

1 UNITED STATES PATENT AND TRADEMARK OFFICE  
2 BEFORE THE PATENT TRIAL AND APPEAL BOARD

3 - - -  
4 CISCO SYSTEMS, INC., CIENA CORPORATION, CORIANT  
5 OPERATIONS, INC., CORIANT (USA), INC., and FUJITSU  
6 NETWORK COMMUNICATIONS, INC.,  
7 Petitioners

8 v.

9 CAPELLA PHOTONICS, INC.  
10 Patent Owner

11 CASE NO. IPR2014-01166 (merged with IPR2015-00816)  
12 CASE NO. IPR2014-01276 (merged with IPR2015-00894)

13 - and -

14 FUJITSU NETWORK COMMUNICATIONS, INC.,  
15 Petitioner

16 v.

17 CAPELLA PHOTONICS, INC.  
18 Patent Owner

19 CASE NO. IPR2015-00726  
20 CASE NO. IPR2015-00727

21 - - -

22 Wednesday, September 23, 2015  
23 3:00 p.m.

24 - - -

25 TELECONFERENCE IN THE ABOVE MATTER

BEFORE: JAMES A. TARTAL  
JOSIAH C. COCKS  
KALYAN K. DESHPANDE  
Administrative Patent Judges

- - -

VERITEXT NATIONAL COURT REPORTING COMPANY  
MID-ATLANTIC REGION  
1250 Eye Street, NW, Suite 1201  
Washington, DC 20005

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1 APPEARANCES:  
2  
3 COOLEY, LLP  
BY: WAYNE STACY, ESQUIRE  
380 Interlocken Crescent, Suite 900  
4 Broomfield, CO 80021-8023  
720-566-4125  
5 wstacy@cooley.com  
Representing the Petitioner Cisco Systems,  
6 Inc.  
7  
8 LATHAM & WATKINS, LLP  
BY: CHI CHEUNG, ESQUIRE  
BOB STEINBERG, ESQUIRE  
9 355 South Grand Avenue  
Los Angeles, CA 90071-1560  
10 213-891-8989  
chi.cheung@lw.com  
11 bob.steinberg@lw.com  
Representing the Petitioner Ciena  
12 Corporation  
13  
14 BANNER WITCOFF, LTD.  
BY: J. PIETER VAN ES, ESQUIRE  
MICHAEL S. CUVIELLO, ESQUIRE  
15 Ten South Wacker Drive, Suite 3000  
Chicago, IL 60606-7407  
16 312-463-5000  
pvanes@bannerwitcoff.com  
17 Representing the Petitioner Coriant  
Operations, Inc., and Coriant (USA), Inc.  
18  
19 MILBANK, TWEED, HADLEY & McCLOY, LLP  
BY: NATHANIEL BROWAND, ESQUIRE  
20 CHRISTOPHER CHALSEN, ESQUIRE  
28 Liberty Street  
21 New York, NY 10005  
212-530-5380  
22 nbrowand@milbank.com  
cchalsen@milbank.com  
23 Representing the Petitioner Fujitsu Network  
Communications, Inc.  
24  
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1 JUDGE TARTAL: Good afternoon. This  
2 is Judge Tartal. With me are Judges Cocks and  
3 Deshpande.  
4 This call is in regard to a series of  
5 inter partes review cases: IPR2014-01166,  
6 IPR2015-00726, IPR2014-01276, and IPR2015-00727.  
7 Can counsel for Patent Owner please  
8 identify yourself?  
9 MR. STERNE: Good afternoon, Judge  
10 Tartal. This is Robert Sterne from Sterne Kessler  
11 on for the Patent Owner, and with me is my  
12 colleague, Nick Nowak, who is on with me today.  
13 JUDGE TARTAL: Thank you. And have  
14 you provided a court reporter for today's call?  
15 MR. STERNE: Yes, Your Honor, we  
16 have. Her name is Susan. She's on the line now.  
17 She has everyone's name from counsel side and we  
18 will have a transcript available to the Board and to  
19 everyone else by Friday, if that would be  
20 sufficient.  
21 JUDGE TARTAL: Yes, and that will be  
22 entered. Thank you. Thank you for providing the  
23 transcript.  
24 Beginning with the 2014-01166  
25 proceeding, who do we have on for Petitioner?

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1 APPEARANCES: (Continued)  
2  
3 STERNE, KESSLER, GOLDSTEIN & FOX, P.L.L.C.  
BY: ROBERT GREENE STERNE, ESQUIRE  
NICHOLAS J. NOWAK, ESQUIRE  
4 1100 New York Avenue, N.W.  
Washington, D.C. 20005-3934  
5 202-371-2600  
rsterne@skgf.com  
6 nnowak@skgf.com  
Representing the Patent Owner  
7  
8 - - -  
9  
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1 MR. STACY: This is Wayne Stacy for  
2 Cisco.  
3 JUDGE TARTAL: And do we have anybody  
4 else on the call in regard to the 01166 case?  
5 MR. BROWAND: Yes. This is Nathaniel  
6 Browand on behalf of Fujitsu Network Communications,  
7 and with me is Christopher Chalsen.  
8 JUDGE TARTAL: Thank you.  
9 In regards to -- I'm sorry.  
10 MR. van ES: Your Honor, this is  
11 Pieter van Es on behalf of the Coriant entities, and  
12 with me also on the phone is Mike CuvIELLO from my  
13 law firm as well.  
14 MR. CHEUNG: And this is Chi Cheung  
15 of Latham & Watkins and with me is Bob Steinberg for  
16 Ciena.  
17 JUDGE TARTAL: And for the Case  
18 2015-00726, who do we have for Petitioner?  
19 MR. BROWAND: Again, Your Honor, it's  
20 Nathaniel Browand and Christopher Chalsen on behalf  
21 of Petitioner Fujitsu Network Communications.  
22 JUDGE TARTAL: Okay. Thank you.  
23 And I believe it would be the same  
24 counsel, but to confirm, is there anyone else on the  
25 call for either the IPR2014-01276 or the

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1 IPR2015-00727 for any of the parties?  
2            - - -  
3            (No response.)  
4            - - -  
5            JUDGE TARTAL: Okay. Then I believe  
6 Patent Owner requested the call and so we will begin  
7 by turning it over to Patent Owner to address the  
8 issue they have of concern.  
9            MR. STERNE: Good afternoon, Your  
10 Honors, and may it please the Board, this is Robert  
11 Sterne again, and thank you very much, Your Honors,  
12 for making yourselves available for this call.  
13            Patent Owner Capella seeks  
14 authorization to file motions to compel routine  
15 discovery related to inconsistencies between known  
16 facts and the real party in interest statements made  
17 by Cisco, Ciena, Coriant, and Fujitsu in their  
18 respective petitions.  
19            In this motion, which we seek  
20 authorization to file, Capella will ask the Board to  
21 compel routine discovery -- I repeat, routine  
22 discovery -- from Petitioners proving or disproving  
23 at least three things:  
24            Number one, whether JDS Uniphase, the  
25 supplier of the alleged infringing devices that are

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1 at issue in the related District Court litigation,  
2 is obligated to indemnify Petitioners for  
3 infringement; and, if so, whether such obligations  
4 provide JDS Uniphase with an opportunity to fund  
5 and/or control the petitions or the defense of the  
6 litigation.  
7            The second point is whether JDS  
8 Uniphase supplied at least two primary prior art  
9 references -- specifically, Your Honors, the  
10 Bouevitch and Smith references, which are patents --  
11 to Petitioners in an effort to control the grounds  
12 of unpatentability set forth in the petitions.  
13            And, three, whether, as a result of  
14 agreeing in the District Court litigation to be  
15 bound by the estoppels applicable to Cisco's  
16 petitions, Ciena, Coriant, and Fujitsu helped to  
17 fund or control the Cisco petitions.  
18            Now, Your Honor, after meeting and  
19 conferring, Petitioners have denied Capella routine  
20 discovery into these issues and, rather, assert that  
21 such discovery comes too late and/or constitutes  
22 additional discovery.  
23            But in its motion Capella intends to  
24 show the Board that the requested discovery is, in  
25 fact, routine discovery and that Capella has been

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1 diligent in seeking it.  
2            Your Honors, I understand that we're  
3 not here to argue the merits of the motion and only  
4 to seek authorization to file, but if you would  
5 like, I can go into the facts around each of these  
6 three bodies of evidence, if you would like.  
7            JUDGE TARTAL: Thank you, counsel.  
8 First I would like to just clarify, are you no  
9 longer including in your request any requests for  
10 additional discovery?  
11            MR. STERNE: That's correct. We are  
12 seeking routine discovery.  
13            JUDGE TARTAL: And --  
14            MR. STERNE: Your Honors, our  
15 position, as I can explain now and also in the  
16 motion, is that we are of the view that this is  
17 routine discovery. If the Board wants us to address  
18 whether this would constitute additional discovery,  
19 we definitely believe we've complied with the Garmin  
20 factors and we can show that in our motion as well.  
21            JUDGE TARTAL: Well, I think it's for  
22 the party to determine whether they're requesting  
23 routine or additional discovery or both, and so I  
24 will leave that to your discretion as to how you  
25 would address it.

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1            But on the routine discovery, can you  
2 briefly address what the basis is for your request  
3 in light of what the requirements are for routine  
4 discovery, and in particular what it is that you  
5 contend supports the belief that there is  
6 information in regards to inconsistent statements  
7 that has not been disclosed?  
8            MR. STERNE: Yes, Your Honor, and it  
9 falls into three categories, and I'd like to briefly  
10 walk through that.  
11            Again, our position is that it's  
12 routine discovery because Petitioners' real party in  
13 interest statements are inconsistent with the  
14 following facts.  
15            Let's look at indemnification first.  
16 JDS Uniphase sold each of the Petitioners the  
17 devices they are accused of infringing in the  
18 District Court litigation. Now, as a result, under  
19 California Commercial Code Provision 2312 Subsection  
20 3, JDS Uniphase is obligated to indemnify  
21 Petitioners for patent infringement. And if not  
22 under the California Commercial Code, we contend, it  
23 is highly likely that JDSU is obligated, instead, to  
24 indemnify Petitioners under an express sales  
25 agreement, as is typically customary in the

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1 industry.  
2 While we understand that an  
3 obligation to indemnify without more is not  
4 dispositive with respect to whether the indemnitor  
5 exercises or could exercise control under the IPR  
6 proceedings, the determination of whether a party is  
7 a real party in interest is a fact-dependent  
8 inquiry, as the Board well knows, and under certain  
9 circumstances has recognized indemnifying third  
10 parties as real parties in interest.  
11 The second body of evidence, Your  
12 Honor, is what we call sharing prior art and working  
13 in concert. In addition to the obligation to  
14 indemnify, Capella also believes that JDSU and  
15 Petitioners have, in fact, worked in concert to find  
16 prior art and to draft and file the petitions that  
17 are the subject of our call today.  
18 At least Fujitsu and Cisco have  
19 admitted in the District Court litigation that JDSU  
20 is in possession of relevant prior documents,  
21 witnesses, and materials related to alleged prior  
22 art systems; and, indeed, it turns out that  
23 Petitioners' primary prior art references, the Smith  
24 and the Bouevitch patents, are assigned to JDSU and,  
25 in fact, the Bouevitch patent was invented by five

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1 JDSU employees.  
2 Moreover, the primary prior art  
3 references and arguments raised by Cisco in its  
4 invalidity contentions in the District Court  
5 litigation and in its IPRs are virtually identical,  
6 virtually identical to the primary combined  
7 references of alleged prior art and arguments that  
8 JDSU raises in its own inter partes petitions.  
9 So we contend that due to the  
10 similarities between the Cisco and JDSU petitions,  
11 as well as the similarity between the JDSU positions  
12 and Cisco's invalidity contentions, we contend the  
13 known facts also show that Cisco and JDSU have been  
14 and are working in concert.  
15 JUDGE TARTAL: Can I ask you,  
16 counsel, what basis in law do you have to support  
17 your contention that even if they are working in  
18 concert or even if they shared prior art references,  
19 they are therefore real parties in interest to one  
20 another?  
21 MR. STERNE: Your Honor, we recognize  
22 that joint defense groups routinely work at some  
23 level together. What we are presenting today is a  
24 group of evidentiary pointers that we think support  
25 our basis to obtain authorization to file the

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1 motion. We are not contending that based on what we  
2 know right now, this alone would be necessarily  
3 sufficient.  
4 And I'd like to talk about the third  
5 body of evidence in a moment concerning the  
6 estoppels in the District Court and the stay.  
7 Our position, Your Honors, is that  
8 put together, all of this evidence clearly points to  
9 sufficient basis for the motion to be authorized.  
10 JUDGE TARTAL: Counsel, can you  
11 address the timing of the request? I can tell from  
12 the filings, it looks like the Patent Owner response  
13 in the 2014-01166 case was filed back in May of  
14 2015, and subsequent to that we have had the  
15 Petitioners' reply to that response filed. I  
16 believe we also have a hearing scheduled for  
17 November 5. Why is this request being raised at  
18 this point in time and why wasn't it raised earlier  
19 in the proceeding?  
20 MR. STERNE: Your Honor, we have  
21 tried everything we could to bring it up earlier and  
22 despite our very best efforts and everything we've  
23 done, we find ourselves in the position we are in  
24 today, and we wish that it was not so late in the  
25 proceedings for many reasons. So let me address

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1 your question directly.  
2 We first approached Cisco by letter  
3 about this issue on April 28. We received no  
4 response at all from Cisco.  
5 We followed up on June 1 and we  
6 finally got a response from Cisco the next day,  
7 indicating that they would not provide, they would  
8 not provide the requested discovery.  
9 We approached Ciena, Coriant, and  
10 Fujitsu by letter first on June 18 and again after  
11 receiving no response followed up again on August 5.  
12 Ciena, Coriant, and Fujitsu finally responded on  
13 August 12, also indicating that they are unwilling  
14 to provide the requested discovery.  
15 We have been corresponding with the  
16 Petitioners and attempting to arrange this  
17 conference call since that time, but Petitioners  
18 have variously been unwilling to provide convenient  
19 dates and times or even to address these matters on  
20 a consolidated call. Very difficult to work with  
21 this group, frankly, Your Honor.  
22 Capella has been diligent in raising  
23 the issues in our petition. We are only able to do  
24 so now with the Board because of the delay that we  
25 have encountered, which is created by Petitioners'

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1 own making, and indeed the Board has previously  
2 noted that 35 U.S.C. 312(a) is an ongoing  
3 requirement that must be complied with during the  
4 pendency of the petition.  
5       So our position, Your Honor, under  
6 the circumstances here, Capella has raised this  
7 issue with the Board as soon as it was practicable.  
8       JUDGE TARTAL: You indicated you had  
9 some comments with regards to the third category,  
10 estoppel. Can you address that at this point?  
11       MR. STERNE: Yes, Your Honor. This  
12 is another important category of evidence that the  
13 Board should consider for the authorization.  
14       Fujitsu and Ciena and Coriant agreed  
15 to be bound by Cisco's estoppels to get the District  
16 Court to stay the litigation. And now,  
17 specifically, in order to meet the District Court's  
18 requirements for receiving a stay, Fujitsu, Ciena,  
19 and Coriant filed a joint notice with the Court  
20 indicating that they agree to be bound by any and  
21 all estoppels applicable to Cisco for Cisco's IPRs.  
22       So our position is because they are  
23 bound by any such estoppels, Ciena, Coriant, and  
24 Fujitsu have a significant active interest in  
25 Cisco's IPR trials and as a result have likely taken

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1 an opportunity to control and direct these IPRs.  
2       Your Honor, it's very difficult, as  
3 the Board knows, for a Patent Owner to prove  
4 something unless they can find a smoking gun, as  
5 it's often called, and we have done our very best.  
6       We've looked at this case very  
7 carefully. We've tried everything. These are the  
8 reasons we believe that the routine discovery is  
9 warranted. In our motion we will lay out very  
10 focused discovery that we're seeking about these  
11 inconsistent positions.  
12       We are not on a fishing expedition.  
13 We have not brought this late in the proceeding. We  
14 have been diligent. And we need to pursue this  
15 inquiry because it goes to the heart of the matter.  
16       JUDGE TARTAL: Thank you, counsel.  
17       Counsel for Petitioner Cisco --  
18       MR. STACY: Yes.  
19       JUDGE TARTAL: -- could you please  
20 respond?  
21       MR. STACY: Yes. This is Wayne Stacy  
22 and let me start with the timing issue first. I'll  
23 just take them backwards.  
24       We received the letter from  
25 Mr. Sterne himself on April 28. The closing line in

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1 that letter says: "Capella requests Cisco provide  
2 this information by May 4, 2015, or Capella will  
3 pursue all legal avenues available."  
4       So that's what they told us on  
5 April 28. They waited until September 18 to  
6 schedule this hearing. The interesting thing about  
7 that is it coincided with the exact day that our  
8 motions for observations were due. So they waited  
9 until everything was closed up before they actually  
10 pursued any of this discovery.  
11       So I have to quarrel with  
12 Mr. Sterne's representations that they've been  
13 diligent and done everything possible. They could  
14 have contacted me on May 4 and said let's get a  
15 Board hearing and we could have done that on May 7,  
16 May 6. Instead, they waited five months to take  
17 care of this. So not even close to being diligent  
18 on that front.  
19       Now, as we go back to the routine  
20 discovery -- because I understand that counsel  
21 dropped the request for additional discovery, but  
22 under routine discovery -- Mr. Sterne laid out three  
23 separate issues and, first of all, I would like to  
24 point out that all three of these issues are legally  
25 insufficient, even if they can prove them up. So it

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1 does look like a fishing expedition and it means  
2 that we don't need to go forward on this at all.  
3       Cisco filed its petition and that's  
4 the time frame we're looking at. Who were the real  
5 parties in interest at that point in time? A lot of  
6 the material that Mr. Sterne points to is actually  
7 things that happened afterwards that other people  
8 like the work that Cisco did and wanted to pile on.  
9 But that has nothing to do with the real party in  
10 interest and I guarantee you, none of them had any  
11 control over me when I filed that.  
12       So if you go in order, the  
13 indemnification, what Mr. Sterne is proposing is a  
14 huge expansion of routine discovery. He's basically  
15 saying that if you have a company selling products  
16 that's subject to the Uniform Commercial Code, you  
17 know, the old warranty of merchantability, it's in  
18 every UCC statute across the country, that that  
19 necessarily triggers an indemnification and that  
20 justifies moving forward with routine discovery.  
21       Well, the Board has already rejected  
22 a much narrower position by saying that, well,  
23 indemnification agreements alone don't justify  
24 additional discovery or don't justify discovery.  
25       And you can see that in the Broadcom

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