

**IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
(Alexandria Division)**

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MONEC HOLDING AG,

Civil Action No. 1:09-CV-00312 LMB-JFA

Plaintiff/Counterclaim Defendant,

v.

APPLE INC.,

Defendant/Counterclaimant.

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**PLAINTIFF MONEC HOLDING AG'S MEMORANDUM OF POINTS AND  
AUTHORITIES IN SUPPORT OF THE PARTIES' JOINT MOTION TO ENTER  
STIPULATED ORDER OF *VACATUR* AND DISMISSAL**

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## PRELIMINARY STATEMENT

Plaintiff Monec Holding AG (“Plaintiff” or “Monec”) respectfully submits this Memorandum of Points and Authorities in Support of the Parties’ Joint Motion to Enter Stipulated Order of *Vacatur* and Dismissal (the “Motion to Vacate”) dated February 12, 2010.

### RELEVANT FACTUAL AND PROCEDURAL BACKGROUND

Monec is a corporation organized and existing under Swiss law having a principal place of business in Berne, Switzerland. Monec is in the business of developing and marketing equipment for the transmission of data to mobile electronic communications systems. Monec was originally formed to produce and sell an electronic document reader that allowed for the reading of electronic books, known and sold as the Voyager.<sup>TM</sup>

On January 1, 2002, United States Patent No. 6,335,678, entitled ELECTRONIC DEVICE, PREFERABLY AN ELECTRONIC BOOK (the “’678 Patent”), was duly and legally issued to Theodor Heutschl. Monec is owner by assignment of the ’678 Patent.

#### *The Commencement of the Action and Pleadings*

Monec commenced the present action against Defendant Apple, Inc. (“Apple”) by complaint dated March 23, 2009 (the “Complaint”). Monec alleged, *inter alia*, that Apple’s iPhone infringed one or more claims of the ’678 Patent, including independent claim 1. (*Id.* at ¶¶ 9-23). A copy of the ’678 Patent issued by the USPTO was the sole exhibit to the Complaint.

On May 11, 2009, Apple filed its Answer, Affirmative Defenses and Counterclaims. Apple denied each and every allegation in Monec’s patent infringement count including categorically denying Monec’s allegation that Apple’s iPhone had dimensions such that one page of book could be displayed on the iPhone at a normal size. (*See Answer*, ¶¶ 23-31).

In its First Counterclaim seeking a Declaration of Non-Infringement of Monec's '678 Patent, Apple alleged that all of the claims of the '678 Patent (the only independent claim) require a "display" with "dimensions such that one page of a book can be displayed at [*sic*] normal size." (Answer, First Counterclaim, ¶¶ 13 and 14), which Apple asserted was a "relatively large display" or "large display surface" as set forth in statements made in the specification of the '678 Patent. (Answer, First Counterclaim, ¶¶ 16 and 17). Apple alleged that its iPhone could not infringe the '678 Patent because it asserted that no reasonable person could fairly characterize the iPhone as having a "large display" capable of displaying one page of a book at a normal size. (*See* Answer, First Counterclaim, ¶¶ 40-41; 50-53 and 54).

On June 3, 2009, Monec filed its Answer and Affirmative Defenses to Apple's Counterclaims, which for the most part denied all material factual allegations of Apple's Counterclaims. (*See* Docket No. 18).

#### ***The Discovery and Claims Construction Scheduling Order***

On June 3, 2009, shortly after Apple filed its Answer and Counterclaims, counsel for the parties jointly submitted a carefully negotiated proposed discovery plan for the Court's review and approval. The draft discovery plan included a detailed schedule providing for the orderly exchange of contentions of infringement and invalidity, claims construction discovery and setting a proposed future date window for a *Markman* hearing. (Docket No. 19).

On June 10, 2009 the Court entered a Rule 16(b) Scheduling Order, which: (i) set a date after July 28, 2009 for the parties to meet and confer to "discuss what, if any, claim terms need to be construed and discuss a schedule for presenting any necessary claim construction issues to the court for resolution," all of which was to occur before the Court would consider whether to schedule a *Markman* hearing, and (ii) required that Apple produce a claim chart providing its

construction of each limitation of plaintiff's claims, any prior art known to Apple, its analysis of how the prior art satisfied each limitation of the claims, and "preliminary invalidity contentions" before the July 28, 2009. (Docket No. 21). General discovery was also to proceed. (*Id.*)

### ***Apple's Motion for Judgment On the Pleadings***

On June 19, 2009, Apple filed its motion for judgment on the pleadings pursuant to FRCP 12(c) and/or, in the alternative, for summary judgment<sup>1</sup> and/or for a transfer of venue to the Northern District of California (the "Motion for Judgment on the Pleadings"). Apple argued that the pleadings alone demonstrated that the iPhone could not infringe the '678 Patent because the iPhone did not have a large display of dimensions such that one page of a book can be displayed at [sic] normal size. (*See* Apple Mem. of Law at pp. 2-5)(Docket No. 23). Apple urged the Court to put penultimate weight on the alleged fact (*which Monec disputed in its pleadings*) that the Apple iPhone had a **small** display, unlike the **large** display which Apple asserted was allegedly contemplated under the '678 Patent:

The Examiner's rejections based on the Gaston and Ditzik confirm his understanding that a "display having dimensions such that one page of a book can be displayed at a normal size" covers only a large display. At no time during prosecution did the applicant or the Examiner ever refer to displays as **small** as 2 x 3 inches.

\* \* \* \*

For all the reasons noted above, the display limitation cannot be construed to cover a display as **small** as the iPhone without rendering that limitation meaningless or ignoring the specifications and prosecution history. The iPhone's 2 x 3 inch display is **not "large."**

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<sup>1</sup> Apple's reference to the possibility of the Court granting summary judgment, but only in the alternative to the extent the Court decided to rely upon matters outside the pleadings, was superfluous in that Apple's motion was admittedly limited to the pleadings, admissions allegedly contained therein or documents referenced therein, along with any properly judicially noticed facts. (*See* Apple Mem. at pp. 1, 3 and 6)(Docket No. 23). In other words, the only difference between Apple's filing in this action and any motion for judgment on the pleadings filed by any other litigant in this Court is that Apple added an additional label, again solely in the alternative, referencing "summary judgment."

*Id.* at 14.

[O]ne of ordinary skill in the art reading the '678 patent would understand that the invention set forth in the claims requires a *large display* suitable for displaying one page of a conventional book at normal size. The specifications repeated descriptions of the display as “*relatively large*” and as having a “*large display surface*” make clear that these descriptions apply not just to a single embodiment, but to the invention as a whole.

*Id.* at 10 (Emphasis Added). Apple’s speculation as to how a person of reasonable skill in the art would have applied the claim limitation language in the '678 Patent to Apple’s iPhone should never have been considered by the Court at all, *inter alia*, because it contradicted the allegations in Monec’s Complaint (which are taken as true). Additionally, Apple failed to even identify the relevant art and/or provide any supporting expert affidavit to substantiate its *ipse dixit* argument as to how one of ordinary skill would read the '678 Patent.

Monec filed its memorandum of law in opposition on July 7, 2009, along with a supporting declaration of Dr. Stuart G. Stubblebine, a person of ordinary skill in the art (*i.e.*, computer science) at the time of the invention. (See Docket Nos. 37-39). While Monec as the non-moving party carried no burden of proof or persuasion concerning Apple’s motion for judgment on the pleadings, Dr. Stubblebine nevertheless directly refuted every one of Apple’s primary rationales for its claims of non-infringement including, without limitation, Apple’s contention that the '678 patent was limited to displaying books of some unspecified “conventional” size:

19. One of ordinary skill in the art would first understand that books are printed on a great number of sizes and shapes....Thus, one would understand that there is no “conventional” page size...One would also recognize that publishers in different production runs, and different publishers, of the same compilation of ten change pagination sizes. Therefore, one would understand that the

display limitation...does not limit the display to the size of any particular book of some production run.

Stubblebine Decl., ¶ 19 (Emphasis Added)(Docket No. 39).

Dr. Stubblebine specifically averred that he was a person of ordinary skill in the relevant art of the invention and that his declaration was based on the intrinsic record, that is the patent application specification and the file history. Dr. Stubblebine averred that one skilled in the relevant art of the invention would not interpret the phrase to display “at a normal size” as mandating that the actual physical size of some underlying book match up to the size of the device display. Dr. Stubblebine opined that to display something “at a normal size” relates to readability depending on the underlying display technology employed

Finally, Stubblebine directly refuted Apple’s reliance on the claimed significance of the differences in relative display size between the device described in the '678 patent and the Apple iPhone:

32. The specification never indicates that the display needs to be “large,” rather it states that among the devices disclosed in the specification is an electronic device that “has a relatively large display.” The phrase “relatively” would be understood by one of ordinary skill in the art as indicating that the size of the display was being compared relative to the device size, not some other non-descript item.

\* \* \* \*

34. [Interestingly], both the iPhone and Monec Voyager have similar ratios of screen size to device size (*i.e.*, roughly .55 versus .54, respectively).

35. Thus, one of ordinary skill in the art would understand that both the Voyager and iPhone have relatively large screens for the size of their respective devices.

*Id.* at ¶¶ 32, 34-35.

On July 15, 2009, two (2) days before the hearing on Apple's motion, Apple filed a reply brief attacking Dr. Stubblebine's expert affidavit (but without providing any counter-affidavits from its own experts). (Docket Nos. 44-45). Apple also continued to press its contention that the iPhone did not infringe because it had a "small display" relative to the alleged "large display" purportedly mandated under the '678 Patent. (*Id.*)

***The Court Grants Apple Summary Judgment Dismissing Monec's Complaint***

On July 17, 2009, less than three months since the commencement of the Action, and before any discovery beyond mandated initial disclosures, the Court heard 23 minutes of oral argument on Apple's motion for judgment on the pleadings. At the outset of the hearing, this Court announced it was conducting an impromptu *Markman* hearing, contrary to the Court's own very recently entered case scheduling order, and further stated that the Court was inclined to grant Apple's motion to dismiss. (7-19-09 Hearing Transcript at pp. 4-5). In proceeding to so rule, this Court seemingly relied heavily on Apple's arguments that the iPhone could not infringe the '678 Patent because of the differences between the invention and the iPhone concerning their respective display and device size dimensions:

Now, a large display [surface], there is a very unique and telling example of – again, what the inventor had in mind. The word "large." If it just said "a display surface," that's fine, but you put the word "large" in. And, as you know, the inventor chooses his own lexicon. He chooses the words to describe the invention. And the word "large" -- and that's not the only time that the word "large" is used in this patent, but it is there. Clearly, the inventor intended for the display to be a large display.

Now, what does "large" mean? It means not small, clearly. And I think any person using common sense looking at the I-Pod screen will say that's a **small** screen.

Hearing Tr. at p. 11 , lines 7-21 (Emphasis Added).

This Court also noted during the hearing that her reasoning was influenced by the Court's own personal extra-judicial observation and operation of the alleged infringing device (*i.e.*, the iPhone).

At the conclusion of the hearing, the Court stated that it would grant judgment in favor of Apple concluding that there was no basis either under a theory of literal infringement or by the Doctrine of Equivalents for the case to go forward. (Hearing Tr. at p. 19). The Court disregarded Monec's un-rebutted expert declaration from a person of ordinary skill in the art of the invention (*i.e.*, computer science).

On July 22, 2009, the Court entered Orders granting summary judgment in favor of Apple on Monec's complaint for the reasons stated in open court; denying Apple's motion for judgment on the pleadings and motion to transfer venue as moot; dismissing Apple's counterclaims without prejudice; and directed the Clerk to enter Judgment accordingly. (Docket Nos. 53 and 55-56).

#### ***The Post-Judgment Motions in the District Court***

On August 5, 2009, Monec filed a timely motion for reconsideration (which included numerous supporting declarations from persons of ordinary skill in the art and grammarians) arguing that the Court's grant of summary judgment was based on several clear errors of law including, among others, not affording any evidentiary weight to the un-rebutted declaration of Monec's undisputed expert in the field of the invention concerning how one of ordinary skill in the art at the time of the invention would understand the disputed phrase after consulting the intrinsic evidence. (*See* Docket No. 59-60). Monec also argued that its expert declaration was not impermissible "extrinsic evidence" and that a court may not properly substitute its own common usage interpretation of a claim in the face of a properly supported and un-rebutted

declaration from a person of ordinary skill in the art averring that material claim term(s) in dispute had specialized meaning in the art. (*Id.*)

On August 21, 2009, the Court held a hearing and denied Monec's motion for reconsideration. On August 21, 2009 and August 28, 2009, Monec filed notices of appeal concerning the Court's grant of summary judgment and denial of Monec's motion for reconsideration, respectively. (Docket Nos. 83 and 90).

***Monec's Appeal of the Judgment to the Federal Circuit and Remand***

Monec filed its Docketing Statement in the Federal Circuit on September 14, 2009, which identified the issues likely to be raised in Monec's brief. (A copy of Monec's Docketing Statement filed in the Federal Circuit is attached as Exhibit A). Monec filed its appellate brief on October 30, 2009. The parties appeared before the Chief Mediator for the Federal Circuit on December 4, 2009. Apple filed its opposition appellate brief on December 28, 2009. The Federal Circuit mediation process ultimately led to a resolution of the appeal in the first-half of January 2010 -- before Monec filed its reply brief and before oral argument was scheduled before the Federal Circuit.

As part of the agreed to resolution of the appeal, on January 29, 2009 the parties filed a Joint Motion to Remand to enable this Court to consider *Vacatur*, which was granted by the Federal Circuit by order on February 5, 2009. (Copies of the above referenced joint motion and Federal Circuit Remand Order are attached hereto as Exhibits B and C, respectively).

**ARGUMENT**

Point I

**VACATUR MAY APPROPRIATELY BE ENTERED  
UNDER THE CIRCUMSTANCES OF THIS CASE  
PURSUANT TO THE FLEXIBLE STANDARD OF RULE  
60(B) OF THE FEDERAL RULES OF CIVIL PROCEDURE**

Of course, it is well established that the mere fact that parties to an action jointly request a district court to vacate a previously entered judgment, either because of settlement or some other reason, does not, standing alone, require or warrant the district court's entry of a *vacatur* order. *U.S. Bancorp Mortgage Co. v. Bonner Mall P'ship*, 513 U.S. 18 (1994); *Valero Terrestrial Corp. v. Paige*, 211 F.3d 112 (4<sup>th</sup> Cir, 2000). Instead, when faced with a joint motion seeking *vacatur*, the District Court should apply a flexible standard to determine -- in the exercise of its equitable discretion -- whether the entry of *vacatur* is necessary or otherwise warranted under the facts and circumstances presented. *Bonner Mall*, 513 U.S., at 29 ("As we have described, the [*vacatur*] determination is an equitable one, and exceptional circumstances may conceivably counsel in favor of such a course."); *Microsoft Corp. v. Bristol Technology, Inc.*, 250 F.3d 152, 155 (2d Cir., 2001)(noting that "by nature, circumstances that are 'exceptional' elude . . . limitations or classifications. And *Bancorp* expressly envisions a situation where a judgment already mooted by settlement may nonetheless require *vacatur* because of exceptional circumstances.").

Exceptional circumstances abound here and there is otherwise good cause for this Court to vacate its previously entered claim construction ruling and summary judgment under the following under-scored provisions of Rule 60(b):

**(b) Grounds for Relief from a Final Judgment, Order or Proceeding.**

On motion and just terms, the Court *may* relieve a party . . . from a final judgment, order or proceeding for the following reasons:

- (1) mistake, inadvertence, surprise, or excusable neglect;
- (2) newly discovered evidence that, with reasonable diligence, could not have been discovered in time to move for a new trial . . . ;

- (3) fraud (whether previously called intrinsic or extrinsic evidence), misrepresentation or misconduct by an opposing party;
- (4) the judgment is void;
- (5) the judgment has been satisfied, released or discharged;...or applying it is no longer equitable; or
- (6) any other reason that justifies relief.

FED. R. CIV. P. 60(b)(Emphasis Added).<sup>2</sup>

First, *vacatur* is appropriate under FRCP 60(b)(5)-(6) because the parties' resolution of all the issues originally presented in connection with this action with the help and guidance of the Federal Circuit Mediator have rendered the Court's judgment moot as between the parties to this action. Recognition of this fact prompted the parties to jointly move this Court to vacate the previously entered judgment. As the moving parties, it is axiomatic that neither Apple nor Monec is claiming or could reasonably claim any prejudice from the entry of *vacatur*. In fact, to the extent an agreement to jointly seek *vacatur* of the judgment played a material part in inducing the parties' here to terminate ongoing litigation, the entry of *vacatur* (while again not mandatory by any means) by this Court would be salutary in facilitating settlement and promoting economy of effort and expense for both the federal courts and the parties. In sum, while not dispositive, Monec respectfully submits that the parties' mutual agreement here to seek *vacatur* should be treated as a significant factor militating in favor of *vacatur* by the Court in exercising its discretion under Rule 60(b)(6).

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<sup>2</sup> The Fourth Circuit Court of Appeals has held that to prevail on a Rule 60(b) motion the movant must show, in addition to exceptional circumstances, that (1) the motion is timely, (2) the movant has a meritorious defense to the action and (3) the opposing party will not be prejudiced if the judgment is set aside. *Clayton v. Ameriquest Mortgage Co.*, 388 F.Supp.2d 601, 606 (M.D.N.C. 2005), quoting, *Park Corp. v. Lexington, Ins. Co.*, 812 F.2d 894, 896 (4<sup>th</sup> Cir., 1987). Monec satisfies all three of these requirements inasmuch as: 1) its motion is filed well within

Second, the Court’s judgment itself simply notes that judgment is entered in favor of Apple and against Monec. There is no written decision published on Westlaw or Lexis nor does the Court’s claim construction ruling articulate detailed supporting rationales concerning important issues of law likely to be of substantial potential interest to the broader general public. Thus, if *vacatur* were to be ordered in this case, the public would not thereby be deprived of access to any important substantive decisional law of significant precedential value. Thus, this action is a matter of largely private interest limited to the litigants in this case that was narrowly focused on issues germane only to the parties. *See Mayes v. City of Hammond, IN*, 631 F.Supp.2d 1082, 1089 (N.D. Ind., 2008)(“[I]n circumstances where *vacatur* does not diminish the effect of judicial precedent or does not unduly impinge on judicial resources, the public interests cited by *Bonner Mall* are diminished and *vacatur* is appropriate.”).

Third, Monec respectfully submits that in considering whether to vacate a particular decision, the Court may quite sensibly apply a sliding scale so as to show a greater liberality in vacating judgments entered very early in an action (*e.g.*, a case decided on a motion to dismiss at the very outset of the case). In other words, it is not unreasonable for a Court to require a higher showing for *vacatur* in cases where the parties have taken full discovery and proceeded through completion of a trial on the merits (as distinguished from a case dismissed right at the outset). Here, the Court judgment entered judgment against Monec less than 90 days after the filing of the Complaint and before any discovery.

In this case, *vacatur* is not only more appropriate because the case was dismissed while still in its embryonic stage, but there are also serious and substantial questions in this

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one year of the entry of the judgment at issue; 2) the issue of meritorious claims or defenses is irrelevant here because it is a joint motion; and 3) there is no prejudice because this is a joint motion.

case as to whether: (i) Monec truly had a full and fair opportunity to take any potentially helpful discovery and/or be fully heard in opposition to Apple's preemptive dispositive motion; and (ii) whether the Court may have misapplied the relevant procedural standard of review in deciding Apple's early dispositive motion. *Bristol Technology*, 250 F.3d, at 155 (granting *vactur* upon settlement because, among other things, "the district court's power to issue its ruling is subject to doubt").

Along these lines, this Court itself noted that such an early dismissal of a patent infringement based on a claim construction before any exchange of validity/invalidity contentions, the taking of any discovery (on claims construction issues or the alleged infringing product) or without holding a *Markman* hearing was highly unusual procedurally:

THE COURT: I am sensitive to the reality that in most patent cases one does not do a Markman hearing or make a claim construction this early in the litigation.

Hearing Tr. at pp. 19 line 4-10.

Additionally, in both its motion for reconsideration papers and on appeal, Monec exhaustively cataloged a series of procedural errors by this Court, many of which may stem, in whole or in part, from erroneous representations of law or fact by Apple. As a consequence, Monec respectfully submits that it truly did not have a full and fair opportunity to present its best possible case to the Court -- including the ability to obtain and present to the Court all the necessary evidence that might have been helpful in litigating the disputed issues relating to Apple's proffered claim construction. While Monec will not repeat them all here in detail in the interest of brevity, Monec's objections/concerns with respect to the *procedures* employed by this Court included, without limitation, the following:

- The Court failed to apply the exceptionally high standard necessary to prevail on a motion for judgment on the pleadings and instead utilized a summary judgment

template for the Court's decision. This was despite the fact that Apple's motion was admittedly a motion for judgment limited entirely to the pleadings and the request for "summary judgment" was merely in the alternative.

- The Court treated Apple's motion as a summary judgment motion rather than a motion for judgment on the pleadings without providing Monec sufficient advance notice and a reasonable opportunity to present all materials extraneous to the pleadings that might be pertinent on summary judgment as is explicitly required by FRCP 12(d).
- The Court interpreted the claim limitation without reference to a person of ordinary skill in the art at the time of the invention to which the subject matter of the patent pertains.
- The Court did not require Apple to specify, in support of its summary judgment motion, the person of ordinary skill in the art through whose eyes the Court should interpret the underlying claim limitation.
- The Court accepted Apple's proposed claim construction purportedly predicated on a person of ordinary skill in the art without requiring Apple to identify the relevant art and/or to submit any expert affidavits to support its conclusory assertions.
- The Court resolved all factual disputes and doubts against Monec, the non-moving party, and thereby essentially inverted the burden of production and persuasion applicable to motions for judgment on the pleadings and/or summary judgment.
- The Court misapplied the applicable summary judgment standard by improperly deciding disputed material questions of fact, *inter alia*, by ignoring Monec's uncontroverted expert affidavit averring that certain claim limitation terms had a specialized meaning to one of ordinary skill in the art, which expert testimony was directly contrary to the purported "plain English" or "man on the street" interpretation of the technical terms of art contained within the claim limitation.
- The Court incorrectly took *de facto* judicial notice of facts that were not part of the pleadings or summary judgment record, including relying upon the Court's own personal experiences as a librarian and personal operation of the underlying Apple iPod technology, without affording the parties notice and a reasonable opportunity to be heard.
- The Court misapplied Rule 56 of the Federal Rules of Civil Procedure and/or denied Monec due process of law by purporting to extemporaneously convene a *Markman* hearing, *sua sponte*, in the course of the Court issuing its bench ruling on Apple's summary judgment motion, without prior notice and without any opportunity for Monec to conduct discovery and/or to present its supporting

*Markman* evidence, and outside of the Court's own scheduling order and defined claims construction discovery and *Markman* procedures set forth therein]

In allowing Apple to obtain a *Markman* hearing well in advance of the discovery and claims construction schedule set up in the Court's own Scheduling Order, which schedule Monec reasonably relied upon, as well as the fact that the primary crux of Apple's motion was for judgment on the pleadings, Monec was unfairly surprised in preparing the content of its summary judgment response and precluded from fully presenting its claim construction case.

Monec could not have reasonably anticipated the need for a Rule 56(f) affidavit nor was it otherwise required or mandated given that Apple's motion was for judgment on the pleadings pursuant to FRCP 12(c). Moreover, the parties had already submitted and the Court had approved a detailed discovery schedule earlier in June expressly dealing with claims construction. As such, this was a very recent and implicit acknowledgment by everyone involved that discovery was necessary and appropriate on *Markman* type issues.

As concerns the fact that Apple's motion was for judgment on the pleadings, the entire inquiry is strictly limited to the face of the pleadings, including any related admissions in and/or attachments to the pleadings.<sup>3</sup> Apple only alleged summary judgment "in the alternative" and the Court never provided reasonable notice to Monec pursuant to FRCP 12(d) that it would decide the motion based on a Rule 56 standard rather than Rule 12(c) standard. Moreover, Monec's statements in its pleadings are supposed to be taken as true for purposes

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<sup>3</sup> Judgment on pleadings should only be granted when plaintiff is precluded from recovering as a matter of law even if his pleadings are taken as true and construed in the light most favorable to plaintiff. *Aventis Pharmaceutical Deutschland GmbH v. Lupin Ltd.*, 409 F.Supp.2d 722 (E.D. Va. 2006). A motion for summary judgment should be treated as a motion for judgment on the pleadings where, as in this case, the defendant does not submit any materials outside the pleadings and primarily confines his arguments to the legal sufficiency of the complaint. *Calvetti v. Antcliff*, 346 F.Supp.2d 92 (D.D.C. 2004). If a motion for judgment on the pleadings and summary judgment are filed in tandem, the Court may proceed to decide the motion so long as it focuses solely on the allegations alleged in the underlying pleadings. *Westport Ins. Corp. v. Black, Davis & Shue Agency, Inc.*, 513 F.Supp.2d 157 (M.D.Pa. 2007).

of a motion for judgment on the pleadings -- not Apple's own unsubstantiated allegations (no less Apple's allegations that directly conflicted with Monec's).

Given all the above circumstances, Monec respectfully submits that it would be unfair, confusing and prejudicial if third-parties in the future could potentially grasp onto this Court's premature claim construction. The Court's summary judgment ruling was entered before Monec had any reasonable opportunity to make all of its arguments and have them considered under the proper procedural standard (whether that be via summary judgment in which Monec's version of the facts and the inferences to be drawn from them are supposed to be taken as true and viewed in the light most favorable to Monec or, alternatively, by means of a *Markman* hearing or trial after the completion of discovery).

Significantly, Apple's counsel compounded this injury by erroneously representing to the Court that it could and should decide this disputed question based on the motion papers alone, without an evidentiary *Markman* hearing, that it was always done this way and, as such, it was entirely appropriate for this Court to resolve the disputed material issue of fact between the parties concerning whether certain of the disputed claims terms had specialized meaning to one of ordinary skill in the relevant art on the papers, a mere three months after the litigation had been commenced.

Apple's position in this regard not only flies in the face of Rule 12(c) and Rule 56 jurisprudence, but is in contradiction to U.S. Supreme Court precedent that courts must make credibility determinations in regard to experts who set forth their opinion in patent cases:

“It is, of course, true that credibility judgments have to be made about the experts who testify in patent cases ....”

*Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 388 (1996).

No such determination was made in this case by the Court. Thus, Monec's unchallenged expert declarations, which addressed how a person of ordinary skill in the art would interpret the disputed claim language in light of the intrinsic evidence along with detailed supporting technical particulars, should have not been disregarded by the Court.

In response to Monec's arguments that the District Court could not decide the parties' disagreement over the meaning of claim terms on summary judgment and should instead proceed to hold an evidentiary *Markman* hearing, Apple's counsel disingenuously represented to the Court that the only avenue available for claim construction under *Markman* was "on the papers":

MR. JACOBS: [T]hen there's the question of the summary judgment standard as applied to claim construction issues in this claim that there's an issue of fact requiring an evidentiary hearing. There is no such case and Monec cites none in which the Federal Circuit or a district court has ruled that because there were competing affidavits or an affidavit and no affidavit, there had to be an evidentiary hearing.

There is simply no basis in the post-*Markman* -- 14 years since *Markman*, in post-*Markman* jurisprudence to think that you have to have an evidentiary hearing to decide an issue of law.

THE COURT: Well -- and frankly, I've never held that I can recall an evidentiary hearing on *Markman*. It's always done on the papers.

MR. JACOBS: It's always on the papers ...

(8-21-09 Hearing Transcript at pp. 15-16)(Docket No. 86).

Apple's statement<sup>4</sup> was made irrespective of (i) the actual *Markman* case which was resolved by the Supreme Court and entailed a claim construction based on evidentiary

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<sup>4</sup> Likewise, Apple's insinuation to the Court that a *Markman* hearing in conjunction with summary judgment is favored, flies in the face of the *Report of the Sedona Conference Working Group on the Markman Process*, June 2006 at p. 7, wherein it is found as Principle 10 that "it is generally not advisable" to have summary judgment motions of non-infringement made in conjunction with a *Markman* ruling on the disputed claim language because such proceedings impermissibly "tend[s] to focus on the application of a proposed claim construction to the accused product or process," a committee on which Apple's own lead attorney's firm on this case participated.

proceedings, (ii) Federal Circuit case law indicating that “construction of the claims by the trial court is often conducted upon a preliminary **evidentiary** hearing, called a *Markman* hearing in homage to the decision” (*EMI Group North America, Inc. v. Intel Corp.*, 157 F.3d 887, 891 - 892 (Fed. Cir. 1998); (*See also*, Mayer, J. and Newman, J., dissenting, in *Phillips v. AWH Corp.*, 415 F.3d 1303, 1332 (Fed. Cir. 2005), and (iii) the recognition by the Federal Circuit Bar Association Patent Litigation Committee *Markman* Project that “[a]lthough some cases may be decided on the papers, **it is not common.**” *Guidelines for Patent Claim Construction, Post-Phillips – The Basics of a Markman Hearing* 16 Fed. Cir. B.J. 13 at 23 (2006-2007) (Emphasis added). Depicting the state of affairs in regard to *Markman* hearings, the Committee notes that in practice *Markman* hearings “range from submissions on the papers, **to multiple day evidentiary hearings, to mini-trials, to a consolidated hearing with trial on the merits.**” *Id.* at 23 (Emphasis Added).

In all events, the Court should still not have reversed the summary judgment burden of production, burden of proof and governing legal standard, by deciding a disputed question of fact on the papers in a summary judgment context.

Finally, *vacatur* is warranted because new evidence is available that corroborates the arguments already made by Monec and further strongly suggests that the Court’s *ratio decidendi* for the judgment was erroneous because it was predicated on certain incorrect and unsupported representations made by Apple concerning the **small** size of the iPhone display. Monec respectfully submits that the result may well have been different if the Court had been aware of this new evidence (including admissions by Apple that would have contradicted the positions taken by Apple before this Court) at the time it entered judgment. This is an

independent ground to vacate the judgment under FRCP 60(b)(2) without any necessity for any demonstration of exceptional circumstances.

As set forth at length in the preceding factual and procedural discussion herein, Apple vociferously argued in this Court that Apple's iPhone did not infringe because it had a small display and that Monec's recitation to a "relatively large display" in respect of certain embodiments of the specification provided context as to the meaning of the phrase "at a normal size."

Dr. Stubblebine, on the other hand, opined, based on his read of the intrinsic evidence, that the term "relatively large display" was clearly being used in its usage by those of ordinary skill in the art, that is the display was comparatively large relative to the device size. At oral argument, Monec's counsel re-confirmed this and concisely framed the stark chasm in opinion between the parties on this point:

MS. KNIGHT BROWN: It is large relative to the whole device. That's what the patent means. Because if you say large, relatively large, it has to be relative to something.....And the Voyager screen is large because of the whole device. The I-Pod screen is large compared to the whole device. That's how it has to be read because that can be the only reasonable meaning.

Hearing Tr. at pp. 11 lines 22-25 and p. 12 lines 2-5.

The Court rejected Monec's argument, relying instead on Apple's bald conclusory assertions and the Court's own pre-conceived notion of what a large and small screen were:

Now, what does "large" mean? It means not small, clearly. And I think any common sense person looking at the I-Pod screen will say that's a small screen.

(Hearing Tr. at p. 11 ln. 18-21).

While the Stubblebine Declaration alone should have mandated a denial of summary judgment, discovery as to Monec's assertion that Apple's own skilled artisans were using the

disputed claim terms in the same specialized manner as Monec was advocating to this Court may well have provided numerous admissions from Apple that would have been the nail in the coffin to Apple's summary judgment motion.

Here, one need look no further than Apple's own website postings to show that Apple's advertising descriptions of the display size of its allegedly infringing product (the iPhone) as "**small**" is the polar opposite of what Apple's counsel has represented to this Court as illustrated in some excerpts taken from Apple's own website on February 12, 2010 set forth immediately below:

#### Multi -Touch

With its **large** Multi-Touch **display** and innovative software, iPhone lets you control everything using only your fingers. How does it work? A panel underneath the display's glass cover senses your touch using electrical fields. It then transmits that information to an LCD screen below it. The display also features an oil-resistant coating that keeps the iPhone screen clean.



Excerpt from Exhibit D (Emphasis Added).

Interestingly, and in the same vein, Apple's internet advertisements of certain of its other products that are closely related to the iPhone further illustrate that Apple's representations to this Court concerning how a person of ordinary skill in the art would or should distinguish between "large" versus "small" displays are in complete contradiction to Apple's own advertising related descriptions of certain of its iPod models:

### **iPod classic (120 GB)**

The iPod classic (120 GB) is a hard drive-based iPod featuring a **large** widescreen color **display**, a Click Wheel, and the capability of displaying photos and videos. Like other models, it uses USB for syncing. The iPod classic is available in silver and black, and has an anodized aluminum and polished stainless steel enclosure.



### **iPod (5th generation)** (also known as iPod with video or Fifth Generation iPod)

The iPod (5th generation) is a hard drive-based iPod featuring a **large**, widescreen color **display**, a Click Wheel, and the capability of displaying photos and videos. Like iPod nano, it uses USB for syncing and comes in white and black.



Excerpts from Exhibit E (Emphasis Added).

As concerns the meaning of the phrase to display something at a “normal size,” Dr. Stubblebine persuasively explained that one skilled in the relevant art of the invention would not interpret the phrase to display “at a normal size” as mandating that the actual physical size of some underlying book match up to the size of the device display. Dr. Stubblebine clarified that to display something “at a normal size” relates to readability depending on the underlying display technology employed:

20. “Displayed at a normal size” would have meaning to one of ordinary skill in the art...such that a page of text representative of a page book would be shown at a size that allows for normal visualization....In the context of the claim, it is clear that the display had to be large enough to allow for what would be perceived by the user as “one page” that was readable.
21. One of ordinary skill in the art would clearly understand that the phrase “display at a normal size” does indeed limit the display size of the claim. For example, one of ordinary skill in the art would understand that the display type or technology imposes minimum limits on display size. In practice, display types having a higher pixel per inch (PPI) rating are able to display objects in a smaller area (*i.e.*, display size) than display types having a lower PPI. In other words, a higher PPI allows more information to be displayed in a smaller area relative to a display with a larger PPI.

*Id.* at ¶ 21-22 (*see also* ¶ 23). Stubblebine also noted that Apple itself also uses the phrase “normal display size” in one of Apple’s own patents to distinguish between an unreadable version and its readable counterpart . (*Id.* at ¶ 30). As it pertains to the iPhone, Stubblebine noted that Apple’s proffered claim construction in this case was contrary to Apple’s own advertisements:

40. I have also reviewed Apple’s own advertisements for the use of the iPhone as a book reader. Clearly, one page of a book can be displayed on the iPhone at a normal readable size.

*Id.* at ¶ 40.

Here, discovery would have uncovered other Apple endorsed documents in which Apple uses the phrase “relatively large” in the same manner as described by Dr. Stubblebine, for example, U.S. Patent No. 6,215,476 (col. 1, and claims 1 and 9) wherein the display area was being compared to the device as a whole. Nonetheless, Apple argued to the contrary alleging indefiniteness concerns:

Nothing in the intrinsic record supports a construction of the display dimension limitation that encompasses a display as small as 2 x 3 inches. If construed to cover such a small display, the limitation would be indefinite. This is because there is no rational basis for determining the lower boundaries of the limitation. The determination of what constitutes ‘dimensions such that one page of a book can be displayed at a normal size’ would be entirely (and impermissibly) subjective....

Apple Summary Judgment Mem. at pp. 16-17 (fn omitted). Apple provided the following rationale:

Text may be readable to one person, but unreadable to another. For example a older person’s standard for what is “readable” may differ from a younger person’s. Likewise, something ‘readable’ to a person wearing reading glasses may be unreadable to the same person without them. ‘Readability’ thus is highly subjective and indeterminate.

Apple Reply Mem. at p. 5. And at the summary judgment hearing Apple argued:

[S]ize is replaced by "readability." What that does is it injects into this some issue of a standard of what is readable and what is not readable. What that means is nobody can possibly determine whether or not their device is infringed or not infringed without figuring out what readability is.

Hearing Tr. at pp. 18 lines 20 and 19 line 1. Clearly the Court adopted Apple’s flawed arguments:

[I] think to make the changes that you would want to make would possibly make it invalid as indefinite if you read it some of the ways you want to read it.

8-21-09 Hearing Tr. at pp. 21 lines 1-3 (Docket No. 86).

Apple’s unsupported arguments at the hearing that one of ordinary skill in the art could understand at a normal size to relate to readability flies in the face of Apple’s own patents that reference viewable or readable regions on a display (U.S. Patent Nos. 5,825,348, 6,154,756, 6,133,898, and 7,586,472) and that recite displaying to a viewer material at a normal size (U.S.

Patent No. 5,745,096, 6,957,395, 7,355,606). In fact, Apple's argument that such an interpretation would cause the claims to be invalid for indefiniteness was upheld, it would call into question not only these patents, but arguably also all of Apple's patent claims using the phrase "machine readable" (that is, 162 U.S. patents!).

All of the foregoing facts and circumstances discussed herein raise serious questions as to whether the Court's decision on the claim construction was unduly premature and/or based on erroneous information and assumptions. As such, Monec respectfully submits that this militates in favor of *vacatur*. Under these extraordinary circumstances, it arguably would be unfair that this Court's ruling serve as an estoppel against Monec in future cases, if any. *See, e.g., Major League Baseball Properties, Inc. v. Pacific Trading Cards, Inc.*, 150 F.3d 149 (2d Cir., 1998)(finding plaintiff's on-going need to protect its intellectual property rights in litigation constituted exceptional circumstances warranting *vacatur* of district court decision denying injunction on grounds that plaintiff was unlikely to succeed on the merits of its trademark infringement claim); *Novell, Inc. v. Network Trade Center, Inc.*, 187 F.R.D. 657 (D. Utah, 1999)(vacating grant of summary judgment to defendant on copyright infringement claim and noting that plaintiff had "a substantial interest in partially vacating [the] court's judgment and settling the case [because plaintiff was] a 'repeat-player and has other pending and potential cases against other alleged infringers'"); *Dana III v. E.S. Originals, Inc.*, 342 F.3d 1320, 1328 (Fed. Cir, 2003)(Dyk, J., concurring)("I also write separately to emphasize that our decision today does not determine that the parties to a district court settlement agreement lack a mechanism to prevent interim decisions in litigation from having collateral estoppel effects in future third party litigation. That goal could perhaps be accomplished by moving to vacate the district court's earlier decision as part of the settlement."). Additionally, even if there is no estoppel *per se*, the Court's decision is not a

reliable precedent for third parties in the future concerning the proper interpretation of technical terms in the Monec patent.

Ironically, *vacatur* may also be independently beneficial to Apple so that it is not exposed to possible judicial estoppel in inevitable future patent litigations that Apple might bring against parties infringing on patents relating to Apple's various touch-screen products.

Absent *vacatur* of the judgment, Apple faces a risk of "choking on its own baking" in possible future patent infringement litigation. For example, absent *vacatur*, it is quite possible that potential future adversaries of Apple might seek to invoke judicial estoppel to prevent Apple from arguing that its iPhone or iPod displays are large in that this Court has already determined, at Apple's urging, that any person of common sense would interpret these displays to be small (notwithstanding Apple's own advertisements and common computer industry parlance and understanding to the contrary).

**CONCLUSION**

WHEREFORE, for all the foregoing reasons, as well as those set forth in the parties' supporting papers, the Plaintiff, Monec, Inc., respectfully moves the Court to enter the proposed Stipulated Order of *Vacatur* and Dismissal, along with such other, further and different relief the Court deems just, equitable and proper.

Respectfully submitted:

By: s/ Joseph D. Wilson  
Joseph D. Wilson (VSB # 43693)  
KELLEY DRYE & WARREN LLP  
Washington Harbour, Suite 400  
3050 K Street, NW  
Washington, DC 20007  
(202) 342-8400 (phone)  
(202) 342-8451 (fax)  
Email: [jwilson@kelleydrye.com](mailto:jwilson@kelleydrye.com)

-- and ---

Steven J. Moore, Esq. (*pro hac vice*)  
James E. Nealon, Esq. (*pro hac vice*)  
Delphine W. Knight Brown, Esq. (*pro hac vice*)  
KELLEY DRYE & WARREN LLP  
400 Atlantic Street  
Stamford, Connecticut 06901  
(203) 324-1400 (phone)  
(203) 327-2669 (fax)  
Email: [smoore@kelleydrye.com](mailto:smoore@kelleydrye.com)  
[jnealon@kelleydrye.com](mailto:jnealon@kelleydrye.com)  
[dkbrown@kelleydrye.com](mailto:dkbrown@kelleydrye.com)

Dated: February 12, 2010

**CERTIFICATE OF SERVICE**

I hereby certify that on the 12th day of February 2010, I caused the foregoing Joint Plaintiff/Counterclaim Defendant Monec Holding AG's MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF THE PARTIES' JOINT MOTION TO ENTER STIPULATED ORDER OF *VACATUR* AND DISMISSAL to be electronically filed using the Court's CM/ECF system, which will then send a notification of such filing (NEF), and served a copy of the same by email before 5:00 p.m., to the following counsel for Defendant/Counterclaimant Apple Inc.:

:

John P. Corrado, Esq.  
MORRISON & FOERSTER LLP  
1650 Tysons Boulevard, Suite 300  
McLean, VA 22102  
Telephone: (703) 760-7700  
Facsimile: (703) 760-7777  
E-mail: [jcorrado@mofo.com](mailto:jcorrado@mofo.com)

/s/ Joseph D. Wilson  
Joseph D. Wilson (VSB # 43693)  
KELLEY DRYE & WARREN LLP  
Washington Harbour, Suite 400  
3050 K Street, N.W.  
Washington, DC 20007  
Telephone: (202) 342-8400  
Facsimile: (202) 342-8451  
E-mail: [jwilson@kelleydrye.com](mailto:jwilson@kelleydrye.com)

*Counsel for Plaintiff/Counterclaim  
Defendant MONEC Holding AG*