date may not be the same. The
15 *PowerOasis* court discusses that under Headnotes 4 and 5
16 at page star 5 of the WestLaw citation. So, the new
17 material in a continuation-in-part is not entitled to
18 the earlier priority date.

19 Of course, here, here not dealing with a
20 continuation-in-part; it's a continuation. So, the real
21 issue we're talking about here -- and admittedly it
22 might be confusing; and sometimes a case can be, I
23 guess, overly read as to what it's holding -- is the
24 difference between the burden of persuasion and the
25 burden of going forward. A patent is presumed to be

1 valid. That, I think, is based upon the fact that an
2 administrative agency has already made a decision. And
3 the result of that is the clear and convincing evidence
4 standard. So, the burden of persuasion is, and
5 continues to remain throughout the case, on the party
6 asserting invalidity, in this case the defendant. We
7 see that in the Ralston Purina versus Far-Mar case, 772
8 F.2d 1570, page 1573. That's a Fed Circuit 1985. That
9 means that when a case starts or in a motion for summary
10 judgment, that party, the one contesting validity has
11 the burden of going forward.

12 Now, what the PowerOasis case points out --
13 and that was a motion for summary judgment which makes
14 it a little bit different in analysis at trial for this
15 reason. Under summary judgment procedure, under the
16 Celotex, Matsushita, Andersen versus Liberty Lobby line
17 of cases, those three cases that changed summary
18 judgement procedure back in the Eighties, if a party
19 comes forward with a prima facia case and the other
20 party doesn't answer it, then summary judgement can be
21 granted.

22 And that's why I think we have to be a little
23 bit careful about reading too much into PowerOasis. It
24 was a summary judgement case, and it doesn't seem to
25 make a tremendous change in the law. It was pointing

1 out well-established law from at least 1985 in the
2 context of a summary judgement, in the context of a
3 party which had contested invalidity. The court said --
4 clearly had made its prima facia case. In fact, it was
5 almost admitted by the patentee. And then the patentee
6 didn't come forward with anything other than -- and the
7 precise language used by the PowerOasis court was: All
8 they had was the original application and PowerOasis'
9 conclusory expert declaration.

10 Well, if the expert just comes in with a few
11 conclusions and nothing to back it up, in this case that
12 did not raise a genuine issue of material fact. And
13 since no issue of material fact was raised, summary
14 judgement was granted and then affirmed.

15 The rule in a trial setting is, of course,
16 that the defendant still has, of course, the burden of
17 going forward with its invalidity case. If nothing is
18 presented at all, the patent is presumed valid; and
19 there is no -- would be no even issue of invalidity
20 submitted to the jury.

21 If they come forward with a sufficient amount
22 of evidence, clear and convincing evidence to establish
23 invalidity, then the burden of going forward at that
24 point shifts over to the plaintiff; and they would
25 obviously risk JMOL if they don't come forward with

1 something.

2 But if they present evidence, the case goes
3 to the jury; and the jury as finder of fact still has
4 that same clear and convincing evidence burden of proof.
5 The burden of proof does not change. I don't think
6 *PowerOasis* in any way indicates that now there is
7 something less or it somehow has been shifted. The
8 ultimate burden of persuasion, as they talked about in
9 the evidence classes that we all attended, has not
10 changed. And that, again, is set out -- I think it's
11 actually reemphasized in *PowerOasis*, and it was set out
12 in that *Ralston Purina* case that I mentioned.

13 So, given that I don't think there has been
14 any real change in anything, I don't see any basis for
15 allowing a late report just a few days before trial
16 because of some kind of alleged change in the burden of
17 proof. There hasn't been any change in the burden of
18 proof. It's been the same since 1985. *PowerOasis* was
19 applying the law in a summary judgement context, which
20 we don't have, and probably pointing out to -- or
21 warning -- I guess the patentees could take it as a
22 warning that if a defendant comes forward with what
23 might be considered a *prima facie* case of invalidity,
24 they had better respond in the summary judgement context
25 and at trial they had best respond in the -- I guess to

1 avoid JMOL if the court is inclined to grant that.

2 But it hasn't changed anything, and quite
3 clearly I do not read PowerOasis as changing the burden
4 of proof. The jury instruction will still be clear and
5 convincing evidence looking at all of the evidence, as
6 is set out in the various cases. And, in fact, in the
7 Ralston Purina case at 772 F2d, page 1573, the court
8 says -- and I think this sets out the law: In addition,
9 the party asserting invalidity also bears the initial
10 procedural burden of going forward to establish a
11 legally sufficient prima facie case in invalidity. If
12 this burden is met, the party relying on validity is
13 then obligated to come forward with evidence to the
14 contrary. Before rendering his judgment, the court must
15 determine whether all the evidence establishes the
16 validity challenger so carried his burden as to have
17 persuaded the decision maker that the patent can no
18 longer be accepted as valid.

19 And as that court said, that continues under
20 the clear and convincing evidence standard.

21 So, based on the fact that I don't see any
22 basis for yet another report to come in at this late
23 date, just before trial, and based on the fact that
24 having at this time -- there is no real chance of
25 granting a continuance of the trial. The court's

1 schedule just doesn't allow for that. There is no real,
2 I think, effective way to say, well, to defendants they
3 can go ahead and take depositions and come with new
4 reports and new expert testimony. That's -- I guess
5 that solution is always possible, but that just adds to
6 the cost and burden. I think that unfairly prejudices
7 the defendant to try to deal with that at this time.

8 Both sides had reports. Both sides had
9 testimony. Both sides brought things in. I think my
10 earlier order denied the motion to strike everything
11 Dr. Howe had, but I am going to sustain the objection as
12 to this last report or any testimony based upon this
13 report. But just so there is no feeling of surprise
14 later on, I don't read PowerOasis as changing the burden
15 of proof or giving you a different jury instruction --
16 or giving defendants a different jury instruction.

17 All right. That takes care of that letter
18 brief.

19 And then we had one dealing with the
20 testimony of Walter Bratic. At deposition evidently he
21 was asked what might cause or what does cause or what
22 could cause upward pressure; and he said, well, upward
23 pressure -- and I can't remember the exact factors he
24 gave in deposition -- could raise the royalty to between
25 5 and 8 percent.

1 I read through his report very carefully, and
2 I didn't see anywhere where he talked about factors
3 giving upward pressure or downward pressure or anything
4 at all. He just -- he covered the factors and then came
5 up with this opinion of 5 percent but didn't really talk
6 in terms -- or, I'm sorry, not less than -- or at least
7 5 percent is the way he put it. It was either not less
8 than or at least 5 percent. But I saw nothing in the
9 report dealing with upward pressures or an upward range.

10 And as I think plaintiff pointed out at his
11 deposition, he stuck pretty closely to the -- he
12 believed the parties would have agreed to a 5 percent
13 royalty rate; and as I think Mr. Cawley points out in
14 his letter brief to the court, that only under
15 cross-examination by counsel did he say that there was
16 upward pressure on the rate.

17 I still have not seen anything in the report
18 or, for that matter, in the deposition as to why there
19 would be upward pressure. So, I guess what my ruling is
20 going to be is -- and this is partly based upon the
21 representations of -- in the letter brief from
22 Anascape's counsel. Mr. Bratic will be limited to his
23 testimony that based on his opinion and the various
24 factors, it is at least 5 percent. And plaintiffs are
25 instructed not to ask him about upward pressures or

1 higher amounts since he didn't put that in his report;
2 it's "at least."

3 Defendants need to be a little careful about
4 asking the witness about upward pressure because I don't
5 think it's fair to ask him a question and then tell him
6 he can't answer it. If you want to make a final
7 argument that there's no basis to go higher than
8 5 percent, fine. But you need to be a little bit
9 careful about questioning witnesses and asking them
10 questions when you know they are going to give an answer
11 you don't like and then complain to me when I've told
12 him he can't say it on his own. You shouldn't go ahead
13 and invite that answer.

14 MR. GERMER: Your Honor, I think I can say
15 safely at trial we'll only be talking about downward
16 pressures.

17 THE COURT: Okay. Well, that's what I would
18 assume. So, that's my ruling on that. I mean, his
19 report is what his report is.

20 MR. CASSADY: Your Honor, could I just
21 clarify one issue on that?

22 THE COURT: Sure.

23 MR. CASSADY: They've lumped in a number of
24 exhibits with that motion to strike that are actually
25 rebuttal exhibits to Mr. Bratic's original report.

1 Mr. Ugone rebutted Mr. Bratic's report. Mr. Ugone is
2 the defendant's expert. He rebutted the report; and in
3 that rebuttal Mr. Bratic basically took the factors that
4 Mr. Ugone used and came up with some larger figures, in
5 some cases higher than 5 percent. I guess the reason
6 I'm asking that question is I don't want --

7 THE COURT: I didn't see that report.

8 MR. CASSADY: You didn't see those -- the
9 exhibits were attached to --

10 THE COURT: No, no. I did not see a second
11 report by Mr. Bratic. Was there a second report?

12 MR. CASSADY: It was presented during
13 questioning at his deposition. They are basically
14 exhibits to his original report that were rebutting
15 statements made by Mr. Ugone in his report. I know it
16 sounds kind of -- there's Report Number 1 by
17 Mr. Bratic --

18 THE COURT: Yeah.

19 MR. CASSADY: -- then Report Number 2 by
20 Mr. Ugone.

21 THE COURT: Right.

22 MR. CASSADY: Then Mr. Bratic supplied a
23 number of exhibits -- I think it's three -- that rebut
24 statements made by Mr. Ugone in Report Number 2, and
25 those were produced and cross-examined at the deposition

1 on that issue. So, I guess --

2 THE COURT: Okay. I guess I did not see,
3 because it didn't seem to be included in Mr. Bratic's
4 report, these exhibits you're talking about.

5 MR. CASSADY: The exhibits I'm talking about
6 are the three exhibits they attached to the letter brief
7 regarding the Sony-Immersion judgment. Mr. Ugone used
8 the Sony-Immersion judgment against Mr. Bratic, and
9 Mr. Bratic was simply rebutting that testimony by
10 Mr. Ugone. I've got a copy right here, your Honor, if
11 you'd like me to show it to you.

12 THE COURT: Well, I'm looking at it.
13 You're talking about, I guess, what I've got
14 labeled here attached to the letter as Bratic
15 Exhibit 373?

16 MR. CASSADY: That's one of them, yes,
17 your Honor. Obviously, your Honor, we withdrew 377, I
18 believe --

19 THE COURT: Okay.

20 MR. CASSADY: -- before this letter brief was
21 filed. They filed it as a motion to be stricken. We
22 don't plan to use Exhibit 377.

23 THE COURT: All right.

24 MR. CASSADY: And obviously 372 applies to
25 Microsoft; so, we're only looking at 373. And the point

1 is Mr. Bratic should be able to testify regarding
2 statements he believes Mr. Ugone is going to make
3 regarding the Immersion-Sony judgment and the rate that
4 Mr. Ugone plans to testify about.

5 MR. BLANK: That's if Ugone does that. Okay?
6 So, we're not planning on having -- necessarily having
7 Ugone do that; so, it's really not an issue as to the
8 moment right now --

9 THE COURT: Well, let me put it this way.

10 MR. BLANK: -- upward pressure --

11 THE COURT: You know, it's part -- one of the
12 exceptions to the disclosure rules and so forth is
13 unexpected rebuttal. But let's see if they bring it up
14 before you do. In other words -- most of my job is
15 trying to balance this out and be fair. But let's see
16 them get into something that he needs to rebut, and then
17 discuss with me outside the presence of the jury before
18 we get into it.

19 But right now on case-in-chief, his report is
20 quite clear, not less than 5 percent. He doesn't talk
21 about upward pressures. He doesn't talk about downward
22 pressures really. He just talks about factors, and he
23 needs to confine himself to that. And if you think the
24 door has been opened, bring it to my attention outside
25 the presence of the jury.

1 MR. CASSADY: Thank you, your Honor.

2 THE COURT: Okay. Counsel, you had something
3 about deposition extracts?

4 MS. SHOUSE: Yes, your Honor. We have an
5 objection to Nintendo's designation of Mr. Harrison. We
6 deposed him as a 30(b)(6) witness of Nintendo and they
7 have now designated his 30(b)(6) testimony and we object
8 to that as inadmissible hearsay, not within any
9 exception.

10 MR. BLANK: Your Honor, we did address this
11 in our responsive brief. We said that under Federal
12 Rule of Civil Procedure --

13 THE COURT: Okay. You may need to get to a
14 microphone so we can hear you.

15 MR. BLANK: Anascape had a global objection
16 to any testimony from Mr. Takeda, Mr. Koshiishi, and
17 Mr. Harrison. Koshiishi and Takeda are employees of
18 nonparty Nintendo Company Limited. Anascape took their
19 deposition in Japan in January. And Mr. Harrison is a
20 now retired, former senior vice-president of sales for
21 Nintendo of America. We designated deposition
22 testimony -- not a lot but some -- for each of those
23 three gentlemen. They have had a global objection to
24 our using any of that deposition testimony, and our
25 response was simply -- they had a hearsay objection,

1 period.

2 And our responses with a simply that under
3 Federal Rule of Civil Procedure 32(a)(4), that that is
4 an exception to the hearsay rule and each of those three
5 witnesses is beyond the subpoena power and there has
6 been no showing that any of those witnesses' absence was
7 procured by the party offering the deposition. That was
8 our response.

9 THE COURT: All right. So, why shouldn't we
10 use their deposition?

11 MS. SHOUSE: Well, our specific objection to
12 Mr. Harrison, apart from the others, is that he was
13 deposed in his 30(b)(6) capacity; so, his testimony
14 would be presented on behalf of Nintendo. So,
15 separately from whether they can present him by
16 deposition under Rule 32 is whether that testimony is
17 admissible. You cannot present testimony on behalf of
18 Nintendo as a 30(b)(6) witness by deposition
19 designation. We could use it against them as admission
20 of a party opponent, but they can't designate
21 Mr. Harrison by designation on his 30(b)(6) testimony.

22 MR. BLANK: They didn't say --

23 THE COURT: Wait, wait, wait, wait, wait.

24 MR. BLANK: I'm sorry.

25 THE COURT: Tell me why.

1 MS. SHOUSE: We deposed Mr. Harrison --

2 THE COURT: Okay. His deposition was taken.
3 He's under oath, and you're cross-examining him. He's
4 beyond -- he's now retired. He could be dead or
5 whatever. Why should I not allow his deposition?

6 MS. SHOUSE: Well, this is his testimony on
7 behalf of Nintendo as a corporate representative of
8 Nintendo.

9 THE COURT: All right. At that time he was a
10 corporate representative, right?

11 MS. SHOUSE: Right. But he's speaking on
12 behalf of Nintendo at this point. He is not speaking in
13 his personal capacity. It is Nintendo presenting
14 basically their own testimony by designation, and it
15 doesn't fall within any exception to the hearsay rule.

16 MR. BLANK: They didn't cite any authority
17 on --

18 THE COURT: I'm just wondering. You have
19 a -- I guess I should have all the rules memorized, but
20 I've never heard that a 30(b)(6) deposition is not
21 admissible.

22 MR. BLANK: It is, and we cited --

23 THE COURT: Let me -- I'm talking to counsel.

24 Do you have any authority for that
25 proposition that a 30(b)(6) deposition doesn't come in

1 just because it's a 30(b)(6) deposition? How else does
2 a corporation speak if not through the people that are
3 designated at the time?

4 MS. SHOUSE: Well, normally, your Honor, if
5 Nintendo is going to put on deposition testimony on
6 behalf of Nintendo, they would do that live through
7 their witnesses at trial, not through a designation.

8 THE COURT: Well, not if the witness is gone
9 or dead. I mean, supposedly they are supposed have
10 identified the person who knew about the facts. Many
11 times those are facts in the past. They pick that
12 person. The next day he gets run over a truck or
13 retires or wins the lottery and moves to Hawaii. What
14 in and of a 30(b)(6) deposition -- cite me to the case
15 or the rule or whatever that says that somehow that's
16 not admissible.

17 MS. SHOUSE: I don't have a case with me,
18 your Honor, with authority on that.

19 THE COURT: Okay. Well, then I'll overrule
20 it. If you can come up with something that -- I may be
21 missing the subtlety of your argument; and, if so,
22 perhaps you can assist me by coming forward with a case
23 or a rule or a citation. But the idea that someone who
24 is no longer an employee or officer whose deposition was
25 taken somehow is -- somehow that testimony is

1 inadmissible, I guess I've just never heard that
2 argument before; and at this time I'll overrule it.

3 As to the other two gentlemen, they're from a
4 different company. I'm going to overrule that, also.

5 MR. BLANK: Thank you, your Honor.

6 THE COURT: All right. The last thing we
7 have is the question raised by defendants on the claim
8 construction of that term.

9 Oh, before we get to that, just as a
10 procedural matter, you have a long list of stipulations
11 in the Final Pretrial Order. A lot of them are
12 technical things like jurisdiction and so forth. Do you
13 really want all of them read to the jury, or can you
14 figure out which of the ones -- the last trial I had,
15 rather than spending a long time reading them, I put
16 them in their juror notebook. But a lot of them are so
17 technical that who cares. Do you want to go through
18 them and knock out the ones about has jurisdiction and
19 venue and so on and so forth so that they can look at
20 the ones that actually mean something or --

21 MR. CAWLEY: Yes, your Honor. We're glad to
22 do that.

23 THE COURT: Okay. If you'll let Ms. Chen
24 know that, then we can prepare the proper one; and then
25 you can decide whether you want to try to read them in

1 or just give them to them in their juror notebook.

2 Also along that same line, you've each had a
3 copy of the juror notebook. Since I'm going to have to
4 get that prepared for the jury today and tomorrow, are
5 there any problems or concerns with it or suggestions
6 for additional additions?

7 MR. CAWLEY: I do have two issues,
8 your Honor; and both of them are under the glossary
9 section.

10 THE COURT: Okay. Under glossary?

11 MR. CAWLEY: Yes, your Honor. Under the
12 definition of "prior art," the current definition says:
13 Knowledge that is available to the public either prior
14 to the invention by applicant or more than one year
15 prior to the filing date of the application.

16 Since this case involves a continuation,
17 "filing date" should say "priority date."

18 THE COURT: "To the priority date of the
19 application"?

20 MR. CAWLEY: Yes, your Honor.

21 THE COURT: That's probably correct. Does
22 defendant have any objection to that?

23 MR. GUNTHER: Your Honor, we can agree to
24 that.

25 THE COURT: Okay. So, it would read: More

1 than one year prior to the priority date of the
2 application.

3 MR. CAWLEY: Yes, your Honor.

4 THE COURT: And that means I may have to put
5 in what "priority date" is. I'll see if I can figure
6 out a fairly simple definition on that.

7 Okay. Next?

8 MR. CAWLEY: The second is under the
9 definition of "personal of ordinary skill in the art."
10 The next to last sentence says: He or she should have
11 some familiarity with pressure-sensitive variable
12 conductive material.

13 I think that that's an artifact at this point
14 from an earlier stage in the case when that was
15 relevant. None of the asserted claims at this case
16 involve pressure-sensitive variable conductive material
17 so --

18 THE COURT: Probably right, also. Defendant
19 agree?

20 MR. GUNTHER: Your Honor, I think that's
21 right. The only thing I'm trying to remember is in some
22 of the asserted claims -- I can't remember if these were
23 ones that were dropped -- there are claim elements that
24 relate to proportional buttons.

25 THE COURT: What kind of buttons?

1 MR. GUNTHER: Proportional buttons or analog
2 buttons. And, so, to the extent that there's going to
3 be -- to the extent that those claims are still in the
4 case -- and I'll confess, your Honor, in view of the
5 early --

6 MR. CAWLEY: They are still in the case.
7 There are still claims in the case that recite
8 proportional controls.

9 MR. GUNTHER: Your Honor, in that event, I
10 think it ought to stay in.

11 THE COURT: Well, it does just say "some
12 familiarity." It doesn't -- I mean, by now, each of us
13 has some familiarity with it.

14 MR. CAWLEY: That's fine, your Honor. That's
15 fine.

16 THE COURT: Okay. All right. Anything else
17 from plaintiff's point of view?

18 MR. CAWLEY: Let's see. Your Honor, there
19 was -- are you talking about the book or --

20 THE COURT: Yeah.

21 MR. CAWLEY: -- as far as the case goes?

22 THE COURT: No, no, the juror book.

23 MR. CAWLEY: No, your Honor. That's all.

24 THE COURT: Okay. From defendant's point of
25 view on the juror book?

1 MR. GUNTHER: Your Honor, a couple things.
2 The '700 patent is properly there obviously. We think
3 in view of the priority issue, the '525 patent should be
4 there, as well.

5 What we will be doing, your Honor, is we will
6 be drawing a contrast between what is in the '525 1996
7 specification in terms of single input member and the
8 changes that have been made to the '700 specification
9 among other things, including changing "single input" to
10 "at least one," removing all of the seven paragraphs on
11 Cheng. And it seems to us that the jury, since we're
12 going to be talking about that extensively, ought to be
13 able to have those in of front of them so that they can
14 follow along.

15 THE COURT: Actually that might be helpful to
16 your priority case in terms of having those earlier
17 dates reemphasized.

18 MR. CAWLEY: Well, your Honor, we don't think
19 it's necessary. We think it is potentially confusing.
20 It is not an asserted patent in this case. I mean,
21 there's all kinds of evidence and matters in the
22 prosecution history and so forth the jury may have to
23 look at, but we don't think it all belongs in the jury
24 notebook. And if the jury picks up this notebook and
25 starts reading, for example, the claims of the '525

1 patent, they are liable to mistakenly believe that that
2 is a patent that is asserted in this case; and it is
3 not.

4 MR. GUNTHER: Your Honor, on the claims,
5 frankly, I don't care about the claims. What I care
6 about is the specification. So, we can take the claims
7 out if that's a concern; or we can use the 1996
8 application itself as filed in the Patent Office with
9 the claims removed. But it seems to me that there is
10 going to be a lot of comparison between those two
11 documents, and asking the jury to try to keep that in
12 their head without having the ability to look back and
13 forth I think is a little unfair.

14 THE COURT: What about the 1996 patent
15 application, July 5th -- I mean, that's what you're
16 going for your priority date on. That -- I mean, tell
17 me if I'm wrong; but your case kind of rides or falls on
18 this priority date, as does theirs. I mean, one way --

19 MR. CAWLEY: Certainly there may be
20 circumstances when that's true, judge, but --

21 THE COURT: I mean, not the complete case but
22 that seems to be a pretty key issue.

23 MR. CAWLEY: That application with figures is
24 about 60 pages long. I mean, that's --

25 MR. GUNTHER: The '700 patent is 38 columns,

1 and we're going to be making direct comparisons. That,
2 I think, makes my point that rather than just trying to
3 do this in the abstract, they ought to have it in front
4 of them.

5 THE COURT: All right. Well, let me take a
6 look at the application; and I'll take a look at the
7 '525 patent. I mean, I can look at those. There's a
8 point where you can get too much into the juror book.
9 And if there is a portion or an extract that might be
10 helpful, that might make it a little easier. I'm trying
11 to give them things that will be helpful.

12 MR. GUNTHER: Your Honor, to address your
13 direct point, the face of the patent, the figures, the
14 Background of the Invention, and the Summary of the
15 Invention, which I believe ends in the '525 patent
16 around Column 6. And in the application document
17 itself, it would be a little bit longer because those
18 are typed out pages. The other stuff I might refer to,
19 but the guts of it -- the guts of it are in the figures
20 and in the Background of the Invention and the Summary
21 of the Invention. So, if your Honor is concerned
22 about --

23 THE COURT: Well, and then I'll ask
24 Mr. Cawley: If I was inclined to do that with the '525
25 patent, is there other parts that you would want in --

1 MR. CAWLEY: Well, first of all, your
2 Honor --

3 THE COURT: You don't want it at all but --

4 MR. CAWLEY: If the court is going to put
5 something in, then we would urge the court to put the
6 application in and not the patent because whether the
7 application ever became a patent is really irrelevant.
8 The question is what is in the application.

9 THE COURT: Then let me ask both counsel --
10 and I think that makes some sense. Why don't you take a
11 look at it and see if there's parts of the application
12 that don't need to be there.

13 MR. CAWLEY: That's fine, your Honor.

14 THE COURT: And let's see if we can cut it
15 down. I mean, this does seem to be a very key issue,
16 just given how the --

17 MR. CAWLEY: That's fine, your Honor. We can
18 do that.

19 THE COURT: Given how the claims and all are
20 worded, invalidity seems to be where you're going to
21 have to go and infringement is where you're going and to
22 have to show non-invalidity; so, let's take a look at
23 that.

24 All right. Any other questions or concerns
25 about the book from defendant's point of view?

1 MR. GUNTHER: Yes, your Honor. These are
2 more nitty type things. The definitions relate -- there
3 are claims referred to in the definitions section.
4 Claim 13 is referred to, and that is now out of the case
5 because that was only asserted against Microsoft.

6 THE COURT: Okay. So, we need to take that
7 one out.

8 Do you agree, Mr. Cawley?

9 MR. CAWLEY: Well, I'm told that we think
10 that's right; so, unless we go back in and discover
11 something different, then --

12 THE COURT: By close of business today, I
13 need to know that for sure because we've got to get this
14 prepared. I mean, there's no way on Monday morning
15 that --

16 MR. GUNTHER: Sir, I'm representing to you
17 that --

18 THE COURT: Yeah.

19 MR. GUNTHER: And they'll check, yes, I'm
20 sure.

21 THE COURT: So, 13 may be a problem. What
22 else?

23 MR. GUNTHER: Your Honor, the only -- I'm
24 just trying to -- all right. Your Honor, two other
25 matters, two other things. We have got to get you some

1 photos of our witnesses yet. If you look in the back,
2 there are photos that -- we have been trying to get
3 photos from a couple of the Japanese witnesses.

4 THE COURT: They've got four photos in there.

5 MR. GUNTHER: Yeah. What you have is you
6 have stills taken from their depositions.

7 THE COURT: Okay.

8 MR. GUNTHER: We're furiously trying to see
9 if we can get photos. The problem is the company is
10 closed this week. It's Golden Week in Japan; and, so,
11 we're working on that. And the other thing we owe you,
12 your Honor, and we'll get to you, we will get to you and
13 Ms. Chen today photos of the witnesses from Nintendo of
14 America who are going to testify that you don't have
15 yet.

16 THE COURT: Okay.

17 MR. GUNTHER: Your Honor, one last thing.
18 There had been some discussion given the number of
19 accused products and the fact that there were different
20 claims asserted against each product. We thought that
21 it would make sense, your Honor, to have in the
22 notebook -- and I wonder if I could hand up one set of
23 this.

24 THE COURT: All right.

25 MR. GUNTHER: If I can do that.

1 THE COURT: Have you given a set to counsel?

2 MR. GUNTHER: Yes. I will do that. Here's a
3 set for counsel.

4 May I approach?

5 THE COURT: Sure.

6 MR. GUNTHER: Thank you. Two issues, your
7 Honor, on this. One, we have multiple accused products
8 and different claims asserted against different
9 products. We think it would be helpful for the jury to
10 have just a simple photo of the accused products and the
11 claims that have been asserted against them.

12 So, what you would have is four -- if I
13 counted right, your Honor, you would have four
14 photographs effectively where -- I guess they're sort of
15 photographs -- of the accused controllers and the
16 combination of the remote and the Nunchuk is one of them
17 and then the asserted claim.

18 THE COURT: Sure might make the infringement
19 testimony go quicker.

20 MR. CAWLEY: We have no problem with it, your
21 Honor.

22 THE COURT: Okay. We'll add these in if you
23 can provide us with the copies.

24 MR. GUNTHER: Your Honor, I think I've got
25 some more.

1 THE COURT: Okay.

2 MR. GUNTHER: Can I hand those up, as well?

3 THE COURT: Why don't we wait until
4 afterwards.

5 MR. GUNTHER: At the end, yes, sir.

6 Your Honor, that's everything that Nintendo
7 had on the jury notebook.

8 THE COURT: Okay. And along that line, with
9 the cut in time, case will probably run about two weeks;
10 so -- and I think you've all already been notified that
11 the first -- on that first Friday, the 9th, we will not
12 be in session. They are having a ceremony to honor
13 Judge Steger up in Tyler, and I have to attend that.
14 But it looks to me like we'll be getting that trial then
15 over and to the jury that following week and probably
16 not going into the third week unless the jury takes
17 extra time.

18 Based on that, it would be my intent to
19 select nine jurors. You'll each have three strikes. I
20 will do a general voir dire of the jury, and then each
21 side can have about ten minutes to ask some follow-up
22 questions. After you've exercised your strikes, the
23 first nine people, that will be the jury. And that way
24 if someone falls out, we'll have enough to deal with --
25 to keep our six to go ahead and get a verdict.

1 Opening statement. With what we've got left,
2 any reason you can't get an opening statement in in
3 about 20 minutes?

4 MR. CAWLEY: Could we make it 30, your Honor?

5 MR. GUNTHER: I'm going to agree with what
6 Mr. Cawley requested. Can we have 30, please?

7 THE COURT: I feel like I'm in a bazaar.

8 MR. CAWLEY: Well, if I had known that,
9 judge, I would have said 35.

10 THE COURT: Then let's do it this way. You
11 can each have 20 minutes; and if you want to take 10
12 minutes out of your 17 hours to go for a total of 30, go
13 ahead and take it.

14 MR. CAWLEY: That's fine, judge.

15 MR. GUNTHER: That's fine.

16 THE COURT: Obviously if 17 was far too long,
17 you're...

18 Okay. The final thing we have, then -- and
19 this is the claim term that defendants wanted
20 constructed. And if defendants would remind me again --
21 or that may have just been Nintendo. Was it?

22 MR. PRESTA: Yes, your Honor.

23 THE COURT: So, there is not a need, then, to
24 construe an additional claim?

25 MR. PRESTA: No. We believe there is, your

1 Honor. It was raised by Nintendo.

2 THE COURT: I'm sorry. I thought it was
3 raised by -- I was hoping it was raised by Microsoft.

4 All right. Tell me again which claim term
5 that was.

6 MR. PRESTA: Yes, your Honor. There is a
7 claim term -- and it comes up in claim 19 -- that
8 relates to an issue that had been raised by Nintendo
9 previously in the Markman phase which is the "hand
10 operated controller" was presented to the court for
11 construction. Your Honor interpreted the term
12 "controller" and also indicated then that there was no
13 need to interpret the "hand operated" part of that
14 phrase. I think the court was mainly focusing on the
15 hand aspect, in other words. No real dispute there.
16 However, there is the term "operated" which we realize
17 now that the experts in this case will likely have a
18 significant disagreement about and be presenting
19 testimony that's wildly different on what that term
20 means.

21 So, that's the first one, is to ask the court
22 to finish construing that phrase, in particular, the
23 "operated" portion of the "hand operated controller"
24 term that we had raised.

25 The second request relates to controlling

1 objects and navigating viewpoints, also in claim 19.
2 Both of these issues relate to claim 19. That one, we
3 can tell from the expert reports again that there is
4 going to be a significant disagreement between the
5 experts as to what is required under your Honor's claim
6 construction to fall within that scope.

7 So, we believe -- we raise it, your Honor,
8 also because of the recent decision by the Federal
9 Circuit last month in the O₂ versus Beyond Innovation
10 Technology case which the Federal Circuit made clear
11 that when the parties have such disputes, we should
12 bring them to your Honor to make sure that things
13 proceed according to the fact that these are legal
14 issues and not factual issues.

15 THE COURT: And I put out one opinion, and it
16 appears to this court very clear that that opinion
17 invites, in fact, almost mandates that any defendant
18 make real sure that it brings up a number of these at
19 the last minute and even during trial to ensure that
20 there is plenty of opportunity for very quick decisions
21 to be made that will build error into the case. I can't
22 hold it against defendants because I think the opinion
23 invites that; and, in fact, one might say it's almost
24 malpractice for a defendant not to deliberately do that
25 because, after all, if there is more decisions made,

1 there's more chance for an error.

2 Be that as it may, the first objection I
3 heard you make -- at least the one in writing -- was
4 dealing with the difference between to allow
5 "controlling objects" in the preamble of 19 and then in
6 the first element, the part about where it says "in part
7 controlling objects" and then the third element, "in
8 part controlling objects." And the difference between
9 "allow controlling objects" and then "in part
10 controlling objects" seemed to be the difference. Now
11 you're raising yet another question, and that is what
12 does "hand operated" mean?

13 MR. PRESTA: That --

14 THE COURT: What is it you think "hand
15 operated" means other than operated by a hand?

16 MR. PRESTA: Okay, your Honor. That's a good
17 question. And my response is that normally it would
18 mean operated by a hand. However, as we pointed out in
19 our claim construction briefs, in this particular
20 instance the inventor has given us a definition in the
21 specification for that particular word and actually
22 said: For purposes of my claims, specification, and
23 disclosure, when I use this word, I mean X. So, we --

24 THE COURT: And where is that?

25 MR. PRESTA: That is -- it's quoted in the

1 letter that we sent, your Honor. It's in the --

2 THE COURT: Never mind the letter. Give me
3 the column and page number.

4 MR. PRESTA: Yes, sir. '525 specification,
5 Column 6, lines 65 to 67 -- actually, if you start at
6 the bottom of Column 6 of the '525 patent, your Honor.

7 THE COURT: All right. Let me hear from
8 Anascape on that first one.

9 MR. GARZA: Judge, we feel it's important to
10 note that this argument was not properly raised at
11 Markman. Defendants did identify many terms, and among
12 them they did identify "hand operated controller."

13 THE COURT: And I'll say it again for the
14 record that I agree with that. But it appears -- and I
15 may be overreading the case and may be being overly
16 cautious about the case -- that, unfortunately, this O₂
17 decision has resulted in a situation where to properly
18 represent its client, a party is almost duty bound to
19 hide one or two items until the last minute and then
20 raise them in the hope of building error into the record
21 which will then be used to return a verdict if it's
22 unfavorable but, of course, ignored if the verdict is
23 not favorable.

24 And the problem being that normally in claim
25 construction several hours of argument is allowed, full

1 and complete briefing is allowed, the court can take
2 several weeks or months, if necessary, to decide the
3 case. But by doing it at pretrial or during trial, the
4 judge has very little time to act; but that doesn't seem
5 to be a problem with the law. The fact is the decision
6 has to be ahead. And, unfortunately, we wind up in a
7 situation where huge amounts of resources, massive
8 amounts of money on both sides are spent, which I guess
9 if the parties are rich doesn't make so much difference.
10 But then we also are dragging in jurors and forcing them
11 to sit through a long trial with a 30 to 40 percent
12 chance of being reversed. And it's my opinion that if,
13 as judges and lawyers, we continue to treat jurors like
14 insignificant little cogs, unimportant in the system who
15 can be given cases like this, that we'll wind up moving
16 to a European-type system.

17 Congress who makes the decision has decided
18 these should be jury trials; and, so, I am going to have
19 to deal with it as though it is a jury trial. And,
20 unfortunately, we seem to be moving towards a mixture of
21 jury and administrative law judge, which is not really
22 satisfactory.

23 Now, again, as I say, I may be overreading or
24 stretching too far; and many times in the patent field,
25 you will have a canon of construction going one way and

1 then another canyon of construction goes out the other
2 way trying to put things in balance. But right now the
3 way the law is, it is very difficult. So, I will agree
4 with you I don't think that particular issue was timely
5 raised or raised again; but I've got to deal with it.

6 So, go ahead now and tell me, given the
7 definition in the '525 patent which is not at issue
8 other than this is a continuation of the same
9 application, why I shouldn't adopt that definition.

10 MR. GARZA: Well, as the discussion reads in
11 the '525 patent, the paragraph above the one that the
12 defendants are quoting from is a discussion of the term
13 "manipulatable." Now, the purpose of the '525
14 application at that point was to draw a distinction
15 between the two terms. "Manipulatable" was meant to
16 talk about movement in 6 degrees of freedom, and
17 "operability" was meant to talk about actually hitting
18 sensors when they were moved. He was trying to draw a
19 distinction between moveability and actually operating
20 the sensors.

21 Now, although he did draw that distinction
22 between those two terms and found it helpful to do so to
23 explain some concepts in the claim, he did not limit the
24 term "operable" or "operated" to that special meaning.

25 I think this is reflected adequately in

1 defendant's initial proposed construction for "hand
2 operated controller." I think I have their brief over
3 here; so, let me get that. So, defendant's initial
4 proposed construction for "hand operated controller" was
5 a controller having a hand operable single input member
6 that is movable along and/or rotatable about three
7 mutually perpendicular axes in 6 degrees of freedom
8 relative to a reference member of the controller.

9 And the idea here is defendants actually
10 recognized in their construction that "operable"
11 throughout the patent has a couple of meanings; and the
12 one here is the commonsense one the court recognized in
13 its construction, just that the controller is able to be
14 operated by a hand.

15 THE COURT: But why -- I mean, given the rule
16 that a patentee can be his own lexicographer and in the
17 '525 patent he seems to have provided that definition --
18 I don't see it in the '700 patent -- why is one of skill
19 in the art not bound by the definition in the '525
20 patent when that person reads the '700 patent?

21 MR. GARZA: Well, I think you're right. If
22 they are talking about the difference between
23 manipulatability -- I'm not sure if that's actually the
24 word -- and operability then, yes, the patentee's
25 definition should apply. But this term, along with many

1 terms in the English language, have different meanings
2 depending on the context in which they have used; and
3 here in this patent it talks about a hand operated
4 controller.

5 Now, he wasn't talking about any sort of
6 requirement the controller had sensors. All that is
7 fairly laid out in the claim body of claim 19. And I
8 think in context of that claim, "operated" has its
9 normal, everyday meaning rather than the distinction
10 between manipulatability that he tried to state in the
11 specification.

12 THE COURT: Let me ask plaintiff: Is that
13 phrase defined in the application?

14 MR. GARZA: "Hand operated controller"?

15 THE COURT: No, I'm asking -- let me ask
16 defendant. I'm sorry. Since this is defendant's
17 argument. You pointed to a definition and use in the
18 '525 patent. The '700 is a continuation of the
19 application. Does the application define it that way?

20 MR. PRESTA: I'm not sure I understand your
21 question, your Honor. Does the application --

22 THE COURT: You gave me a quote out of the
23 '525 patent --

24 MR. PRESTA: Yes.

25 THE COURT: -- and say that I should look at

1 that. I'm not sure of a case that says that I'm
2 absolutely bound by a definition in the specification of
3 one patent just because it's a continuation of the same
4 application. I mean, different -- you can come with
5 different claims. Does the application itself have that
6 same definition?

7 MR. PRESTA: The '525 application rather than
8 the patent? Is that your question?

9 THE COURT: Well, I thought actually it's a
10 continuation of the same application. Right.

11 MR. PRESTA: Correct.

12 THE COURT: In other words, the parent
13 application, does it have that same definition?

14 MR. PRESTA: Yes. The '525 patent -- we're
15 currently looking at the -- and I drew your attention,
16 your Honor, to the specification of the '525 --

17 THE COURT: No. I'm talking about the
18 application.

19 MR. PRESTA: The '525 application has the
20 same definition, your Honor.

21 THE COURT: Okay. And where is that?

22 MR. PRESTA: I will find that for you. It's
23 on page -- well, it's a little ambiguous. There is a
24 typed page 10 of the application; there is a handwritten
25 page 11. I could hand that up to your Honor with a tab

1 if you would like to see it. But it's actually
2 identical to the definitions that are in the
3 specification because very little, if any, changes were
4 made with respect to the way the application reads as
5 printed in the '525 and the way it was filed. The
6 definitions are identical.

7 THE COURT: All right. Let me see that,
8 please.

9 MR. PRESTA: And I misspoke, your Honor.
10 That particular definition is on page handwritten 10,
11 typewritten 9, if I may approach.

12 THE COURT: All right.

13 MR. PRESTA: And I've marked it.

14 HE COURT: Well, then, if I'm taking the
15 tenet or the canon that you want -- and that is that I
16 should accept the definition given by the patentee --
17 how do I deal with the fact that the '525 patent also
18 refers to -- for example, at '525 Column 7, lines 40 to
19 41 -- a joystick controller having up to 6 degrees of
20 freedom?

21 I mean, he says that that's how "controller"
22 is used in the context. He doesn't say it means. He
23 says it's used in the context. That's in the definition
24 you're relying on. But then later on he talks about
25 having up to 6 degrees of freedom which would mean

1 less -- or could be less. So, how do I take that as a
2 solid definition as opposed to what context it's
3 supposed to be in?

4 MR. PRESTA: Your Honor, I can explain that.
5 The part that you are reading, Column 7 around line 40,
6 if you notice in the -- I'm referring to the '525
7 specification now. If you look to Column 31 of -- I
8 mean, line 31 of Column 7, you'll see that that
9 definition of the "up to" is provided in connection with
10 defining the term "joystick-type" -- that's a quote --
11 and, quote, "trackball-type controller." It's another
12 definition.

13 It's when he uses the term "joystick-type
14 controller" or "trackball-type controller," which none
15 of the claims that we are dealing with in this case have
16 those terms in them. That definition is actually
17 inapplicable because nowhere are those terms used in any
18 of the claims at issue. So, the answer to your question
19 is that that is another definition; but that definition
20 is, in fact, not one that applies to the claim
21 construction issue.

22 THE COURT: So, you would admit that in the
23 '525 patent although he has stated what "controller" is
24 generally used in the context of, in the same column he
25 goes ahead and uses "controller" in different ways.

1 MR. PRESTA: Your Honor, this is something
2 that we actually discussed at the Markman and in
3 somewhat detail but I know there were so many issues, it
4 is difficult to remember them all. But always our
5 position on this --

6 THE COURT: It may be your position, but what
7 I'm looking for is something new.

8 MR. PRESTA: Yes.

9 THE COURT: I mean, I'm fully familiar with
10 and have seen quoted by very learned patent law judges
11 on the "Alice in Wonderland" concept of a word means
12 exactly what I say it means and no more. And then here
13 we have it meaning almost three different things in the
14 same column; and then you're saying I should pick one of
15 the three definitions and apply that to everything even
16 though in the '700 patent, as I said in my written
17 opinion, the claims don't specifically say that.

18 But, I mean, tell me if I'm wrong. Your
19 argument is that the first definition is the one that
20 must apply as a rule of construction because the
21 patentee said "controller" is used in the context of
22 6 degrees of freedom relative to a single input member.

23 MR. PRESTA: Yes, your Honor, because we
24 believe you can't get much clearer of a statement of
25 definition.

1 THE COURT: Okay. Well, then I'll rule on
2 that one; and I'll refer partly -- or in part to my
3 claim order opinion -- or claim construction opinion,
4 Document Number 182. But the -- and granted that the
5 '525 patent and its application may not be the clearest
6 in the world; but particularly in Column 7 there, he
7 talks about what "controller" is used in the context of
8 and then immediately discusses two other possibilities
9 just below that, a few lines down.

10 And as I pointed out in the '700 patent, in
11 the specification and in the claim itself there is not
12 that indication that the discussion here is -- in
13 particular, claim 19, just talks about a hand operated
14 controller. And it is not clear to the court that the
15 patentee acted as his own lexicographer in any
16 definitive or even mildly undefinitive way that would
17 require that.

18 So, I'm going to leave -- I mean, "hand
19 operated" is -- I don't think it needs to be construed,
20 especially in light of "controller" means a device held
21 in the user's hand that allows hand or finger inputs to
22 be converted into electrical signals. So, I'm not going
23 to provide a further construction of that.

24 And as I pointed out I think in Footnote 5,
25 the fact that it says "hand operated" winds up becoming

1 basically an emphasis that it's in the hand, which it is
2 already clear from the specification these controllers
3 are operated by hand.

4 All right. The next issue seems to be
5 this -- the difference between to allow controlling
6 objects versus, in the second and third elements,
7 providing outputs at least in part controlling objects.
8 Now, I don't recall a lot of discussion about that. I
9 may have missed it. I don't recall as much discussion
10 about that at the Markman Hearing. But tell me what
11 your basis is here. And I understand that part of this
12 is based on some interrogatory -- I'm sorry --
13 deposition questions you asked of Mr. Armstrong.

14 MR. PRESTA: Yes, or also with Dr. Howe.

15 It became apparent, your Honor, after your
16 ruling on controlling objects and navigating
17 viewpoints -- you know, we felt we understood your
18 ruling and believed we understood what it meant and how
19 we would be proceeding. But it has become apparent that
20 the parties will disagree that, in fact, in order to
21 infringe that claim, you would actually have to control
22 objects and navigate a viewpoint.

23 We believe that those are positive
24 limitations in the claim, and which is the reason that
25 we presented them to your Honor. And the fact that

1 your Honor ruled on them seems to suggest to us that
2 they are positive limitations; and to infringe that
3 claim, you would have to have proof that, in fact, those
4 limitations are met.

5 So, this issue is just simply that, your
6 Honor. There is a dispute between the parties as to the
7 scope of that term, whether proof is necessary of doing
8 those things to infringe the patent or are those terms
9 just meaningless extra words in the claim that don't
10 need to be considered for purposes of infringement as
11 the plaintiffs would assert.

12 We believe it's necessary to infringe
13 claim 19 for the second and third element to show that,
14 in fact, the controllers provide outputs that are, in
15 fact, used to control objects and navigate a viewpoint.
16 That's -- and then through the prosecution history, it
17 was very clear that Mr. Armstrong wanted those to be
18 positive limitations. In fact, in the beginning those
19 claims had the words "useful for" in front of them
20 during the prosecution history. Mr. Armstrong deleted
21 the words "useful for" because he wanted them to be
22 positive limitations.

23 And this is -- you know, we're not trying to
24 raise a new claim construction issue; we're trying to
25 understand your Honor's previous ruling to make sure as

1 we proceed that our experts will give testimony that
2 corresponds with your ruling. But it's clear that we're
3 both interpreting your constructions differently. We
4 see them as positive limitations. They see them as just
5 things that are only intended uses or other things that
6 don't require proof. So, that's the issue.

7 THE COURT: Well, I guess I've got to say I
8 don't recall the phrase -- maybe I'm misunderstanding
9 what you're asking, but I don't recall the phrase "to
10 allow controlling objects" or "providing outputs at
11 least in part controlling objects" as being submitted
12 for claim construction. What I construed was
13 "navigating a viewpoint."

14 MR. PRESTA: Correct.

15 THE COURT: And, so, now you're saying,
16 however, that there is a difference between -- maybe I'm
17 misunderstanding what the argument was. I thought the
18 argument was you're now saying there is a difference
19 between, in the preamble, "to allow controlling
20 objects," and in the second and third elements, "outputs
21 at least in part controlling objects."

22 MR. PRESTA: Well -- yes, your Honor, that
23 really highlights the reason that we believe it is a
24 positive limitation in the second and third elements.

25 THE COURT: Well, what is it that you're --

1 what is it you're wanting construed? Do you want a
2 reconstruction of "navigating a viewpoint" or do you
3 want a construction of what "to allow controlling
4 objects" means or what is it --

5 MR. PRESTA: I understand.

6 THE COURT: Tell me what the dispute really
7 is.

8 MR. PRESTA: I understand, your Honor.

9 The dispute came up because the plaintiff's
10 expert during his deposition explained that he believes
11 that it's only a capability argument, that you only have
12 to be capable of controlling objects and navigating
13 viewpoints. So, it's really a claim construction issue
14 that has arisen as a result of plaintiff's position on
15 that term. We've always felt that it was always a
16 positive limitation, and it wasn't apparent to us until
17 very recently --

18 THE COURT: Is it a positive limitation in
19 the preamble and in both elements or just --

20 MR. PRESTA: We don't think it's a -- we
21 think that the -- that the initial part, the "to allow"
22 generally maybe qualifies it and it is not a positive
23 limitation.

24 THE COURT: Okay.

25 MR. PRESTA: We're not willing to -- and we

1 believe that that "to allow" language suggests that it
2 is maybe not a positive limitation, and we're not asking
3 your Honor to say that that is. What we are asking you
4 to look at is the other two occurrences of the phrase.
5 And we certainly would have raised this issue if we had
6 known it was an issue earlier, but it is now apparent
7 that the parties have a differing view of whether it is
8 a positive limitation. And it's in the second and third
9 elements where there is no "to allow" language.

10 So, you're right. We didn't ask you to
11 interpret the words before "controlling objects and
12 navigating a viewpoint" earlier, but we felt that that
13 was a given. We had no idea that there would be a
14 dispute about that until the plaintiff's expert
15 testified at his deposition.

16 THE COURT: All right. Let me hear, then,
17 from plaintiff. It does -- I mean, take a look at how
18 the phrases are used in the second element and third
19 element. And in both cases it talks about "two
20 bi-directional proportional sensors providing outputs at
21 least in part controlling objects and navigating a
22 viewpoint." With that phrase, "at least in part" doing
23 these things, aren't those limitations that should be
24 there?

25 MR. GARZA: Well, before I answer your direct

1 question, let me provide you with a little bit of
2 context of where this is coming from just to respond to
3 some of the statements made earlier. Just so you know,
4 this claim -- the reason this one is so important is it
5 is tied to the lion's share of Anascape's damages in
6 this case. This is the only claim that --

7 THE COURT: Lion's share of what?

8 MR. GARZA: Anascape's proposed damages --
9 reasonable royalty. It is the only claim we assert
10 against the Wii Nunchuk connected with the Wii remote,
11 and it is that connection that is responsible for a
12 sizeable percentage of what Anascape claims as its
13 reasonable royalty.

14 Second, I'm not sure that this came up just
15 during expert testimony. This is a problem with
16 addressing the Markman terms on the fly, that I can't go
17 back and check the invalidity contentions to be
18 absolutely sure. But this issue was raised at some
19 point by defendants, whether it was first in their
20 expert reports or in their invalidity contentions, in
21 the context of the case IPXL, which is a Federal Circuit
22 case that has recognized that a claim may be indefinite
23 if it combines two different classes of patentable
24 subject matter. So, in other words, claims can be
25 apparatuses. Claims can be method claims. But if you

1 have a combination of the two, it would render the claim
2 definite. Well, it didn't say whether it was in all
3 circumstances or not.

4 This case has recently been re-affirmed by
5 the Federal Circuit this past month, a case called
6 Microprocessor which I think we attached to our motions
7 in limine; but I'm happy to provide you with a copy of
8 it today. That one does say the exact same thing, that
9 a single patent may include claims directed to one but
10 no single claim may cover more than one subject matter
11 class. And this point was addressed in defendant's
12 expert reports, and they did find that claim 19 was
13 invalid as indefinite as a result of IPXL.

14 Now, since IPXL there has been clarification
15 of that holding by the Federal Circuit and by lower
16 courts. And the general gist of it is that an active
17 language used in apparatus claims -- it's not that it's
18 not a positive limitation. It's still a positive
19 limitation. But it's a functional limitation that goes
20 to the capability of the apparatus rather than the
21 actual use of the apparatus.

22 And it's no different in this claim. We have
23 what's clearly an apparatus claim. And although the
24 inventor chose to use some --

25 THE COURT: Wait, wait, wait, wait. So, you

1 agree that, for example, in the second element it has to
2 be able to at least in part control the objects and
3 navigate a viewpoint.

4 MR. GARZA: Yes, and --

5 THE COURT: But it doesn't always have to be
6 used that way.

7 MR. GARZA: Correct. Just the capability to
8 perform that function has to be in the controller.

9 THE COURT: And let me then understand. It's
10 defendant's point of view that every time you pick up
11 the Wii, it's got to be doing that even if you have it
12 turned off?

13 MR. PRESTA: Absolutely not, your Honor.
14 It's a much simpler position than that.

15 THE COURT: All right.

16 MR. PRESTA: The position is actually that in
17 order to prove infringement, they would have to prove
18 that it, in fact, at least does that one time. At least
19 there is a time when it the actually does that. They
20 need to come forward with proof that it does that
21 because it's our position that the controller does not
22 do that.

23 THE COURT: Okay. I'm not seeing there's
24 much difference between your positions; so, there's
25 something subtle here. You're saying it has to be able

1 to do that. He's saying you have to prove that it has
2 to be able to do that.

3 MR. GARZA: There is a distinction there.

4 THE COURT: Okay.

5 MR. GARZA: I'll try to clarify it as I
6 understand it. Anascape's position is that the
7 controller itself has to be capable of performing these
8 uses, and Anascape need not prove that it's actually
9 used that way by any consumer anywhere in the United
10 States or outside of the United States.

11 And our position is one of skill in the
12 art -- in our case Dr. Howe -- could examine this
13 controller without use of any video games whatsoever
14 and, based on his knowledge as one of skill in the art,
15 could look at this controller and realize, yes, if used
16 with the correct console and software, the structure of
17 this controller could, in fact, do these functions.

18 It is Anascape's position that actual
19 performance of these functions is only required by a
20 method claim; and since this is an apparatus claim, it
21 is just not relevant -- I'm sorry -- not relevant but
22 not necessary.

23 THE COURT: Okay. And your side of that is?

24 MR. PRESTA: That highlights the problem,
25 your Honor. They simply want to basically read out the

1 words by saying -- their expert is going to just say
2 that because it outputs signals, that somebody could
3 hypothetically make a video game system that would use
4 those signals to do these things without any proof that
5 Nintendo has ever done that. Nintendo, in fact, does
6 not do that. Under the plaintiff's interpretation,
7 those words are truly meaningless because all it would
8 require is a signal; and then Dr. Howe is going to say
9 that he could design a hypothetical system and use that
10 signal to do those functions. That is basically reading
11 the words out of the claim.

12 Now you're hearing the argument about that
13 you can't have method steps in an apparatus claim.

14 Well, your Honor, they have --

15 THE COURT: Hold up just one minute.

16 Just so everybody working with me doesn't
17 collapse, we're going to take a break for lunch; and
18 then we're going to finish this up. This is important.

19 I am concerned about the practical effect of
20 the O₂ decision. It may be clarified in the future, but
21 there's no -- well, I'm going to do everything I can to
22 avoid building in error given that decision. So, I
23 think this is important; and it's important we take the
24 time to think about it.

25 So, we're going to be in recess until 1:30;

1 and then we'll resume with this particular issue.

2 (Recess, 12:36 p.m. to 1:33 p.m.)

3 THE COURT: All right. Let me ask the
4 parties to take a look at this definition.

5 And for the record, that's "Providing outputs
6 at least in part controlling objects and navigating a
7 viewpoint" -- that's out of claim 19 -- means "producing
8 signals that, at a minimum, must be able to manipulate
9 images on a display device and position or orient a
10 user's view."

11 Now, as you can tell, the "navigating a
12 viewpoint," I'm drawing that from language that was in a
13 previous claim construction. And the rest of the -- or
14 the other part of it is basically taken from what I just
15 heard counsel saying the device must be able to do.

16 Let me hear from plaintiff first as far as
17 your observations -- well, wait a minute. This is
18 defendant's point. Let me hear from defendant.

19 MR. PRESTA: Thank you.

20 Your Honor, the only issue we have with it, I
21 think, is that, as I explained before, I think the
22 dispute involves whether the thing actually does it or
23 not. I'm a little concerned with "must be able to,"
24 whether we're still going to have the same dispute
25 between the parties. Again, it's our position that they

1 have to show that it actually does that --

2 THE COURT: Well, what do you mean --

3 MR. PRESTA: -- to infringe.

4 THE COURT: -- show that it does that?

5 MR. PRESTA: Okay. Your Honor, our product
6 is being accused of infringement; so, it's just a simple
7 of idea to prove infringement, they have to show every
8 element of the claim including that, in fact, we
9 manipulate -- that we control objects and navigate
10 viewpoints with the second element and with the third
11 element of claim 19.

12 In order to satisfy the second element of
13 claim 19 and the third element, they need to show that
14 those input members, in fact, are used to do both of
15 those things, control objects and navigate viewpoints,
16 in any game they want to find in any of our products.
17 It's just we don't --

18 THE COURT: Except I guess the problem there
19 is is you've got one of these controllers and I suppose
20 an inexperienced user might just go up and down, up and
21 down, and never do anything else. But that isn't the
22 device; that's how someone -- I mean, they could not
23 know how to turn it on; and it just sits there as a lump
24 of metal and plastic. So, I'm not understanding your
25 argument here.

1 MR. PRESTA: I understand that concern, your
2 Honor. It's not our position that it requires anybody
3 that picks it up that actually does it. It's our
4 position that to infringe this claim, though, that
5 somebody who understands the entire system, somebody
6 like one of their experts who has used it and studied it
7 and studied our games and studied our equipment can at
8 least find an instance where, in fact, it does that
9 because, your Honor, it is our position that, in fact,
10 we never use -- as far as we are able to tell ourselves,
11 there's no capability of any of our games to actually do
12 that.

13 Now, the only thing we want to protect
14 against is testimony that simply says because the
15 controller outputs signals, that somebody like their
16 expert, Dr. Howe, could program and make a video game
17 system that's not Nintendo's that would infringe -- that
18 would constitute infringement because we output these
19 signals, but even though none of our equipment that
20 Nintendo makes or sells ever uses those signals in the
21 manner that the claim says they must be used, to do
22 navigating a viewpoint and controlling objects with both
23 a joystick and the other element, the second and third
24 element.

25 So, our is just that we don't want a

1 hypothetical proof to be that somebody could take our
2 stuff and use the signals in a way that we never told
3 them to use it in that way, never instructed it to be
4 done that way, and have never done it that way
5 ourselves. We want to just make sure that the proofs
6 would actually show that we meet the elements of the
7 claim.

8 And my fear is with the "must be able to," I
9 know Dr. Howe's position will be that, well, as long as
10 there is a signal, I could do it; therefore, it's able
11 to. So, that's our concern with the "able to," is that
12 they will never have to put into proof how our systems
13 work and whether these things, in fact, are accomplished
14 with our product or not, which we believe is a necessary
15 element for proving infringement is to show that every
16 element is present in our system, not in a hypothetical
17 system --

18 THE COURT: Well, wait, wait, wait. So,
19 you're not arguing with the definition; you're concerned
20 about the proof that might be applied to that
21 definition.

22 MR. PRESTA: Well, I'm concerned that your
23 definition would allow proof that would not be what we
24 would believe would be satisfactory proof. We believe
25 that this definition would make it easier to prove

1 infringement than the actual language of the claims
2 because you would not have to actually find any
3 manipulation of images or positioning or orienting a
4 user's view. You would only need Dr. Howe to say, "Oh,
5 I could do that because I have the signals. I don't
6 need to show that Nintendo ever did it; I'm just going
7 to show that I could do that with their controller with
8 their signals."

9 I hope you're understanding that difference
10 there. It is quite significant. This would possibly
11 enable -- I'm not sure what your Honor is thinking
12 exactly of this definition. Maybe you're not reading it
13 that way. But I'm concerned that the plaintiff will use
14 the words "must be able to" as being just a capability
15 argument, that it has the capability to do it and it
16 doesn't actually have to do it. Because it's a positive
17 limitation in the claims, we believe by the fact that
18 your Honor construed it and by the fact that it doesn't
19 have the --

20 THE COURT: I haven't construed it yet.
21 You're the one who is asking to have it construed.

22 MR. PRESTA: Okay. Understood.

23 THE COURT: I don't think you can sit there
24 and ask me to construe it and then say because I
25 construed it, I'm wrong.

1 MR. PRESTA: I apologize. But, I mean,
2 because we looked at the term "controlling objects and
3 navigating a viewpoint," we always felt that it was sort
4 of part of this construction. But I understand your
5 point.

6 So, we think it needs to be "Producing
7 signals that at a minimum manipulate images" without the
8 "must be able to" -- is the only problem that we have.
9 "At a minimum" -- "Producing signals that at a minimum
10 manipulate images on a display device and position or
11 orient a user's view" would be -- would alleviate our
12 concern, your Honor, because, in fact, that is what the
13 claim requires. So, in our view that would be exactly
14 what the claim requires.

15 I'm also a little concerned that we have read
16 out of the phrase -- and I'm sorry. I'm just looking at
17 it -- "controlling objects." I'm a little bit concerned
18 that we have changed that to "manipulating images." And
19 in this field -- I think the plaintiffs would probably
20 agree with me as well; I'll let them speak to that --
21 that "controlling objects" is actually a sort of a term
22 of art. The term "objects" is not the same as "images."
23 Objects are actually things inside of the video game,
24 like a character in a game.

25 So, the second problem I've noticed is that

1 the words "controlling objects," which the parties don't
2 have a problem -- I don't think we have a dispute over
3 the term "controlling objects." I would recommend that
4 it read "Producing signals that at a minimum control
5 objects on a display device and position or orient a
6 user's view."

7 Of course, we're maintaining -- that that
8 encompasses one of your earlier claim constructions,
9 which is "positioning or orienting a user's view" is
10 your Honor's construction of "navigating." And we
11 didn't -- that's not -- that doesn't correspond with our
12 proposed definition of "navigating"; so, we just would
13 maintain --

14 THE COURT: So, basically what you're saying
15 is no matter what I do, it's wrong because you want to
16 be able to appeal.

17 MR. PRESTA: No, your Honor that's not at all
18 the case.

19 THE COURT: Okay. Let me hear from
20 Mr. Cawley.

21 What do you --

22 MR. CAWLEY: Your Honor, with the court's
23 permission, I'm going to ask Mr. Garza to address that.

24 THE COURT: All right.

25 MR. GARZA: Judge, we are in agreement with

1 your construction. I just would like to clear up a
2 couple of arguments that were raised by the other side
3 there.

4 Anascape does agree that this has a positive
5 limitation. I think where the argument lies is as to
6 whether these are functional limitations or something
7 you have to prove. The case law is very clear that a
8 functional limitation can be proved by the capability of
9 the products, and these are claims directed to
10 apparatuses and not to methods.

11 Now, in the proof part of our case, we intend
12 to put on proof that will show that a user using these
13 controllers is -- you know, the outputs of these
14 controllers are capable of manipulating images and
15 positioning or orienting a user's view. And at the end
16 of our case, Nintendo is free to challenge the
17 sufficiency of our proof on that point; but I think
18 we're perfectly happy with your construction.

19 THE COURT: Well, let me ask this: Counsel
20 had said -- if we took out the words "must be able to,"
21 then it would read "Producing signals that at a minimum
22 manipulate images on a display device and position or
23 orient a user's view." What does that do?

24 MR. GARZA: Well, I think what our position
25 is is that turns it into an impermissible apparatus

1 claim that incorporates requirements of showing use.
2 Again, our position is, especially in light of this
3 recent Microprocessor case, that there are apparatus
4 claims and there are method steps -- or method claims.
5 To prove method claims, you actually show it's used; and
6 the damages are calculated based off of how many uses
7 you can show in the United States and how many people do
8 it.

9 This is an apparatus claim. This apparatus
10 and the controllers that Nintendo sells are capable of
11 producing signals that do all of these things, and we
12 plan to show through our proof that these controllers
13 are capable of doing these things and that the elements
14 that the claims list as requiring these things are also
15 capable of doing these things.

16 Again, they are free to challenge the
17 sufficiency of that proof; but I think this claim
18 construction faithfully reflects what the claim reads.

19 THE COURT: Now, you also have in there --
20 you mention "controlling objects" is some kind of a term
21 of art. I thought I took that from a prior construction
22 where it says "manipulate images." If there is a
23 better -- and I can't remember, counsel, exactly what
24 your point was on the "controlling objects." That was
25 something different than an image?

1 MR. PRESTA: Unfortunately, yes, it is, your
2 Honor; and we would just be slightly concerned that it
3 would be changing the meaning if we used "images" rather
4 than "objects."

5 THE COURT: How would you define "object"?

6 MR. PRESTA: I don't believe -- I would urge
7 the court not to construe that because I don't think
8 it's in dispute --

9 THE COURT: You asked to have it construed,
10 counsel. Now you're saying you don't want it construed?

11 MR. PRESTA: Not at all. Not at all, your
12 Honor. I just am pointing just to the word "objects,"
13 that that term does not need a construction because I
14 think it's accurate. It's actually being changed with
15 "images." We can try to --

16 THE COURT: Well, that's the problem. You
17 asked me to construe this phrase. I don't think it's a
18 good idea to construe a phrase as circularly to use the
19 same words in a definition to the jury.

20 So, if you think an object in the terms of
21 graphics is not an image, which I think I -- I can't
22 find the exact spot -- I pulled out of the information
23 y'all had given me before, then what should it be?

24 MR. PRESTA: I'd have to be careful on this
25 one, your Honor, because, again, our goal here is not to

1 inject more error; it's to avoid it.

2 And images -- just so I can explain, images
3 are anything that you would see on the screen. Objects
4 are things inside a video game that are controlled by a
5 user. So, for example, an image on a screen could just
6 be changing just because the scenery is changing without
7 a person manipulating it and controlling it. An object
8 is, for example, Mario in one of Nintendo's games. It's
9 not just the images that come up on the screen before
10 you start the game. That's my only point.

11 So, anything that would capture that
12 difference is certainly fine with us, because it's
13 drawing a distinction between a viewpoint and objects.
14 When you change a viewpoint, you would actually probably
15 at the same time be manipulating the image. So, the
16 only concern is, your Honor, that there is a difference
17 between controlling objects and navigating a viewpoint,
18 obviously, by the claim language.

19 THE COURT: But you can't define it.

20 MR. PRESTA: But we just -- navigating a
21 viewpoint would be the same as manipulating images, is
22 our only concern. And I don't know because I'm not a
23 skilled person in this area to come up with an analogy
24 for the word "objects."

25 THE COURT: Well, the problem we have here is

1 that -- and it's a problem, I think, that winds up being
2 inherent in a broad reading of the O₂ case -- that
3 normally claim construction under modern practice is
4 done months before trial. There are briefs, replies,
5 surreplies, a hearing. I have a technical advisor and
6 experts available and then can take weeks or months -- I
7 try to do it quicker, but sometimes have taken quite a
8 long time to come out with the best possible decision I
9 can. I carefully write it out. And then the higher
10 court can look at my written opinion plus all the
11 discussion we had at the Claim Construction Hearing.

12 Now anytime counsel and an expert say this
13 deals with scope, a new claim construction appears to be
14 required, at the risk of the case being remanded for
15 failure to define the scope.

16 Now, the idea that counsel at the level of
17 counsel we have here -- by that I mean very highly
18 qualified, highly trained, very smart counsel -- and the
19 kind of experts you can hire can't make a scope argument
20 out of every single word in a claim is, to say the
21 least, naive. Of course you can. You wouldn't be good
22 attorneys if you couldn't.

23 And every single word in a claim has
24 something to do with scope. That's what a metes and
25 bounds description of a property line is, and that's

1 what a claim is. And, so, I'm not holding it against
2 you that you bring it up. I mean, I'm sure I would be,
3 too, if I had that opinion and started to see, well,
4 here's a chance to raise more issues.

5 And the other problem we run into is that
6 under our rules -- and the Eastern District, I don't
7 think, has come up with anything new in rules. We've
8 watched the trends in California which has much more
9 experience than we do and other districts that have more
10 experience. Delaware is another one. And most courts
11 doing a lot of this are trying to limit the number of
12 terms for claim construction to the really important
13 ones. But I think that rule is out the window now
14 because a party can request every word to be construed.
15 And if a rule requires them to pick out ten, then just
16 before trial or at trial, they start reurging the ones
17 that weren't brought up.

18 And, so, now I'm faced with -- and you're
19 partly in the same situation as you say you don't have
20 your expert here. You want a construction of a phrase.
21 That's what you asked for. You can't give me any input
22 on what "object" means, and I'm going to have to come up
23 with a construction without really the time to write a
24 lengthy opinion like I normally would trying to explain
25 it.

1 So, I think that is an inherent problem that
2 the higher courts will have to deal with when they go
3 through this process and figure out practically are we
4 going to have rules that require claim construction
5 limits to be enforced or not. In every other field of
6 law, there can be Scheduling Orders which are enforced;
7 and in this one we now seem to have this question.

8 So, I honestly don't hold it against you for
9 trying to be a good lawyer and represent your client.
10 That's your job and that's what the law seems to be, but
11 it causes a terrible practical problem that I then have
12 to deal with.

13 Let me ask plaintiff because obviously you
14 don't want to come in with some big verdict and have the
15 court say, well, "objects" was the wrong word or
16 "images" was the wrong word and there is some kind of
17 technical -- I don't know what -- you know, if there
18 really is something between "objects" and "images" that
19 you guys can agree on, then let me hear it.

20 MR. CAWLEY: I think that, as we've said,
21 your Honor, we're happy with this definition. But if
22 the court will indulge me for about 90 seconds --

23 THE COURT: Sure.

24 MR. CAWLEY: -- on the issue that the court
25 has just addressed.

1 In the O₂ case the defendant timely under the
2 Local Rules raised the claim construction issue. The
3 plaintiff patent holder said, You don't need to construe
4 that; you can use plain meaning. And Judge Ward said,
5 I'm not going to construe it. And the Federal Circuit
6 in O₂ said, No, you have to construe it. But that's in
7 the context of a claim construction that was timely
8 raised under the Local Rules.

9 Now, the Federal Circuit didn't really get
10 into that; but I would respectfully suggest to the court
11 that there is nothing in O₂ that suggests that this court
12 or other district courts cannot manage their docket and
13 cannot manage the litigation process in a way that is
14 manageable. Otherwise, it is going to be chaos.

15 THE COURT: That's -- and I think I have said
16 in the one opinion I've put out before and I tried to
17 say it today. I may be reading it too broadly; and it
18 may be that when dicta was written, it wasn't written
19 with an eye toward what's the practical effect of it.
20 You are correct, and that is a way of interpreting O₂.

21 MR. CAWLEY: And I would urge the court --

22 THE COURT: But the danger is -- the danger
23 is to interpret it that way and months from now, after a
24 verdict, we come back with a remand and --

25 MR. CAWLEY: It is a danger, your Honor.

1 THE COURT: -- and it is --

2 MR. CAWLEY: Admittedly it is a danger.

3 But I would urge the court to consider what
4 is, ironically, a different O₂ case, the one in the
5 Northern District of California of about a year ago
6 where the Federal Circuit specifically approved the
7 patent rules.

8 THE COURT: Uh-huh.

9 MR. CAWLEY: Now, that involved the case
10 after tardy amendment of infringement contentions; but
11 to me, that is a signal from the Federal Circuit that
12 they are going to be solicitous of the District Court's
13 task in managing these cases and that we're the ones, as
14 the plaintiff, who are going to bear the burden of this
15 claim construction not being construed. And we're
16 willing to take that risk on appeal because we believe
17 that when this issue is presented to the Federal
18 Circuit, they will hold that if this was not timely
19 raised, that that's a different issue and not one they
20 decided in O₂.

21 MR. PRESTA: Your Honor --

22 MR. CAWLEY: I will also say -- this is my
23 last thought on the subject. It's always been the law,
24 of course, that this court and every District Court has
25 the power to continue to construe claims all the way

1 through the charge conference.

2 THE COURT: Sure.

3 MR. CAWLEY: So, if this court determines
4 from hearing the expert testimony, from other evidence
5 in the case as the case goes along, that, you know, sure
6 enough, this didn't come up during Markman but I can now
7 see that the issue is joined and it really needs to be
8 construed, the court always has the power to do that.
9 But I think that equally the court has the power to
10 manage its docket and to say if this wasn't raised in a
11 timely basis, it's too late now.

12 THE COURT: And I've cited that Northern
13 District case many times myself and have used that. And
14 it may have just been, as I have said previously, on the
15 precise facts and procedural posture of the O₂ case
16 that's how they came out. You may very well be right.

17 But be that as it may, I -- and I spent a lot
18 of time reading O₂ and going over it. It appears to me
19 that as long as that case stands, it's an open
20 invitation for exactly this kind of problem and --

21 MR. CAWLEY: Well, and it is, your Honor; and
22 let's illustrate it right here. The court comes up with
23 this language; and the complaint is, well, wait a
24 minute. The claim language says "controlling objects"
25 and this says "manipulate images." But while we're at

1 it, the claim language says "providing"; and this says
2 "producing." The claim language says "at least in
3 part," and this says "at a minimum." I mean, where in
4 the world do we ever stop?

5 MR. PRESTA: Your Honor, I have a suggestion
6 of where we stop and to get how we got here. I'm afraid
7 that what we're asking the court has actually been
8 changed from what our intent was. We didn't at all mean
9 to cause this kind of a problem for the court. Let me
10 just give you the reason that we brought this up.

11 When we -- we had two choices when we were
12 preparing for the trial. After I took the deposition of
13 Dr. Howe, I realized that they were going to -- the
14 plaintiff was going to have a certain position at the
15 trial. We knew that our positions were not going to be
16 the same. We no idea about that until we got closer to
17 trial. We talked as a team to try to determine is this
18 something that we should just let come up in trial or is
19 it something that we should bring up to Judge Clark
20 beforehand and we --

21 THE COURT: Well, not very far beforehand.

22 MR. PRESTA: Right, but --

23 THE COURT: I mean, we're literally at the
24 last minute along with -- I don't know how many other
25 rulings I've made today, but it's been a lunch.

1 MR. PRESTA: I'm a little concerned that the
2 only reason that this came up, though, is because -- and
3 it's not something that we would have ever known during
4 the Markman phase to raise, your Honor. We would have
5 no clue to know that they would insert the word
6 "capability" in front of -- in front of the words
7 "controlling objects and navigating viewpoints." We
8 didn't know that until very recently that it was going
9 to be a capability -- their interpretation -- it's
10 really a claim construction issue that's being raised by
11 the plaintiffs because we know the proofs that they are
12 going to put on are different than what we understood
13 the claim to mean.

14 So, it seems that there is a dispute before
15 the parties. It's not something that we are raising and
16 saying your Honor has to do a new claim construction
17 issue. If you wanted to let the trial proceed knowing
18 that we have this position and the parties have a
19 dispute over this particular phrase and let it get
20 ironed out during trial and eventually, your Honor, it
21 may be easier for you to rule when you heard the
22 evidence. That would be okay with us. We just felt the
23 obligation to bring these things that we anticipate are
24 going to come up at trial.

25 And I'm sorry to say that I -- from studying

1 the experts, I'm afraid that I think there may be a few
2 others that are going to come up not by the defendant,
3 your Honor, just by the nature of the testimony that's
4 going to come out.

5 And it's just a factor that when your Honor
6 makes a ruling, it's also subject to interpretation, for
7 example, the term "3-D." We thought we knew what you
8 meant by the term "3-D" in your Markman ruling, and we
9 are prepared to proceed on that. I know the plaintiffs
10 believe it means something different than we do and --
11 but I understand that your Honor cannot continue to
12 interpret your own interpretations. So, we are prepared
13 just to begin the trial and do our best to comply with
14 your Honor's Markman rulings.

15 Our little bit of a fear was that we would
16 start the trial and we would be doing things that
17 your Honor may believe are entirely inappropriate in
18 view of your rulings. That was one concern that we had.
19 And the "3-D" is an example of one that I think as we
20 proceed in the trial your Honor is going to realize that
21 there is, unfortunately, a dispute between the parties
22 that is going to come out through expert testimony.

23 And we would have never known to bring that
24 to your Honor's attention during the Markman phase
25 because we did bring it -- we asked you to construe

1 "3-D." It just turns out that people interpret your
2 rulings differently. And that is the only reason --
3 we're not actually raising -- we didn't believe we were
4 going to be bringing new claim construction issues to
5 your Honor today. We felt that --

6 THE COURT: Well, you actually said it in
7 your objections to exhibits. I mean, you said in the
8 English language that a new claim construction is
9 needed.

10 MR. PRESTA: Well, your Honor, we actually
11 meant -- we pointed out that your Honor said that you
12 did not have to rule on that one point, that we had
13 actually brought it up but your Honor --

14 THE COURT: I don't ever recall talking about
15 this difference between the three uses of the word
16 "controller/controlling." Now, there was a discussion
17 about the first one we talked about this morning, yes;
18 but the -- this precise grammatical difference between
19 "allow" -- I mean, I could be wrong; but I don't recall
20 the argument about the difference between "allow
21 control" in the preamble and then -- yeah, "useful to
22 control." I'm sorry. That's 19. It's "to allow
23 controlling objects" versus "at least in part
24 controlling objects."

25 MR. PRESTA: We actually -- we had no idea

1 that we would -- in fact, until very recently that this
2 would be an issue between the parties. And we
3 understand that it's --

4 THE COURT: Well, you just told that this was
5 argued at the Markman. I don't recall it. I mean, I
6 don't see that as one of the terms that was construed; I
7 don't see it as one of the terms that I did not
8 construe.

9 MR. PRESTA: Well, we asked you --

10 THE COURT: Maybe I'm wrong about that
11 because you are correct that the other part, that "hand
12 operated" -- that's very extensively set out and
13 discussed in my opinion.

14 MR. PRESTA: Yes, your Honor. I agree.

15 And just to be clear, my only position is we
16 asked you to construe "controlling objects and
17 navigating a viewpoint." That was our request to the
18 court and we briefed that and we always felt we were
19 getting a construction on that. We honestly believed
20 that that would be the term that needed to be construed,
21 and we were perfectly fine with your Honor's rulings and
22 are proceeding under those rulings.

23 There is just a subtle difference now that
24 the parties seem to have; and that is whether, in fact,
25 that language requires that you do that or not. We felt

1 that when we were raising those terms, the fact that you
2 were construing them was an indication that, yes, of
3 course those are positive claim elements that have to be
4 satisfied. It was a new issue for us to realize that
5 the proofs that the plaintiffs were going to put on
6 would not require that that actually happen.

7 And we apologize that, of course, it's right
8 before the trial; but we're really just giving you a
9 precursor of things I'm afraid you're going to see
10 during the trial and --

11 THE COURT: Counsel, I don't think we really
12 have any dispute over what -- I mean, "controlling
13 objects and navigating a viewpoint," I think we had a --
14 in fact, what I have is "navigating a viewpoint" means
15 positioning or orienting a user's view.

16 MR. PRESTA: And the "controlling objects"
17 part, we realized, your Honor, it didn't need to be
18 construed; and we still agree with that.

19 THE COURT: And that's right, but I don't
20 think that's what you're arguing about now. Now you're
21 talking about the difference between, as I understand
22 it, "to allow" and "providing outputs at least in part."
23 Maybe I'm not -- maybe I'm reaching farther than you
24 asked.

25 What is it -- since you're now telling me

1 that you're happy with what you've got and you don't
2 need a construction and I can deal with it at trial,
3 I'll give you one more shot. And since you said you
4 never brought this up before and I must have misread
5 your objections which I thought said you wanted this
6 construed, what is it you want construed?

7 Take that down, Betty.

8 MR. PRESTA: Okay. Your Honor, we just want
9 to have the court's determination as to whether, in
10 fact, "controlling objects and navigating a viewpoint"
11 requires that, in fact, you actually do that. So,
12 there's no other words involved in it really. And we're
13 not asking you to construe the "to allow" part because
14 we believe that that's clearly something -- we're not
15 asking you to construe "to allow." We believe that that
16 is probably a functional limitation up in that first
17 part of the claim.

18 It's the second part of the claim, just the
19 words "controlling objects and navigating a viewpoint,"
20 whether those things have to occur in order for there to
21 be infringement. That's all. That's the only issue
22 that we have on that, whether you must do those things
23 to have infringement or not.

24 We always believed that it was clear, and we
25 didn't understand that there would be a dispute over

1 that because the words themselves are in the claim. So,
2 it's our belief that the words themselves are
3 limitations. And it was only my belief that the
4 plaintiffs were going to argue that they could just show
5 capability of doing that without ever showing it being
6 done. So, in our view it's a claim construction issue
7 the plaintiffs are inserting "capability of" in there.
8 We just don't want the words "capability of" to be
9 inserted into the claim. That's all.

10 THE COURT: What about the words "designed
11 to"? Instead of "capable of," "designed to."

12 MR. PRESTA: That might be headed in the
13 direction, your Honor.

14 THE COURT: Sure wouldn't want to make an
15 actual admission, would you?

16 Mr. Cawley --

17 And I'm not -- I mean, I'm not holding it
18 against you. This is not easy for you. You're trying
19 to speak off the cuff, and it's easy for me to ask
20 questions. So, you know, this is not a --

21 Let me ask -- I'll go ahead and ask
22 plaintiff.

23 MR. CAWLEY: Your Honor, I think we just
24 heard counsel for Nintendo say they're not asking you to
25 construe anything. They're asking you to make some

1 rulings of law which sound a lot like a summary
2 judgement or something, but now they're not even asking
3 you to construe words.

4 MR. PRESTA: That's true.

5 MR. CAWLEY: And now he says that's true
6 so --

7 THE COURT: Okay. All right. That's fine.
8 But let me just ask you in general because I can see
9 this coming up at trial and I might as well be thinking
10 about it. Do you think that this phrase -- and,
11 actually, co-counsel may be the one answering this. But
12 this is an apparatus claim. Obviously you can't mix
13 things but you can talk about capability and I've read
14 the cases that you've cited. And I think, in
15 particular, the Microprocessor Enhancement Corporation
16 versus Texas Instruments case and even going back to the
17 Halliburton Energy Services, Inc., at 514 F.3d 1244,
18 does allow a apparatus claim to talk about its -- what
19 it's capable of doing as opposed to trying to be some
20 kind of a mixture. As they point out, you can't have
21 both method and -- you have to have a method claim and
22 apparatus claim, but the apparatus claim can have that
23 functionality in it. So, let me ask you: What about
24 the idea of it's got to be designed to do it?

25 MR. CAWLEY: The issue that I have with that

1 word, your Honor, is that it seems to imply some kind of
2 intent, that it seems to require that you somehow get a
3 designer who testifies, Yeah, well, it was my intention
4 that it do certain things.

5 THE COURT: Okay.

6 MR. CAWLEY: I know that's not required by
7 the law, and it's not required in the claim. This is an
8 apparatus claim. And the testimony that your Honor will
9 hear in the trial is that game designers, the people who
10 write the software, the actual game themselves, need to
11 have a controller that is capable of doing a wide
12 variety of things so that they can use that essentially
13 as a tool to design their games. And they may use all
14 of the tools that comes in that controller toolbox, and
15 they may choose not to.

16 What Nintendo is trying to do here is trying
17 to say, Well, wait a minute. Unless you can go find a
18 game where a designer has chosen to use the capability
19 that we provide people in our controllers, then you
20 don't show infringement. But the answer is the
21 controller is capable of what the controller is
22 capable -- of what it's capable of whether or not there
23 is any proof that it actually got used that way. The
24 proof is in the controller itself, in the apparatus.
25 It's not a method claim; it's an apparatus claim.

1 THE COURT: All right.

2 MR. PRESTA: Which would be fine with us,
3 your Honor. If the word "capability" was in the claim,
4 we wouldn't have a dispute. The problem is they have to
5 live with the way the claim is drafted. That's just the
6 point we would make. They want to insert words into the
7 claim. All we want the court to do is be true to the
8 words as they are.

9 So, it's true we don't really have a claim
10 construction for that because we want the words just to
11 be construed the way they read without inserting
12 words -- without inserting extra words. The plaintiff
13 would like to insert words into it, and we just want it
14 to read as is.

15 THE COURT: The words mean exactly what you
16 say they mean and nothing more and nothing less. I
17 think that was the "Red Queen."

18 MR. PRESTA: And, your Honor, again, we truly
19 are bringing these issues up only because we think they
20 are going to come up at trial. And whether your Honor
21 feels the need to rule on them now, we think it was our
22 duty least at to give you a heads up on these issues.
23 And that's the real goal, is to give you a heads up.

24 THE COURT: All right. Well, to save some
25 time at trial since the dispute comes out, I'm going to

1 go ahead and -- because I may not have time and may not
2 have the cases in front of me. Let me go ahead and
3 state for the record my basis for the decision.

4 I'm looking at the Microprocessor Enhancement
5 Corporation versus Texas Instruments case. That was
6 decided April 1 of 2008, and it dealt with a somewhat
7 similar issue and talked about the IPXL Holdings case
8 and pointed out the problem of a claim being invalid for
9 indefiniteness on the grounds that the claim
10 impermissibly mixes two distinct classes of patentable
11 subject matter and that, therefore, they are insolubly
12 ambiguous. And in that particular case, there was
13 claim 1 which was a method claim and claim 7 which was
14 an apparatus claim.

15 They point out that there was no ambiguity in
16 that case in claim 1 because it was clearly limited to
17 practicing the method. And, similarly, claim 7, the
18 apparatus claim, doesn't cover both an apparatus and a
19 method. And it referred back to the Halliburton case
20 that I mentioned, Halliburton Energy Services versus M-I
21 LLC at 514 F.3d 1244, page 1255, Fed Circuit 2008, where
22 the court said that an apparatus claim is not
23 necessarily indefinite for using functional language.

24 And where you get into trouble, the court is
25 saying, is where functional language fails to provide a

1 clear-cut indication of the scope of the subject matter
2 embraced by the claim and, thus, can be indefinite. And
3 they're referring back there to claim 7.

4 In this particular case we're looking at
5 claim 19. It's quite clearly an apparatus claim, "a
6 hand operated controller." And those second and third
7 elements discuss that it is capable of doing something.
8 It is not a method claim as to how it is used; it is
9 talking about the controller itself capable of
10 "providing outputs at least in part controlling
11 objects."

12 And since everyone agrees that I don't have
13 to try to re-construe it so that I redefine the words
14 "providing outputs at least in part controlling objects
15 and navigating a viewpoint" -- everyone seems to
16 understand what that all means -- other than the scope,
17 I will state for the record that in this court's view
18 based on my review of those cases and based upon the
19 specification itself which talks about it and the claim
20 language itself, it seems fairly clear that those are --
21 that 19 reads on a -- or describes an apparatus that can
22 do these things.

23 If that provides some clarity, I would --
24 well, not "if" it provides clarity. I would -- you
25 know, that's going to be my ruling on that. Is there

1 any question about that from plaintiff's point of view?

2 MR. CAWLEY: No, your Honor.

3 THE COURT: Okay. And just to be clear, does
4 the plaintiff disagree with that particular analysis?

5 MR. CAWLEY: No, your Honor.

6 THE COURT: Okay. Now, my guess is
7 defendants disagree. But is there any question about
8 what I'm saying?

9 MR. PRESTA: Your Honor, we understand your
10 ruling.

11 THE COURT: Okay.

12 MR. PRESTA: We disagree but we understand it
13 and we appreciate the fact that you ruled on it.

14 THE COURT: All right. Okay. Is there any
15 other -- I think I've covered them all. Any other issue
16 outstanding or question that we need to decide now from
17 plaintiff's point of view?

18 MR. CAWLEY: Just a small one, your Honor.
19 Our technical expert, Professor Howe, will be
20 testifying, of course, on infringement. And then it is
21 our intention to recall him in rebuttal to address
22 issues of invalidity, and I just want to make sure that
23 does not run afoul of the court's order on --

24 THE COURT: No. In this kind of case you
25 almost have to do that; so, that's fine.

1 MR. CAWLEY: Thank you, your Honor. That's
2 all that we have.

3 THE COURT: Anything from defendant's point
4 of view?

5 MR. GERMER: Yes, sir. We dealt with the
6 easy issues. I've got a couple of hard ones for the
7 court now. One of them, I think, is easy.

8 In your order on defendant's motion in
9 limine, Number 6 --

10 THE COURT: Let me -- let's see. Yes, okay.

11 MR. GERMER: -- you overruled the motion
12 that -- that was, of course, when Microsoft was in the
13 case.

14 THE COURT: I will sustain any references to
15 settlement discussions with Microsoft. I mean, I don't
16 see how they -- and, in fact, I would -- and we need to
17 make sure we do that. On anything we give to the jury
18 as far as documents or headings, the Microsoft
19 Corporation name comes out of the heading and anything
20 else that goes before the jury. Microsoft is not going
21 to be mentioned as they were a party or they settled or
22 anything like that.

23 MR. GERMER: Yes, sir. That actually leads
24 me to sort of my second point. I assumed that was
25 correct. I just wanted to be sure we were all the same

1 on the wavelength.

2 I also assumed that the various testimony by
3 Microsoft people, experts, and all of that is sort of
4 gone, I'm assuming, unless somebody has a different
5 thought.

6 THE COURT: Well, I don't know -- I mean,
7 you'll have to talk with plaintiff about that and bring
8 it up but -- I mean, I don't know if they wanted to use
9 one of their invalidity experts or something to -- I
10 mean, I don't know what they said.

11 MR. GERMER: However that works, it's going
12 to be in the context of the jury is not going to know
13 anything about Microsoft and certainly wouldn't know
14 anything about Microsoft settling.

15 THE COURT: Correct.

16 MR. CAWLEY: We're totally on that
17 wavelength, as well, your Honor.

18 THE COURT: Okay.

19 MR. CAWLEY: Although, I can't say as I stand
20 here that there may not be a deposition of a Microsoft
21 witness that we think is still relevant for some reason.

22 THE COURT: Okay. Well, bring it up to me
23 outside the presence of the jury and make sure both
24 sides -- and I think everyone here has -- or at least
25 somebody on each side has been before me before, and I

1 want to continue the practice of exchange -- hopefully
2 you've already reached an agreement -- exchange witness
3 lists at least the day before --

4 MR. CAWLEY: We have, your Honor. I think
5 our is 9:00 a.m. -- well, not of the day but 9:00 a.m.
6 before the following day.

7 THE COURT: Just so there's plenty of time to
8 look at that and the same with demonstratives. I want
9 to know myself a day in advance what experts are coming
10 so I can review the expert reports and be prepared for
11 objections and things like that.

12 You know, it would be helpful if you had the
13 exhibit notebooks to give to the witness so that the
14 witness can have it right there and look at them; and it
15 helps me a lot to have it, too. I actually -- you may
16 not believe it, but I actually look at your exhibits and
17 try to pay attention to your presentation. That would
18 be helpful.

19 Along that line, I would just mention in this
20 and other cases when you're giving us these three-ring
21 binders, if you could put some kind of little title on
22 the spine. I usually have these on a shelf; and if it's
23 all blank, it's very hard to find. It just would make
24 some sense because that's how they get stacked up as I'm
25 looking through the spines looking for you're very

1 important book and it is just difficult for me to find
2 it.

3 Anything else, Mr. Germer?

4 MR. GERMER: Yes, sir, one other fairly small
5 point but we just -- we can't work out an agreement.
6 You said in your order that if there is someone that is
7 necessary to the plaintiff's case, one of our people,
8 that we're to make them available. We've done that as
9 to one of the witnesses they have asked for. We're
10 going to have a technical person available for them in
11 their case on Wednesday. But we do have a dispute about
12 Howard Cheng. And you may recall the court has said
13 that the plaintiffs can go into the fact that --

14 MR. CAWLEY: We give up. We'll abandon our
15 request for Mr. Cheng in our case-in-chief.

16 THE COURT: Okay.

17 MR. CAWLEY: But we do understand you are
18 going to have Mr. Ikeda available for --

19 MR. GERMER: We'll have Mr. Ikeda available
20 on Wednesday. That's what y'all told me, Wednesday or
21 Thursday. But we'll have him Wednesday if you want him.

22 MR. CAWLEY: I think that's appropriate.
23 Thank you.

24 THE COURT: Okay, good.

25 MR. GERMER: Thank you.

1 THE COURT: Nothing else?

2 All right. In that case you are excused. I
3 will see you, then, on Monday.

4 As in the past, please be sure that Ms. Chen
5 has the cell phone number of someone on each side who
6 can be contacted in case something comes up so we can
7 get ahold of you, you know, locally and every other way.

8 And if some dispute starts to arise, if
9 you'll let her know, it gives me a chance to get
10 prepared so you actually get something close to a
11 considered ruling rather than just a quick shot from the
12 hip. That would seem to be better to give me a chance
13 to actually think about it before I rule.

14 All right. In that case you are excused, and
15 the court is in recess.

16 (Proceedings concluded, 2:19 p.m.)

17 COURT REPORTER'S CERTIFICATION

18 I HEREBY CERTIFY THAT ON THIS DATE, MAY 2,
19 2008, THE FOREGOING IS A CORRECT TRANSCRIPT FROM THE
20 RECORD OF PROCEEDINGS.

21 
22 CHRISTINA L. BICKHAM, CRR, RMR

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