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13 **UNITED STATES DISTRICT COURT**
14 **NORTHERN DISTRICT OF CALIFORNIA**
15

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17 TECHNOLOGY PROPERTIES LIMITED
18 LLC, PHOENIX DIGITAL SOLUTIONS
19 LLC, and PATRIOT SCIENTIFIC
CORPORATION,
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Plaintiffs,
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v.
22 BARNES & NOBLE INC.,
23
Defendant.
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Case No. 3:12-CV-03863-VC (PSG)

**PLAINTIFFS' SUR-REPLY IN
OPPOSITION TO DEFENDANT
BARNES & NOBLE, INC.'s MOTION
FOR DE NOVO DETERMINATION OF
DISPOSITIVE MATTER REFERRED
TO MAGISTRATE JUDGE**

Docket No: 89

Hearing:
Date: July 23, 2015
Time: 10:00 a.m.
Place: Courtroom 4 - 17th Floor
Judge: Hon. Vince Chhabria

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1 **PRELIMINARY STATEMENT**

2 Plaintiffs Phoenix Digital Solutions LLC, Technology Properties Limited LLC and Patriot
3 Scientific Corporation (“Plaintiffs”) submit this sur-reply to address the second point raised in
4 Barnes & Noble, Inc.’s (“B&N”) reply brief. *See* Dkt. No. 102. This second point concerns a
5 Federal Circuit opinion that issued after Plaintiffs filed their response brief, *SpeedTrack, Inc. v.*
6 *Office Depot, Inc.*, --- F.3d ----, No. 2014-1475, 2015 U.S. App. LEXIS 11169.

7 **ARGUMENT**

8 Citing to *SpeedTrack*, B&N claims that “the Federal Circuit just decided a case that makes
9 clear that *Kessler* cannot properly be restricted to its specific facts.” B&N’s Reply at 3. This
10 assertion is simply incorrect and B&N greatly overstates the applicability of *SpeedTrack* to this
11 case.

12 The portion of *SpeedTrack* cited by B&N concerns the Federal Circuit’s analysis of
13 whether the *Kessler* doctrine may be invoked by a customer. *See* 2015 U.S. App. LEXIS 11169,
14 at *21-26. As explained by the Federal Circuit, “[t]he question of whether a customer can invoke
15 the *Kessler* doctrine has divided the circuits, and we have not specifically addressed it.” *Id.* at
16 *21. After evaluating conflicting authority, the Federal Circuit concluded that “the rational
17 underlying the *Kessler* doctrine supports permitting customers to assert it as a defense to
18 infringement claims.” *Id.* at *24. Unlike this case, *SpeedTrack* concerned whether a *district*
19 *court judgment* of non-infringement barred *SpeedTrack*’s subsequent claims under the *Kessler*
20 doctrine. *Id.* at *2. *SpeedTrack* has nothing to do with whether an *ITC decision* precludes a
21 district court’s consideration of patent issues. *See id.* Nothing in *SpeedTrack* can be fairly read as
22 an invitation for this Court to create new law by extending the *Kessler* doctrine to ITC decisions.
23 *See id.*

24 Judge Grewal analyzed far more applicable Federal Circuit authority¹ and correctly
25 concluded that “ITC findings have no preclusive effect on district courts.” *See* Report and

26 _____
27 ¹ Report and Recommendation Denying Motion for Judgment on the Pleadings, Dkt. No. 87 at 4
28 (addressing *Bio-Technology Gen. Corp. v. Genentech, Inc.* 80 F.3d 1553 (Fed. Cir. 1996) and
Texas Instruments v. Cypress Semiconductor Corp., 90 F.3d 1558 (Fed. Cir. 1996)). Also, by way

1 Recommendation Denying Motion for Judgment on the Pleadings, Dkt. No. 87 at 7. Judge
 2 Wilken analyzed the same Federal Circuit cases and reached the same conclusion. *See* Order
 3 Denying Motion for Judgment on the Pleadings, Dkt. 100-3 at 12 (“[L]egal precedents regarding
 4 the preclusionary effect of an ITC decision were established long before the parties’ dispute
 5 began. ... [T]he Court is not bound by the ITC decision and will not employ the Kessler
 6 doctrine.”). Absolutely nothing in *SpeedTrack* calls into question the far more relevant Federal
 7 Circuit precedent, much less Judge Grewal’s and Judge Wilken’s conclusion that ITC decisions
 8 do not bind district courts on patent issues.

9 CONCLUSION

10 For the foregoing reasons and the reasons set forth in their Response, Plaintiffs respectfully
 11 ask the Court to deny B&N’s Motion for De Novo Determination and adopt Judge Grewal’s
 12 Report and Recommendation.

13
 14 Dated: July 10, 2015

Respectfully Submitted,
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 27 of clarification, B&N correctly notes at that an editing error resulted in the erroneous attribution of
 28 a quotation from *Texas Instruments* to 28 U.S.C. § 1659(b). B&N’s Reply at 4, n. 4. Counsel
 apologizes for the error.

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CERTIFICATE OF SERVICE

I hereby certify that, on July 10, 2015, I caused the foregoing document to be served on counsel of record via the Court’s CM/ECF system.

Dated: July 10, 2015

By: /s/ Brent N. Bumgardner
Brent N. Bumgardner