

UNITED STATES PATENT AND TRADEMARK OFFICE

---

BEFORE THE PATENT TRIAL AND APPEAL BOARD

---

MERCEDES-BENZ USA, LLC  
and MERCEDES-BENZ U.S. INTERNATIONAL, INC.,

Petitioner

v.

VELOCITY PATENT, LLC,

Patent Owner.

---

Case IRP No.  
Patent IPR 2015-00290

---

TELEPHONE CONFERENCE BEFORE

HONORABLE PETER CHEN

HONORABLE GLENN J. PERRY

HONORABLE JOHN LEE

January 12, 2015

Reported By: Ann Medis

Ref No.: 13211

TransPerfect Legal Solutions

1 On behalf of Petitioner  
 2 (Present via telephone)  
 3 Celine Jimenez Crowson, Esquire  
 4 Raymond A. Kurz, Esquire  
 5 Joseph J. Raffetto, Esquire  
 6 HOGAN LOVELLS US, LLP  
 7 555 13th Street, N.W.  
 8 Washington, D.C. 20004  
 9 202.637.5600  
 10 celine.crowson@hoganlovells.com  
 11 raymond.kurz@hoganlovells.com  
 12 joseph.raffetto@hoganlovells.com

13 On behalf of Patent Owner  
 14 (Present via telephone)  
 15 James A. Shimota, Esquire  
 16 MAVRAKAKIS LAW GROUP, LLP  
 17 180 North La Salle Street, Suite 2215  
 18 Chicago, Illinois 60606  
 19 312.216.1620  
 20 jshimota@mavllp.com  
 21 (Present via telephone)  
 22 Patrick Richards, Esquire  
 23 RICHARDS PATENT LAW, P.C.  
 24 233 South Wacker Drive, 84th Floor  
 25 Chicago, Illinois 60606  
 312.283.8555

1 the Patent Owner.  
 2 JUDGE CHEN: Thank you.  
 3 Again, we are here pursuant to an email that  
 4 the Board received earlier this month in which  
 5 Petitioners requested a telephone conference to  
 6 discuss their seeking of authorization to file a  
 7 Motion to Stay IPR 2015-00290.

8 So with that, let me hear first from counsel  
 9 for Petitioner. Then we'll turn it over to the  
 10 Patent Owner.

11 But first go ahead, Petitioner's counsel.

12 MS. CROWSON: Thank you. As stated in  
 13 our email, Mercedes does request that the '290 IPR  
 14 be stayed preinstitution, including all deadlines  
 15 tolled in that proceeding pending the conclusion  
 16 of the co-pending ex parte re-exam with the  
 17 Control No. 90013252.

18 When we had our last telephone conference  
 19 regarding this IPR, Velocity urged that perhaps an  
 20 approach would be to let the re-examination play  
 21 out. Staying the 290 IPR will allow that to  
 22 happen, but will also allow Mercedes to preserve  
 23 its ability to challenge the '290 patent through  
 24 the IPR process.

25 If one considers practically how this may

1 JUDGE CHEN: This is Judge Chen from the  
 2 Patent Trial and Appeal Board. With me on the  
 3 line are Judges Perry and Lee.

4 We are here today for IPR 2015-00290, a  
 5 request by Petitioner for a telephone conference.

6 May I have the appearances of counsel,  
 7 please.

8 MS. CROWSON: Yes. Good afternoon, Your  
 9 Honors. This is Celine Crowson with Hogan Lovells  
 10 for Petitioner, Mercedes. And also with me are my  
 11 colleagues, Raymond Kurz and Joseph Raffetto, also  
 12 here with Hogan Lovells. And for Your Honors'  
 13 benefit, we wanted to let you know we do have a  
 14 court reporter on this call.

15 JUDGE CHEN: Very well. What is the  
 16 court reporter's name?

17 COURT REPORTER: My name is Ann Medis.

18 JUDGE CHEN: Thank you very much.

19 How about appearance of counsel for Patent  
 20 Owner, please.

21 MR. SHIMOTA: Hello, Your Honor. It's  
 22 James Shimota of the Mavrakakis Law Group  
 23 appearing on behalf of Patent Owner.

24 MR. RICHARDS: Patrick Richards of  
 25 Richards Patent Law also appearing on behalf of

1 play out, if the IPR is stayed pursuant to  
 2 Mercedes' request, if no claims survive ex parte  
 3 re-exam, once the stay of the '290 IPR is lifted,  
 4 the IPR can simply be dismissed or not instituted.

5 If, however, claims of the patent do survive  
 6 ex parte re-exam, then Petitioner, Mercedes, can  
 7 conform the '290 IPR to the claims, if  
 8 appropriate, under the IPR standards, and the IPR  
 9 '290 would proceed.

10 We think the Board has the power to stay the  
 11 '290 IPR, at least under 37 C.S.R. 42.122, which  
 12 says the Board can institute any order with an eye  
 13 towards staying or consolidating or joining  
 14 proceedings when they're co-pending regarding the  
 15 same patent.

16 And I think perhaps most importantly is that  
 17 the balance of prejudice and harms weighs in favor  
 18 of staying the '290 IPR. There's no undue  
 19 prejudice to Patent Owner by staying the '290 IPR  
 20 and allowing the re-exam to play out. The  
 21 re-examination is in its advanced stages. A  
 22 couple of responses have already been filed, and  
 23 the next action from the Office would be expected  
 24 soon.

25 Conversely, Mercedes will be unduly

1 prejudiced if the IPR is met and claims come out  
2 of re-exam with Velocity urging that Mercedes  
3 should not be permitted to file a new IPR.

4 So for all of these reasons, especially the  
5 balance of the prejudice and the harms, we request  
6 that the '290 IPR be stayed pending the outcome of  
7 the co-pending re-exam proceeding.

8 JUDGE CHEN: Thank you, counsel.

9 How about counsel for Patent Owner. I'd like  
10 to hear from you on this.

11 MR. SHIMOTA: Yes, Your Honor. Thank  
12 you. Where we start on this is that the petition,  
13 which was filed by Mercedes, is legally  
14 impermissible. The '290 IPR specifically is  
15 directed to application claims pending in the  
16 re-examination.

17 If you look to 35 U.S.C. Section 311(b), it  
18 is explicit that the scope of an IPR petition  
19 needs to be limited to the claims of an issued  
20 patent. So the IPR petition that is pending  
21 before the Board is simply impermissible, and what  
22 Mercedes is asking the Board to do is to take an  
23 improper petition, which is legally impermissible,  
24 and to wait and see whether it might be  
25 permissible down the road.

1 Moreover, Mercedes says that the balance of  
2 prejudice clearly is in their hand. My response  
3 to that is how does Mercedes know that? The  
4 claims have not even issued yet. So until they  
5 issue, there cannot be an infringement. I did not  
6 notice today whether or not models of Mercedes  
7 vehicles which will be on the market if and when  
8 the claims arise are infringing or not. They very  
9 well may be, but I don't know that today. And  
10 unless Mercedes does, the argument they make  
11 regarding prejudiced is simply speculative.

12 So under the circumstances, I think the  
13 proper course is for the Board to deny the '290  
14 petition. And to the extent that claims arise out  
15 of the re-examination, Mercedes can -- and to the  
16 extent that they are asserted against Mercedes in  
17 litigation, Mercedes has a number of options,  
18 including defending against them in litigation.  
19 Mercedes also could file its own re-examination at  
20 that point in time.

21 And, moreover, to the extent that there was a  
22 pending IPR, Mercedes could also seek to join a  
23 petition with a pending IPR regarding '781 patent  
24 claims. In that regard, it's important for the  
25 Board to note Volkswagen has also filed what is

1 Our primary position is that that's just  
2 simply, as a matter of law, wrong, and that is why  
3 petition should be denied.

4 Turning to the factual argument raised by  
5 Mercedes, I think what can't be lost in this call  
6 is that in litigation, Mercedes was accused of  
7 infringing claims 1, 2, 4, 5, 7, 8, 10, 12, 13, 15  
8 and 17 to 32 of the '781 patent. Those claims  
9 coincidentally are the ones that are involved in  
10 the re-examination and where re-examination was  
11 sought by Volkswagen, the parent of Audi, who has  
12 also been sued on those claims.

13 So what the Board should know is that  
14 Mercedes had the opportunity to seek an IPR of  
15 claims that actually are asserted against it now  
16 and made the strategic choice not to assert an IPR  
17 on those claims.

18 And in that litigation, Mercedes has  
19 presented invalidity contentions and, again, made  
20 the strategic choice that extensive litigation  
21 begins again in the Northern District of Illinois,  
22 that it will pursue an invalidity case there. It  
23 can pursue invalidity elsewhere so that the  
24 prejudice argument that Mercedes raised suffers in  
25 that regard.

1 IPR Petition 2015-00276 in which it is challenging  
2 claims 1, 2, 4, 5, 7, 8, 10, 12, 13, 15 and 17 to  
3 32. As the Board knows, claims 31 and 32 have now  
4 been canceled. So those will not be at issue.

5 For the Board's information, I believe the  
6 Patent Owner's response is due to Volkswagen's  
7 petition on December 9, 2015.

8 JUDGE CHEN: I'm sorry. Counsel, could  
9 you repeat that matter number? Was it IPR 00276  
10 did you say?

11 MR. SHIMOTA: That's correct, Your  
12 Honor.

13 JUDGE CHEN: Thank you.

14 Let me ask you, if I may, whether Patent  
15 Owner believes that a new IPR would be time barred  
16 at some point down the road? What is your  
17 thinking on that?

18 MR. SHIMOTA: It very may well be, Your  
19 Honor. Under current case law, I think that we  
20 might make an argument that the petition is time  
21 barred. And frankly, it's an adversary system,  
22 and to the extent that we have that argument, we  
23 absolutely would make it if Mercedes filed the  
24 petition. But candidly, I can't say for certain  
25 right now.

1 The law could change. There's a potential  
2 for a Petition for Joinder. But I do think under  
3 the case Mercedes has cited, that we would at  
4 least, to the extent the claims issue and Mercedes  
5 filed a subsequent IPR, that Patent Owner would  
6 have an argument that that petition would be time  
7 barred, yes, Your Honor.

8 JUDGE CHEN: Thank you. Let me, if I  
9 may, can I ask Petitioner's counsel if they have  
10 any response to the remarks from Patent Owner?

11 MS. CROWSON: I think we have hit really  
12 on the key issue, Your Honor, and that is putting  
13 aside what Mercedes' options may be in district  
14 court, Mercedes desires to preserve its ability to  
15 challenge through the IPR process the patents at  
16 hand, and we feel that the way to do that is to  
17 stay the '290 IPR out of concern that Velocity  
18 will make the arguments that it just articulated.

19 And we do think that because this is an issue  
20 of the regulations, that there is the broad power  
21 of the Board to issue orders that stay or  
22 consolidate or join proceedings exactly in  
23 situations like this. So I think that this issue  
24 regarding the balance of the prejudice and the  
25 balance of the harms here looms very much large

1 and favors Mercedes' request.

2 JUDGE CHEN: So let me, if I may, ask  
3 you what I asked directly to Patent Owner's  
4 counsel. Does Petitioner believe that the later  
5 IPR that would be filed at some point down the  
6 road would possibly be time barred?

7 MS. CROWSON: We have the concern and I  
8 believe we articulated it in our email and on our  
9 last call that Velocity would make that argument.  
10 And we disagree with the position, but we would be  
11 faced with that argument. And obviously if we  
12 lost it, then we would have lost any opportunity  
13 to challenge the patents at hand through an IPR.

14 So we would oppose the argument, but we're  
15 concerned that Velocity would make it.

16 JUDGE CHEN: Anything further from  
17 Petitioner at this point?

18 MS. CROWSON: No, Your Honor.

19 JUDGE CHEN: Patent Owner?

20 MR. SHIMOTA: The only thing I would  
21 add, again just to start where I began, is while  
22 Mercedes notes the fact that there are regulations  
23 which provide authority to the Board, and I  
24 respectfully agree that the Board has broad  
25 authority to manage its dockets, starting from the

1 position that Section 311 only allows petitions  
2 for patent claims, I would submit that the  
3 position that Mercedes submitted is impermissible  
4 as a matter of statute and respectfully the  
5 statute has to trump the regulations.

6 I would add, again, too, that Mercedes had  
7 the option of challenging certain patent claims  
8 that are currently asserted against Mercedes, and  
9 Mercedes made the strategic choice to not do so.  
10 And, consequently, given that there's presently a  
11 petition which involves petition application  
12 claims, which actually aren't even pending before  
13 the Examiner any longer, the proper course is for  
14 the petition to be denied and to deal with any  
15 issues down the road as they arise, if they may.

16 JUDGE CHEN: Thank you, counsel. We are  
17 going to, we being the panel, we're going to put  
18 you on mute and confer for a moment and be back.

19 Before we do that, I have one more question  
20 of Petitioner's counsel. And that is: By seeking  
21 authorization to file a Motion for Stay, would you  
22 be requesting the Board, this Panel to do  
23 something, so to speak, extraordinary in terms of  
24 perhaps having to extend the statutory deadlines  
25 imposed upon us beyond the time periods provided

1 for in the AIA and the regulations that have been  
2 followed in the past couple years?

3 MS. CROWSON: We don't think so, Your  
4 Honor, because in its current stage, with the stay  
5 of the IPR, all of the upcoming deadlines would  
6 also be tolled, such as the deadline for Patent  
7 Owner to file its response to the IPR which has  
8 not been filed yet. So in its current state, we  
9 think that the IPR could be stayed, all upcoming  
10 deadlines tolled, and that that would not be  
11 contrary to any statute or regulation.

12 With respect to the statute that Patent Owner  
13 references, this may be an area of initial  
14 impression. The statute hasn't been interpreted.  
15 And we think, again, that with there being no  
16 prohibition, as I explained, and with the IPR in  
17 the early stage it's in, that the stay can be  
18 effected and there's no statute or reg. that  
19 prohibits that.

20 JUDGE CHEN: I appreciate that, counsel.  
21 I am going to go ahead and put the parties on  
22 mute. Please stay on the line. The panel will  
23 confer and will be back to you shortly.

24 (There was a pause in the proceedings.)

25 JUDGE CHEN: This is Judge Chen of the

1 Patent Trial and Appeal Board. I and Judge Perry  
2 and Judge Lee are back.

3 Do we have counsel for both parties?

4 MS. CROWSON: Yes, Your Honor.

5 MR. SHIMOTA: Yes, Your Honor.

6 JUDGE CHEN: And is the court reporter,  
7 Ms. Medis, still on the line?

8 COURT REPORTER: Yes, Your Honor.

9 JUDGE CHEN: Just a couple of follow-up  
10 questions. I appreciate your patience while we  
11 were conferring.

12 I wanted to ask the Petitioner's counsel,  
13 you've mentioned both in the email earlier in the  
14 month and then on this phone call, you mentioned  
15 the concept of tolling.

16 What's your authority for the ability of the  
17 Panel to toll deadlines?

18 MS. CROWSON: It's the ability to stay  
19 the proceeding. I think an effect of staying, the  
20 effect of staying the '290 IPR will be to toll,  
21 for example, the deadline for Patent Owner to file  
22 its response. So the authority is the Board's  
23 ability to stay proceedings, and that results in a  
24 tolling of all deadlines, for example, such as the  
25 Patent Owner's filing of its response.

1 in this case yet. So there's no timing that  
2 started, no statutory timing that started with  
3 respect to that.

4 In a situation where no preliminary response  
5 is filed, that turns to the regs. in which the  
6 Director or the Board can determine that outside  
7 timeframe. So we think that in a situation like  
8 this where no preliminary response to the petition  
9 has been filed, the statutory deadline is not  
10 triggered.

11 So we don't think there's any prohibition or  
12 any contravention of the timing requirements in  
13 the statute with respect to the status of this  
14 particular IPR.

15 With respect to how long the stay may be  
16 effected, it's tough to have guarantees, but here  
17 there have at least been a couple of responses  
18 filed. One would expect the next Office Action to  
19 be final. And so our thought is that the  
20 re-examination proceeding is in its very late  
21 stages.

22 JUDGE CHEN: All right. One other  
23 question for you. Then I'll turn it over to  
24 Patent Owner for any last remarks.

25 What would occur if there were not any

1 JUDGE CHEN: How does that align with  
2 Section 314(b) which on its face appears to  
3 provide for no tolling?

4 MS. CROWSON: Let me pull that.

5 JUDGE CHEN: That talks about the timing  
6 of our institution of an IPR, and as we're all  
7 well aware, there are certain timing deadlines  
8 that are imposed pursuant to Section 314.

9 In addition, I wanted to get -- let's talk  
10 this out a little bit. How long could this stay  
11 be in place? I know you mentioned in your remarks  
12 that there was perhaps an expectation, at least  
13 from your side, that -- I think you said the  
14 re-exam is in some advanced stage and that the  
15 next Office Action was expected soon.

16 What's the outside boundary of this as far as  
17 months or years that this IPR might be stayed, and  
18 how would that affect the ability of the Board to  
19 comply with the statutory periods that are imposed  
20 on us both for institution and for completion of  
21 the trial?

22 MS. CROWSON: I think with respect to  
23 the statutory periods that are imposed, the timing  
24 relates to initially the receipt of a preliminary  
25 response to the petition, which hasn't been filed

1 tolling, this concept of tolling that you  
2 introduced? Would it be the fact that absent  
3 tolling, this IPR 00290 would in a stay situation  
4 have the potential to extend far beyond the  
5 statutory deadlines for completion of an AIA  
6 proceeding?

7 MS. CROWSON: No, Your Honor, and I  
8 think -- I used the word tolling, but as  
9 mentioned, I think that's an effect, it's a  
10 necessary effect of the stay. With the IPR being  
11 stayed prior to institution, the deadline, for  
12 example, for Patent Owner's preliminary response  
13 would also be stayed. I think the word stay works  
14 across the board.

15 And the thought, practically speaking, is  
16 that when the re-examination concludes, which one  
17 would expect to be not inordinately far out, if no  
18 claim survives re-examination, then the -- when  
19 the stay is lifted, the IPR would be dismissed.  
20 If claims do survive re-examination and the  
21 re-examination certificate is issued, then we do  
22 have claims to which we can conform the IPR when  
23 the stay is lifted.

24 So we are not anticipating that this would  
25 take an extraordinary amount of time given the

# Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

## Real-Time Litigation Alerts



Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

## Advanced Docket Research



With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

## Analytics At Your Fingertips



Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

## API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

## LAW FIRMS

Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

## FINANCIAL INSTITUTIONS

Litigation and bankruptcy checks for companies and debtors.

## E-DISCOVERY AND LEGAL VENDORS

Sync your system to PACER to automate legal marketing.