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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

CHEMOURS COMPANY FC, LLC,)	
)	
Plaintiff,)	
)	C.A. No. 17-1612 (MN)
v.)	
)	
DAIKIN INDUSTRIES, LTD.,)	
et al.,)	
)	
Defendants.)	

Friday, December 21, 2018
9:00 a.m.
Teleconference

844 King Street
Wilmington, Delaware

BEFORE: THE HONORABLE MARYELLEN NOREIKA
United States District Court Judge

APPEARANCES:

FISH & RICHARDSON, P.C.
 BY: ANNA MARTINA TYREUS HUFNAL, ESQ.
 BY: DOUGLAS E. McCANN, ESQ.
 BY: JEREMY DOUGLAS ANDERSON, ESQ.
 BY: NITIKA GUPTA FIORELLA, ESQ.
 BY: GRAYSON SUNDERMEIR, ESQ.

Counsel for the Plaintiff

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APPEARANCES CONTINUED:

ASHBY & GEDDES
BY: JOHN G. DAY, ESQ.
BY: ANDREW COLIN MAYO, ESQ.

-and-

JONES DAY
BY: DAVID M. MAIORANA, ESQ.
BY: JOHN C. EVANS, ESQ.

Counsel for the Defendants

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P R O C E E D I N G S

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THE COURT: Good morning, counsel. Who is there, please.

MS. HUFNAL: Good morning, Your Honor. This is Martina Hufnal from Fish & Richardson for the plaintiff. And I have a group of people to introduce on the line as well.

09:01:42 1 THE COURT: Okay.

09:01:45 2 MS. HUFNAL: So with me at Fish is Doug McCann,
09:01:48 3 Jeremy Anderson, Nitika Fiorella and Grayson Sundermeir.
09:01:54 4 And then also on the phone for Chemours is Roseanne Duffy
09:01:58 5 and John Henderson, both in-house counsel. And then we have
09:02:02 6 Ms. Denise Dignam who is the North American business
09:02:06 7 director for Chemours.

09:02:07 8 THE COURT: Good morning, all.

09:02:10 9 MR. DAY: Good morning, Your Honor, on behalf of
09:02:12 10 the defendant -- I apologize for speaking over you, Your
09:02:16 11 Honor. This is John Day and Andrew Mayo at Ashby & Geddes.
09:02:21 12 With us on the line are David Maiorana, M-A-I-O-R-A-N-A, and
09:02:25 13 John Evans, E-V-A-N-S, from Jones Day, lead counsel for the
09:02:30 14 Daikin defendants.

09:02:32 15 THE COURT: Great. Thank you.

09:02:34 16 So I read the papers that were submitted in
09:02:36 17 connection with the motion to stay pending IPR and I wanted
09:02:43 18 to get on the phone to give you an additional chance to tell
09:02:49 19 me anything that you would like to tell me. I do have my
09:02:52 20 court reporter, Dale Hawkins here, so I ask that anyone when
09:02:57 21 you're speaking, if you identify yourself so that we have a
09:03:01 22 clear record.

09:03:02 23 And with that, it's defendants' motion, so I'll
09:03:06 24 hear from defendants.

09:03:09 25 MR. MAIORANA: Thank you, Your Honor. This is

09:03:10 1 David Maiorana from Jones Day on behalf of the defendants.
09:03:14 2 I think our arguments for a stay are pretty well laid out in
09:03:19 3 our two papers, so I won't read the briefs to Your Honor,
09:03:23 4 but I do want to highlight a few points that were the ones
09:03:26 5 mostly disputed by the parties in the briefing.

09:03:30 6 There is three stay factors that courts in this
09:03:34 7 district look at when considering to stay a case;
09:03:37 8 simplification of the issues, time and status of the case,
09:03:41 9 and the PTAB proceedings and undue prejudice. And
09:03:46 10 defendants submit to Your Honor that all three of those
09:03:49 11 factors favor a stay here, strongly favor a stay as do the
09:03:53 12 four factors that courts in this district look at to see
09:03:57 13 whether there is undue prejudice, all four of those factors
09:04:01 14 favor a stay.

09:04:02 15 In fact, this is a textbook case for a stay.
09:04:07 16 The PTAB has instituted IPR's in all the claims and all the
09:04:13 17 grounds that we submitted in the petition. IPR's are likely
09:04:17 18 case dispositive. And we provided Your Honor with the most
09:04:21 19 recent statistics from the patent office. They invalidate
09:04:25 20 all the claims in 64 percent of instituted IPR's, every
09:04:30 21 single claim in 64 percent of instituted IPR's, and at least
09:04:36 22 one claim in 81 percent of instituted IPR's. So the fact
09:04:39 23 that we have now received institution of every claim, every
09:04:43 24 ground, every reference that we submitted is very clear
09:04:48 25 proof that the IPR's will simplify this case no matter how

09:04:53 1 they come out.

09:04:54 2 Certainly we recognize that there is a chance
09:04:56 3 that the IPR's can go Chemours' way, but that's true in
09:05:00 4 every case, in every IPR the petitioner could lose, but the
09:05:05 5 statistics just don't bear that out here. So the first
09:05:09 6 factor, simplification of the issues favor the stay.

09:05:13 7 In terms of the timing, this is the ideal time
09:05:17 8 to stay this case. We just got institutions. We moved for
09:05:22 9 a stay immediately after getting institutions. I had raised
09:05:25 10 with Judge Sleet back in May the possibility of a stay. And
09:05:30 11 he told us to wait until we get institutions. So we
09:05:35 12 dutifully complied with that and moved the very first
09:05:39 13 instant that we could.

09:05:40 14 In terms of where we are in the case, we haven't
09:05:43 15 submitted the joint claim construction brief yet. It's due
09:05:48 16 today, but it hasn't been submitted yet. We haven't done
09:05:53 17 the Markman hearing. We haven't done any depositions. The
09:05:56 18 parties have produced a small amount of documents. I note
09:06:02 19 that Chemours produced some additional documents at about
09:06:05 20 7:30 p.m. Eastern time last night, but still haven't
09:06:10 21 produced a large number of documents. The parties are still
09:06:13 22 reviewing.

09:06:14 23 The intrinsic record is going to be completed
09:06:16 24 and embellished with the IPR's and so we should wait for
09:06:21 25 that to play out until we go back to the litigation if

09:06:26 1 necessary at the end if the IPR's are not successful. The
09:06:32 2 trial date currently in January of 2020 which is after the
09:06:35 3 decision from the PTAB are due, so the timing here favors a
09:06:41 4 stay as well.

09:06:42 5 In terms of undue prejudice, Your Honor, the
09:06:45 6 four factors somewhat overlap the ones that I just
09:06:48 7 mentioned, so I won't repeat those, but the one I want to
09:06:53 8 hit on is the relationship of the parties. Chemours has
09:06:56 9 made a big deal in their paper about the fact that these
09:07:00 10 parties are competitors. And certainly we don't contest
09:07:05 11 that the parties compete in this market, but we're not the
09:07:09 12 only two companies in the market. There are other companies
09:07:12 13 that sell these products. Chemours concedes that so --

09:07:17 14 THE COURT: I think Chemours -- excuse me, I'm
09:07:20 15 sorry. I think Chemours suggested that the two companies
09:07:24 16 here, Chemours and Daikin, share 95 percent of the market.
09:07:29 17 Is that consistent with your position?

09:07:34 18 MR. MAIORANA: Yeah, Your Honor, I think that's
09:07:36 19 generally accurate. It's different with different
09:07:40 20 customers. So there is some customers that are only
09:07:42 21 Chemours', there are some customers that are primarily
09:07:45 22 Chemours', there are some customers that are primarily
09:07:48 23 Daikin and so on, but yes as a general matter, these two
09:07:52 24 parties control most of the market. This is just one of
09:07:56 25 hundreds of products that these companies each sell just to

09:08:00 1 make that point. These are very specific products with
09:08:02 2 specific properties that are directed for specific uses, but
09:08:06 3 each of these companies sells hundreds of other resins
09:08:11 4 similar to these for different uses. So this isn't like the
09:08:15 5 only product that these companies sell.

09:08:17 6 So turning back to the competitor --

09:08:21 7 THE COURT: And just one more since you said
09:08:24 8 they sell different products, et cetera. Do you agree that
09:08:29 9 the relevant market with respect to this case, though, is
09:08:33 10 the land cables?

09:08:39 11 MR. MAIORANA: Yes, Your Honor, that's the
09:08:41 12 market that these specific products are directed to. But I
09:08:44 13 just wanted to make the point that those products are a
09:08:47 14 small portion of the overall portfolio both companies sell.
09:08:52 15 Even if there is direct competition between the two
09:08:55 16 companies with these products, it's not like either one of
09:08:59 17 these companies is going to go bankrupt based on the sales
09:09:02 18 of these specific niche products for the land cables.

09:09:05 19 THE COURT: Okay.

09:09:06 20 MR. MAIORANA: So unless you have other
09:09:10 21 questions on that, Your Honor, I'll talk about the timing on
09:09:13 22 Chemours' side of things.

09:09:14 23 THE COURT: The one question that I had for you
09:09:18 24 is that it appears in the validity contentions that Daikin
09:09:26 25 has asserted other prior art or obviousness combinations

09:09:33 1 that are not the subject of the IPR. Given the IPR
09:09:39 2 estoppel, I'm assuming that you wouldn't be pursuing those
09:09:45 3 if I stayed the case and it came back; is that correct?

09:09:50 4 MR. MAIORANA: Yes, Your Honor, you're right.
09:09:54 5 The estoppel provision is a little bit murky, but there is
09:10:04 6 case law there from the Federal Circuit giving us guidance
09:10:09 7 on what the breath of the estoppel is. But if the Court
09:10:12 8 stays the case and it comes back to Your Honor after the
09:10:16 9 IPR's for some reason, then we would not put forth any prior
09:10:19 10 art that certainly was submitted in the IPR's, and then if
09:10:23 11 there is any other references that we had, other patents or
09:10:28 12 printed publications that could have been in the IPR, we
09:10:31 13 will not assert those either.

09:10:33 14 We have prior art products that we have listed
09:10:37 15 in our contentions and those can't be submitted in the IPR,
09:10:43 16 so we certainly would want to reserve the right to raise
09:10:46 17 those if necessary, but yes, we would agree to the estoppel
09:10:50 18 if the Court would stay the case.

09:10:52 19 THE COURT: Okay. So go ahead, I interrupted
09:10:54 20 you when you were going to talk about timing from the
09:10:57 21 plaintiff's side.

09:10:59 22 MR. MAIORANA: Right. So, again, this is laid
09:11:01 23 out in our brief so I don't want to belabor the point too
09:11:08 24 much. But Chemours pled in the complaint, both the original
09:11:13 25 and the amended complaint, that in order to try to show

09:11:16 1 knowledge of the patents on behalf of defendants, they pled
09:11:18 2 that on May 29th, 2013, defendant Daikin America approached
09:11:24 3 Chemours to license fluorinated FEP of any MFR through
09:11:30 4 fluorination within the extruder during pelletization. You
09:11:35 5 can find that in paragraph 44 of the original complaint and
09:11:39 6 43 of the amended complaint. That was in 2013.

09:11:43 7 In 2014, Daikin started selling these accused
09:11:46 8 products in the United States. At least as early as 2013 or
09:11:50 9 2014, Daikin's sale of these products was known. In fact,
09:11:54 10 they reached out to Chemours about a license on this exact
09:11:57 11 technology.

09:11:58 12 And Chemours did not file a complaint until
09:12:01 13 November of 2017, years later. And I understand that
09:12:08 14 Ms. Dignam has submitted a declaration explaining what was
09:12:12 15 going on at that time. They were busy being spun off. And
09:12:16 16 I understand that that takes some resources, but she says in
09:12:21 17 her declaration that when she started looking at this market
09:12:24 18 in 2016, she realized that Daikin was hurting them in the
09:12:29 19 market. They still didn't sue until November of 2017. So
09:12:33 20 even if you give them all the benefit of the doubt of all
09:12:36 21 these other things going on that they didn't know about our
09:12:39 22 product, it seems incredible to us, especially when they
09:12:42 23 allege that Daikin reached out for a license in May of 2013,
09:12:47 24 even if you give them the benefit of the doubt on all of
09:12:50 25 that, they still didn't file a complaint until November of

09:12:54 1 2017.

09:12:55 2 Then when they filed the complaint, they didn't
09:12:58 3 seek a PI. And yes, there are reasons why parties don't
09:13:02 4 seek preliminary injunctions, that's true, but it is a
09:13:06 5 factor that should be considered in whether or not there is
09:13:09 6 undue prejudice here. They didn't seek a PI. They said we
09:13:13 7 wanted to get a faster schedule, so instead of going for a
09:13:17 8 PI, which they could have, they sought a quick schedule.
09:13:22 9 And Judge Sleet didn't give them their quick schedule back
09:13:25 10 in May of this year, and they still didn't move for a PI.

09:13:30 11 So until this stay motion opposition, they were
09:13:34 12 content to sit back and wait until January of 2020, at
09:13:39 13 least, that's our trial date, at least January 2020, and who
09:13:42 14 knows how long it would take for post trial briefing and so
09:13:45 15 on, before they got their relief here.

09:13:48 16 So it seems awfully convenient for them to come
09:13:52 17 in now and say they're being harmed every day when they knew
09:13:56 18 about Daikin entering this market at least in 2013 and
09:14:00 19 certainly in 2014, and even in 2016 and still didn't sue
09:14:05 20 until November of 2017. So we cited Your Honor several
09:14:09 21 cases where the fact that the parties are competitors isn't
09:14:12 22 enough when the plaintiffs sat on their rights for years,
09:14:17 23 sometimes even as little as one year was deemed to be too
09:14:20 24 long before seeking relief. And then not moving for a
09:14:25 25 preliminary injunction just confirms that there is no undue

09:14:31 1 prejudice here in any circumstance.

09:14:33 2 THE COURT: Okay.

09:14:33 3 MR. MAIORANA: The other thing I want to mention
09:14:34 4 here --

09:14:34 5 THE COURT: Go ahead, I thought you were
09:14:36 6 finished.

09:14:36 7 MR. MAIORANA: Sorry, I thought you were
09:14:38 8 talking.

09:14:38 9 The other thing I want to mention is what we're
09:14:40 10 talking about here is an eleven-month stay. The IPR must be
09:14:46 11 completed by statute in November of 2019. That's two months
09:14:49 12 before the trial date, if we even have the trial date in
09:14:53 13 this case. So all we're talking about is an eleven-month
09:14:56 14 stay to let the PTAB do its job to determine whether or not
09:14:59 15 these remaining claims are patentable, and if not, if we
09:15:05 16 lose the IPR's or some claims survive, then we'll come back
09:15:10 17 to Your Honor and see where we're at. It's only an
09:15:14 18 eleven-month stay. There is no undue prejudice here.

09:15:17 19 I want to mention, I know we said tis in our
09:15:19 20 papers, but after we filed the IPR, Chemours canceled the
09:15:24 21 claims, five of the seven claims in the '431 patent. So the
09:15:28 22 IPR's have already simplified issues in this case. And we
09:15:33 23 respectfully submit to Your Honor that they will simplify
09:15:35 24 the remaining issues in this case with respect to the
09:15:38 25 remaining claims and we would ask that Your Honor stay this

09:15:41 1 case until the IPR's decision in November of 2019.

09:15:45 2 THE COURT: Okay. Thank you.

09:15:46 3 For plaintiff.

09:15:50 4 MS. HUFNAL: Good morning. Martina Hufnal for
09:15:53 5 plaintiff.

09:15:56 6 THE COURT: Good morning.

09:15:56 7 MS. HUFNAL: Your Honor, we'll start with
09:15:59 8 acknowledging yes, there are three factors, but I think the
09:16:02 9 case law from this district is pretty clear that the third
09:16:05 10 factor, which is the prejudice to the parties, has been
09:16:09 11 considered one of the most important factors. And Your
09:16:12 12 Honor can find that from a few different judges in this
09:16:17 13 district. Judge Thyng stated it in the Image Vision case.
09:16:20 14 Judge Sleet in the Staval case, he referred to this as the
09:16:23 15 most important factor, or an important factor. Judge Stark
09:16:27 16 in Kraft, the fact that the parties are competitors is quite
09:16:31 17 important. Judge Andrews in Bio-Rad, that comments that
09:16:36 18 most of the time competitor cases should not be stayed. And
09:16:40 19 Judge Robinson in Courtesy Products stated that finally and
09:16:43 20 perhaps most significantly Courtesy has been in direct
09:16:48 21 competition with and has lost business to Hamilton Beach.

09:16:52 22 Daikin, it's essentially interesting uncontested
09:16:56 23 in this case, this case is different from Bio-Rad,
09:16:59 24 Bioscience, I'm sorry, Boston Science and the Four By Four
09:17:04 25 which are the four cases that Daikin relies so heavily on in

09:17:09 1 their reply brief. But there were some issues whether or
09:17:15 2 not there was competition, whether or not the products at
09:17:18 3 issue were head-to-head competing products.

09:17:19 4 There are no such disputes here. We have
09:17:22 5 submitted a declaration signed by Ms. Denise Dignam that is
09:17:26 6 un rebutted in the record of this case. And in her
09:17:30 7 declaration she explains how Chemours is losing market share
09:17:35 8 amongst its customers. She explains how that loss of market
09:17:37 9 share can be irrecoverable. She explains that Chemours has
09:17:41 10 been forced to drop its prices with customers. And
09:17:45 11 increasing prices after you drop them can be very difficult.

09:17:48 12 And then Ms. Dignam explained how delays in
09:17:52 13 resolving this litigation irreparably damaged Chemours'
09:17:57 14 business growth as it tried to fend off Daikin in the
09:18:00 15 marketplace. All of this evidence again, Daikin has not
09:18:04 16 submitted anything to materially dispute the substance of
09:18:06 17 allegations of undue harm.

09:18:08 18 What has Daikin done, and this is to the last
09:18:12 19 point made by counsel which is they're saying that we
09:18:17 20 delayed -- really two things. They're saying that because
09:18:20 21 of our purported delay in filing this lawsuit, and because
09:18:23 22 we didn't file a motion for preliminary injunction, because
09:18:27 23 of those two things that this Court should discredit
09:18:32 24 effective Ms. Dignam's declaration on undue harm. I will
09:18:34 25 address those two. I'll start with the preliminary

09:18:38 1 injunction argument first.

09:18:41 2 This Court has not held that filing a motion for
09:18:45 3 preliminary injunction is a prerequisite to arguing in any
09:18:50 4 way that a company or a party has suffered undue harm.

09:18:54 5 And you can look at a few different -- there
09:18:59 6 isn't case law on that in this context of a stay, and if we
09:19:02 7 look at some kind of corollary areas where preliminary
09:19:07 8 injunction has come up, the Federal Circuit has held there
09:19:11 9 is no requirement to file a preliminary injunction when
09:19:14 10 you're trying to get a permanent injunction. And the
09:19:18 11 Federal Circuit has also held that there is no requirement
09:19:20 12 to file a preliminary injunction if it's trying to get
09:19:25 13 enhanced damages for willfulness. Those are two examples.

09:19:29 14 And the policy behind this is crystal clear, the
09:19:31 15 court as a matter of policy should not be encouraging
09:19:34 16 parties to file motions for preliminary injunction even if
09:19:37 17 they feel like the merits, their reasons, meritorious
09:19:41 18 reasons not to file one just because it might preclude their
09:19:45 19 ability to make an argument later on down the road. And
09:19:47 20 judge Andrews actually in the Bio-Rad transcript which has
09:19:52 21 been submitted to Your Honor, you know, he kind of addressed
09:19:56 22 this argument and said well, in that particular case, the
09:19:59 23 plaintiff had offered a license years before filing a
09:20:02 24 lawsuit. Judge Anderson said look, it's nothing but good
09:20:07 25 judgement that they didn't file a motion for preliminary

09:20:10 1 injunction.

09:20:10 2 In this case, we have without obviously
09:20:14 3 divulging here attorney/client or work product privilege,
09:20:18 4 but we have a case where the patent has never been
09:20:21 5 challenged, the validity of the patent has never been
09:20:25 6 challenged before in any proceeding. And in a circumstance
09:20:27 7 like that it is very difficult to get a preliminary
09:20:30 8 injunction and to prove likelihood of success on the merits
09:20:34 9 with an unchallenged patent. So that's just one reason why
09:20:37 10 a party -- another reason why a party might not file a
09:20:41 11 motion for preliminary injunction.

09:20:43 12 So kind of a full circle on that, though, is
09:20:49 13 Chemours has this issue of a preliminary injunction is
09:20:51 14 something that Chemours has been talking about since the
09:20:54 15 outset of the litigation. We submitted, we explained to
09:20:59 16 Judge Sleet when we asked for an October 2019 trial date.
09:21:05 17 And we filed our complaint in November of 2017. And we
09:21:08 18 asked for an October 2019 trial date. Less than two years
09:21:12 19 to trial which in this district is a pretty aggressive
09:21:16 20 request for a trial. But we explained as we recited to Your
09:21:21 21 Honor, docket item 20, which is a joint status report, in
09:21:26 22 about two paragraphs we explained to Judge Sleet why we were
09:21:29 23 asking for just an expedited trial and we were doing it in
09:21:32 24 part in lieu of filing a motion for preliminary injunction.
09:21:35 25 We think Rule 65 allows for that separate consideration

09:21:39 1 instead of having a little mini hearing on PI, you can
09:21:43 2 expedite an overall hearing to resolve a matter judicially.
09:21:49 3 And we explained that the reason we're doing that is because
09:21:52 4 we're losing market share, our prices are being eroded and
09:21:57 5 we're suffering irreparable harm.

09:22:00 6 So I do not think that there is any evidence
09:22:04 7 that Chemours -- I don't want to say failure, but that
09:22:08 8 Chemours did not file a motion for preliminary injunction
09:22:12 9 suggest in any way that Chemours is not suffering harm.
09:22:15 10 That's the relevant inquiry here.

09:22:17 11 I'm going to stop on the preliminary injunction
09:22:20 12 unless Your Honor has questions on that.

09:22:22 13 THE COURT: No. That's fine. Thank you.

09:22:24 14 MS. HUFNAL: Okay. So then on the timing for
09:22:27 15 filing of the lawsuit which is the other thing that Daikin
09:22:31 16 relies on to suggest that we're not harmed. First off, they
09:22:37 17 say three years, or more than three years, that assumes
09:22:40 18 starting off in 2014. I think it's interesting to note that
09:22:43 19 Daikin is the one who knows exactly when they started
09:22:46 20 selling products and they have not shared with us, with the
09:22:49 21 court, when exactly in 2014 they had started selling. For
09:22:53 22 all we know it could be December of 2014 and they're saying
09:22:56 23 all of 2014 they were selling products.

09:22:59 24 THE COURT: When did Chemours learn? I didn't
09:23:01 25 see that in the papers. When did Chemours learn about the

09:23:04 1 product that's accused?

09:23:06 2 MS. HUFNAL: Your Honor, the nature of the these
09:23:09 3 products, so they're sold from Daikin or Chemours to a
09:23:14 4 customer and the customer has to run it on their lines.
09:23:19 5 They have to see if it's something they can use, that their
09:23:25 6 extrusion lines can be adapted to use if it produces
09:23:29 7 sufficient quality, we're not talking about -- Chemours
09:23:33 8 could go out and buy Daikin's product in a store. So the
09:23:37 9 information, there is not a date that I can give you. I
09:23:40 10 guess I should start with answering that way. And the
09:23:42 11 reason is kind of the nature of the industry.

09:23:44 12 So Chemours did -- at some point customers
09:23:48 13 started telling Chemours -- Chemours started getting
09:23:53 14 information from customers that there were these other
09:23:56 15 products, that Daikin had some products in the market, maybe
09:24:00 16 customers were testing them or maybe we found out from hey,
09:24:03 17 a customer is just saying now we're not going to sell --
09:24:07 18 we're not going to buy 75 percent of our product from you,
09:24:10 19 we're going to go down to 50 because we're getting the other
09:24:13 20 25 from Daikin. That's the type of information Chemours was
09:24:18 21 getting in.

09:24:19 22 And then as Ms. Dignam explained in her
09:24:22 23 declaration, she took over as the head of the business in
09:24:26 24 2016, and as part of that sat down to look at the product
09:24:31 25 line, including this particular product line, and it was at

09:24:34 1 that point that she realized that the profitability of these
09:24:40 2 particular products was dropping. And that was, you know,
09:24:43 3 unusual I think was the language that she used.

09:24:46 4 So then she went and did an investigation with
09:24:49 5 her account manager to figure out what was going on with
09:24:52 6 these products. And then to talk to her technical folks at
09:24:56 7 Chemours. Again, even if we knew that there was a product
09:24:59 8 by name that Daikin was selling, exactly what was that
09:25:02 9 product, you know, that information wasn't clear from the
09:25:07 10 outset, either. So talking to her technical folks, talking
09:25:12 11 to her account manager, and then eventually to the legal
09:25:15 12 team, which is where privilege issues start coming in, but
09:25:20 13 then able to get -- Chemours, it's a brand-new company in
09:25:24 14 2015 was able to figure all of this out and get approval to
09:25:27 15 file a litigation by the end of 2017, that I submit is not
09:25:33 16 undue delay.

09:25:34 17 And the relevant inquiry frankly is whether or
09:25:39 18 not there is evidence that Chemours kind of sat on its hands
09:25:43 19 and didn't care that Daikin was on the product -- I'm sorry,
09:25:47 20 was on the market. And there is no evidence in the record
09:25:50 21 to suggest that Chemours knew about -- first of all, knew
09:25:55 22 about this product and then didn't care somebody was taking
09:26:02 23 their market share and didn't do anything about it. The
09:26:05 24 evidence shows just the opposite, DuPont spun off in 2015 a
09:26:10 25 new company, they accepted the product line, they figure out

09:26:15 1 what was going on with the competitive product and then they
09:26:18 2 file a lawsuit because they were being harmed.

09:26:20 3 So to answer your question, Your Honor, there
09:26:23 4 might be a time when certain account managers knew about
09:26:26 5 what -- that Daikin had a product out there. I don't know
09:26:31 6 the answer to that. But I think the relevant inquiry is
09:26:36 7 when the head of the business, which is Ms. Dignam knew
09:26:39 8 about these products and knew what it was doing to our
09:26:42 9 market, and then whether or not we didn't care and did
09:26:46 10 nothing about it, and I think the evidence shows the
09:26:49 11 opposite is true.

09:26:50 12 THE COURT: Okay. And that was, the date that
09:26:55 13 you're talking about was in 2016?

09:26:58 14 MS. HUFNAL: Uh-huh. By the time -- I don't
09:27:02 15 think this is in the declaration, Ms. Dignam can probably
09:27:05 16 speak to it if you would like her to, but I believe the
09:27:09 17 actual meeting where she set down with all of her folks was
09:27:13 18 at the very end of 2016 to talk about what was going on with
09:27:16 19 this particular product line.

09:27:18 20 THE COURT: Okay.

09:27:22 21 MS. HUFNAL: Your Honor, I would like to address
09:27:23 22 this issue of the license because I just don't want it to
09:27:28 23 get confused, because in two of the cases, the Four By Four
09:27:34 24 and the Bio-Rad cases, there was actual licensing
09:27:37 25 discussions by the plaintiff in those cases. Actually in

09:27:40 1 Boston Science there was evidence that the plaintiff knew
09:27:43 2 about the products eighteen months before they filed a
09:27:46 3 lawsuit. So the license that Daikin is talking about
09:27:50 4 here -- I shouldn't even say license, the communication was
09:27:54 5 a communication from Daikin to Chemours in 2013 asking to
09:28:00 6 license our technology. Chemours did not engage in those
09:28:06 7 discussions because we didn't want to license that
09:28:09 8 technology.

09:28:10 9 Certainly if Daikin had any evidence that we
09:28:12 10 actually engaged in licensing, they would have presented
09:28:15 11 that to the Court, but there is none. So we did not engage
09:28:19 12 in those communications. And there is nothing in that
09:28:22 13 communication, this is before the product is even in the
09:28:25 14 market. There is nothing there to suggest that we knew that
09:28:28 15 they had a product. In fact, I think it is not an
09:28:33 16 unreasonable assumption that a company, a competitor comes
09:28:36 17 to us asking for a license, we say no, we don't assume
09:28:39 18 they're going to go and infringe anyway. So I don't
09:28:44 19 understand how that request from Daikin to Chemours to
09:28:47 20 license our technology puts Chemours on any notice. I mean,
09:28:52 21 it was DuPont at the time, but on any notice that Daikin was
09:28:57 22 about a year later going to launch some products that we
09:29:02 23 contend infringe.

09:29:04 24 THE COURT: Was there any discussion -- I
09:29:05 25 realize there wasn't any discussion, it sounds like Chemours

09:29:09 1 didn't engage, but was there any communication that
09:29:12 2 suggested that a product would be marketed from Daikin?

09:29:18 3 MS. HUFNAL: No, there is no evidence of that.
09:29:21 4 You know, we have very, very few documents from Daikin yet
09:29:25 5 in this litigation, but I have not seen any evidence of
09:29:28 6 that, Your Honor.

09:29:29 7 THE COURT: Okay. Anything else?

09:29:38 8 MS. HUFNAL: So -- just to look at my list. Oh,
09:29:45 9 I will address the other big I guess fact that Daikin relies
09:29:49 10 on, it's the fact that all of the claims have been
09:29:52 11 instituted on in this particular case. And the statistics
09:29:57 12 that they cited to you, Your Honor is I'm sure aware of the
09:30:02 13 Supreme Court's decision in SAS recently and all the
09:30:06 14 statistics that they gave us I think were from 2018, I
09:30:10 15 actually don't recall now what the date was, but the SAS
09:30:14 16 decision came out this year is undoubtedly going to change
09:30:18 17 those statistics on how many instituted claims are
09:30:21 18 ultimately found unpatentable, and that's because the
09:30:25 19 Supreme Court said that the PTAB if they institute, they
09:30:28 20 have to institute on every single claim that's brought up in
09:30:31 21 the petition. So before the PTAB had discretion, they could
09:30:38 22 say I'm only going to institute on the claims that look the
09:30:42 23 worse or look like they're unpatentable, so there is some
09:30:46 24 suggestion that those statistics are driven up. Now when
09:30:49 25 the PTAB has to rule on everything, they may not be as high,

09:30:53 1 so I just want to preface the statistics.

09:30:55 2 THE COURT: That's fine.

09:30:56 3 Did the PTAB find, though, a reasonable
09:30:58 4 likelihood with respect to all of the claims?

09:31:01 5 MS. HUFNAL: They did, Your Honor. So on the
09:31:04 6 one -- on the one main obviousness reference, yes, they did.
09:31:14 7 They did not treat the claims separately.

09:31:17 8 And I guess I just want to segway into my next
09:31:20 9 point which is the Federal Circuit and the PTO have
09:31:25 10 construed SAS to mean not just that you have to do it on all
09:31:31 11 claims, but you also have to institute it on all grounds.
09:31:35 12 So that is -- you noted, I'm sure Your Honor has read the
09:31:39 13 institution decision, even though the PTAB found there are
09:31:43 14 several grounds that do not raise the reasonable likelihood
09:31:46 15 of unpatentability, they instituted on all of them. But
09:31:50 16 that is kind of a direct result from the guy whose PTAB is
09:31:56 17 set out.

09:31:56 18 But what I would like to just note is this is a
09:31:59 19 factor, this is one of the factors the court has to look at
09:32:02 20 is whether or not all of the claims or all of the grounds
09:32:05 21 are instituted on. My point is going forward, the new
09:32:08 22 reality is in every single IPR that's instituted, all the
09:32:13 23 claims are always going to be instituted on. So this is --
09:32:20 24 I just -- consistent with how the courts have previously
09:32:25 25 looked at the factors, I just suggest that the

09:32:29 1 simplification issue is a less critical factor kind of in
09:32:33 2 light of the changing law around the IPR's.

09:32:37 3 THE COURT: Okay. But do you disagree that the
09:32:41 4 case would be simplified, or there is a potential for the
09:32:47 5 case to be simplified by staying pending the IPR?

09:32:53 6 MS. HUFNAL: If you're asking me do I think that
09:32:56 7 that factor weighs against or for a stay, I would say that I
09:33:01 8 think that factor is neutral as to whether or not this Court
09:33:04 9 should stay. And by that factor, I mean the issue of
09:33:09 10 simplification. I say that because yes, there is a chance
09:33:12 11 that all the claims might be found unpatentable. I think
09:33:15 12 that is -- I can't disagree with that. But like this Court,
09:33:20 13 for example, in -- well, like this Court has noted in other
09:33:25 14 cases, the fact that there are other issues to be litigated
09:33:30 15 that won't simplify the case, so for example, invalidity, we
09:33:35 16 just heard there is this prior use invalidity defense, so
09:33:39 17 it's not like all the invalidity defenses are going to be
09:33:42 18 done. The damages are not going to be insignificant with
09:33:46 19 issues like price erosion and lost profits and on the
09:33:50 20 willfulness claim. So there are I would contend competing
09:33:55 21 interests on this particular factor and something I think
09:33:57 22 the Everwin case, for example, discussed and found that
09:34:01 23 because of that, that makes the factor neutral in terms of
09:34:04 24 whether or not to grant a stay.

09:34:09 25 THE COURT: Okay.

09:34:11 1 MS. HUFNAL: And I would just follow-up with
09:34:13 2 even if the Court found, though, that the simplification
09:34:17 3 weighed in favor of a stay as we saw from Judge Stark in the
09:34:22 4 Kraft decision, that can be and should be overridden by the
09:34:28 5 strong weighing of denying the stay because the parties are
09:34:33 6 competitors.

09:34:35 7 THE COURT: On the competitor point, with
09:34:38 8 respect to the companies that have the remaining five
09:34:41 9 percent or so of the market, has Chemours licensed any of
09:34:45 10 those companies or sued any of those companies?

09:34:49 11 MS. HUFNAL: We have not licensed or sued either
09:34:53 12 of those, or any of those companies. They are small players
09:34:58 13 in the market. And the nature of this particular market is
09:35:02 14 there are a few very big customers, and it's for those big
09:35:07 15 customers that we compete, or at least the products compete
09:35:12 16 head to head with Daikin's products. And that's the
09:35:15 17 overwhelming majority of the market.

09:35:20 18 THE COURT: Okay. Is there anything else you
09:35:25 19 wanted to add?

09:35:28 20 MS. HUFNAL: Unless Your Honor has any
09:35:30 21 questions, I don't think there is anything else I need to
09:35:33 22 add. If Your Honor has any questions about the three cases
09:35:36 23 that Daikin cited in their reply brief that we did not get a
09:35:41 24 chance to fully distinguish, I'm happy to address those,
09:35:45 25 Boston Scientific, Bio-Rad and Four By Four.

09:35:49 1 THE COURT: We're familiar with those, but if
09:35:51 2 there is anything you want to say, you should feel free, but
09:35:55 3 we have reviewed those.

09:35:56 4 MS. HUFNAL: Okay. I don't think -- I think
09:35:59 5 frankly that the big distinguisher is the evidence of
09:36:05 6 head-to-head competition. And of course in two of those
09:36:08 7 three cases, the plaintiff offered to license the
09:36:12 8 technology, so there was some discussion about the damages
09:36:15 9 model just being a reasonable royalty. That is actually
09:36:18 10 something we did not get to submit in the record because it
09:36:21 11 didn't come up, but we have submitted interrogatory
09:36:24 12 responses where we have been clear the damages model in this
09:36:28 13 case is lost profit, reasonable royalty, and we have
09:36:32 14 submitted broad responses explaining why we're entitled to
09:36:37 15 permanent injunction and injunctive relief based on the
09:36:40 16 irreparable harm. So to the extent that those are the
09:36:44 17 distinguishers in these cases, the same is not true here.

09:36:48 18 THE COURT: Okay. Thank you.

09:36:51 19 Mr. Maiorana, anything you want to add?

09:36:56 20 MR. MAIORANA: A couple of points, Your Honor.
09:37:00 21 Thank you. We certainly never said that it was a
09:37:02 22 prerequisite for them to file a preliminary injunction
09:37:06 23 motion in order to oppose a stay. But it just simply shows
09:37:11 24 there is no urgency here. There is no irreparable harm. If
09:37:16 25 they're being harmed every day, moving for a preliminary

09:37:19 1 injunction shows it isn't irreparable harm. They didn't
09:37:24 2 move for a PI when they filed the case in November because
09:37:25 3 they wanted to get a faster schedule. Judge Sleet didn't
09:37:29 4 accept their claim of urgency. He set a trial date in
09:37:33 5 January of 2020. They didn't move for a PI then, even
09:37:37 6 though I would assume by May of 2018 they're supposedly
09:37:42 7 being harmed every day and price erosion supposedly, still
09:37:46 8 didn't seek a PI.

09:37:47 9 Not until their brief in this case of the stay
09:37:50 10 motion did they claim any harm. And they were content
09:37:54 11 waiting until January 2020 or later to get relief in this
09:37:57 12 case, to get a permanent injunction if they could get one if
09:38:01 13 they were to win everything. All that we heard about the
09:38:03 14 supposed harm is belied by their own actions in this case.

09:38:08 15 We didn't hear when Chemours learned of Daikin's
09:38:12 16 products, but counsel did say that in May 29th of 2013, a
09:38:18 17 very specific date they pled in this complaint to show our
09:38:21 18 supposed knowledge of the patent, the complaint says that
09:38:26 19 Daikin approached Chemours to license, that's their own
09:38:30 20 words in the complaint, that we sought a license. And
09:38:33 21 counsel said they decided not to give Daikin a license. So
09:38:36 22 then they want us to believe that for three years after
09:38:39 23 that, they didn't pay attention to what's going on in this
09:38:42 24 supposed two-supplier market, this very tight niche two
09:38:48 25 supplier market where the other players only have five

09:38:50 1 percent. They didn't know what was going on. They didn't
09:38:53 2 know who was selling what. They didn't know Daikin's
09:38:56 3 product was out there. There is only a handful of
09:38:59 4 customers. There is only two suppliers supposedly. But yet
09:39:02 5 they want us to believe for three years they didn't know
09:39:05 6 what was going on. It's not believable, Your Honor.

09:39:07 7 As I said in my first remark, even if you give
09:39:10 8 the benefit of the doubt that they found out about it in
09:39:14 9 2016, there is nothing in the record about the predecessor
09:39:18 10 of Ms. Dignam as head of this business, what was that person
09:39:21 11 doing for the time prior to 2016 when she supposedly figured
09:39:26 12 out that Daikin was in the market, we don't know about that.
09:39:30 13 There is no evidence about that in the record. All we know
09:39:33 14 is that Daikin approached them for a license in 2013,
09:39:36 15 started selling in 2014 to these handful of customers in
09:39:41 16 this two-supplier market and they said they didn't know
09:39:43 17 about it until two years after that and still didn't file
09:39:47 18 suit for another year. There is no irreparable harm here,
09:39:51 19 no undue prejudice.

09:39:53 20 I do want to emphasize a couple of things about
09:39:55 21 the IPR's. The patent office did say that there is a
09:39:59 22 reasonable likelihood that each and every claim is going to
09:40:03 23 be found unpatentable here. The SAS decision came out in
09:40:07 24 April of 2018. The statistics we cite are from October, so
09:40:11 25 there is six months of both SAS data included in those

09:40:16 1 numbers, so we stand by those numbers on the likelihood of
09:40:21 2 what's going to happen here.

09:40:22 3 Even if there is some possibility, and we
09:40:24 4 concede certainly in any IPR there is a chance the
09:40:28 5 petitioner could lose, even if we lose on all the claims
09:40:32 6 there is still simplification of the issues, there is going
09:40:35 7 to be claims made about claim construction, there is going
09:40:38 8 to be estoppel as Your Honor noted.

09:40:41 9 Even if you accept that there is some likelihood
09:40:43 10 of some claims surviving here, there is still simplification
09:40:49 11 of the issue. So based on all of that, Your Honor, we
09:40:52 12 reiterate this is really a textbook case for a stay. The
09:40:55 13 reason IPR's were created at all was to provide a lower cost
09:40:59 14 option to litigation. We have done everything that we
09:41:02 15 needed to do in a timely basis. We got IPR's instituted.
09:41:06 16 We think the litigation should be stayed and allow the
09:41:09 17 patent office to do their job. And we'll reconvene and see
09:41:13 18 what happens in November of 2019.

09:41:14 19 Thank you.

09:41:16 20 THE COURT: Ms. Hufnal, anything you want to
09:41:20 21 add?

09:41:21 22 MS. HUFNAL: No, Your Honor.

09:41:21 23 THE COURT: Okay. Could you just give me a
09:41:24 24 minute here?

09:41:28 25 (Discussion off the record.)

09:42:14 1 THE COURT: Thank you for waiting. And thank
09:42:21 2 you for the argument today. After reviewing the briefs and
09:42:25 3 the declarations submitted and hearing the argument, I am
09:42:28 4 prepared to rule on Daikin's motion to stay. And I am going
09:42:32 5 to grant the motion. In addressing a motion to stay the
09:42:36 6 Court has broad discretion. I think that's clear from the
09:42:41 7 EffiCon case from the Federal Circuit. And I have reached
09:42:44 8 my decision by reviewing the factors that courts typically
09:42:47 9 look at in these circumstances; whether the stay will unduly
09:42:51 10 prejudice or present a clear tactical advantage to Chemours;
09:42:55 11 whether a stay will simplify the issues in question and the
09:42:58 12 trial of the case; and whether discovery is complete and
09:43:01 13 whether a trial date has been set.

09:43:03 14 I'm going to start with the last of those. Here
09:43:06 15 fact discovery is ongoing and not scheduled to conclude
09:43:10 16 until March, the end of March. The document portion of
09:43:13 17 discovery seems to be ongoing with documents continuing to
09:43:17 18 be produced. And while quite a number of depositions have
09:43:21 19 been noticed for the upcoming months, according to the
09:43:24 20 docket it does not appear that any have yet occurred.
09:43:27 21 Expert discovery doesn't begin until April followed by case
09:43:31 22 dispositive motions and a trial in January of 2020, which is
09:43:34 23 more than a year from now.

09:43:35 24 It seems like there is still a lot of work and
09:43:38 25 expense on both sides as well as work for the Court to be

09:43:41 1 done, and some of that, or all of that could be avoided
09:43:45 2 potentially based on the results of the IPR. And there is a
09:43:49 3 risk that some of the discovery were I to let it go forward
09:43:53 4 would be wasteful.

09:43:54 5 So when I consider the status of the case as
09:43:56 6 well as the status of the IPR which has been instituted, I
09:44:00 7 think that factor favors a stay.

09:44:01 8 As to simplifying the issues, I understand that
09:44:05 9 Chemours asserts that a stay would not simplify issues
09:44:09 10 necessarily because infringement and some validity defenses
09:44:12 11 would not be addressed in the IPR. But the IPR has been
09:44:16 12 instituted on all six of the asserted claims in the patents
09:44:19 13 at issue and it could be that one or more claims will not
09:44:22 14 survive the IPR. That would reduce the number of claims
09:44:26 15 asserted and simplify the issues remaining. And even if all
09:44:30 16 of the claims emerge from the IPR, the estoppel effects of
09:44:34 17 the IPR mean that any published prior art that was raised or
09:44:38 18 reasonably could have been raised during the IPR could not
09:44:42 19 be asserted as a basis for invalidity later in this
09:44:45 20 litigation.

09:44:45 21 Additionally, I believe that the record in the
09:44:48 22 PTAB and statements about the prior art in claim
09:44:52 23 construction that will become part of the intrinsic record
09:44:54 24 may be informative if we need to go forward. So in this
09:44:58 25 case, we could have maximum simplification if all claims are

09:45:03 1 determined to be invalid, but even if just one survives the
09:45:07 2 case will be somewhat simplified by the stay and that in my
09:45:12 3 opinion weighs in favor of a stay.

09:45:14 4 And lastly looking at prejudice, I have
09:45:16 5 considered the four factors that courts review in addressing
09:45:19 6 undue prejudice and tactical disadvantage. With respect to
09:45:23 7 the timing of the request for the review and the request for
09:45:26 8 stay, I find that Daikin acted diligently. Daikin had a
09:45:30 9 year to file the IPR petitions after the suit was filed, but
09:45:33 10 it nevertheless filed the petitions in April of 2018,
09:45:37 11 approximately six months into that period. And similarly
09:45:40 12 Daikin moved for a stay within days of the institution of
09:45:43 13 the IPR.

09:45:44 14 This suggested that Daikin acted consistently
09:45:49 15 and expeditiously and did not act simply to seek a tactical
09:45:54 16 advantage in the timing of either its request for IPR or to
09:45:58 17 stay.

09:45:58 18 With respect to the status of the IPR
09:46:01 19 proceedings, the PTAB has instituted on all grounds for all
09:46:04 20 the asserted claims. The final decision of the PTAB is due
09:46:08 21 by November 13, 2019, which is before the currently
09:46:14 22 scheduled trial date in this case. And as I noted before,
09:46:18 23 the decision of the PTAB may simplify the issues and save
09:46:23 24 potentially wasted effort.

09:46:24 25 And finally we get to the parties' relationship.

09:46:26 1 And they are competitors and that is an important factor and
09:46:29 2 that does weigh here against a stay. And while I understand
09:46:33 3 that it is not a complete two-party market, there is no
09:46:37 4 agreement, no disagreement that 95 percent of the market is
09:46:40 5 served by the two parties here before me.

09:46:43 6 But in evaluating prejudice, I am also taking
09:46:46 7 into account that Daikin entered the market in 2014, but
09:46:51 8 despite having the patent at issue Chemours took no action
09:46:55 9 until the end of 2017. Whatever the reasons were, and I
09:46:58 10 don't mean to doubt Chemours' explanation, it is a fact that
09:47:02 11 Chemours did not press this action for more than three years
09:47:05 12 even though it apparently knew about Daikin's activities
09:47:08 13 during some period of that time and it was an apparently
09:47:14 14 mostly two-player market.

09:47:15 15 So while I'm sensitive to the fact that the
09:47:17 16 parties are competitors, Chemours was willing to wait to sue
09:47:21 17 until 2017, and then willing to wait for a trial until later
09:47:25 18 in 2019, the date that it proposed, and currently January of
09:47:30 19 2020, which is the date that's currently set.

09:47:35 20 Taking all of this together, I find that
09:47:38 21 Chemours will not be unduly prejudiced or tactically
09:47:41 22 disadvantaged by a stay until the PTAB issues an opinion no
09:47:46 23 later than November 13th of 2019.

09:47:50 24 So for the stated reasons, the case is stayed.
09:47:52 25 The parties should update me within a week of any final

09:47:56 1 written decision about the PTAB as to patentability of the
09:47:59 2 claims. And I will say this, that if the asserted claims
09:48:03 3 survive the PTAB proceedings, I expect that the parties will
09:48:07 4 let me know and at that time we can discuss where things
09:48:10 5 stand and whether it would be appropriate to expedite any
09:48:15 6 remaining proceedings and trials so that any delay in
09:48:19 7 getting to trial later than the currently set date in
09:48:23 8 January of 2020 can be minimized.

09:48:25 9 Are there any questions?

09:48:27 10 MS. HUFNAL: Martina Hufnal. No, Your Honor.

09:48:30 11 THE COURT: Defendant?

09:48:31 12 MR. MAIORANA: Nothing from the defendant, Your
09:48:33 13 Honor. Sorry to speak over you.

09:48:35 14 THE COURT: Okay. Thank you very much. I hope
09:48:37 15 everyone has a happy holidays. And we'll be adjourned.

09:48:41 16 MR. MAIORANA: Thank you, Your Honor.

09:48:43 17 (Teleconference ended at 9:48 a.m.)

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