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7
 8 **UNITED STATES DISTRICT COURT**
 9 **SOUTHERN DISTRICT OF CALIFORNIA**

10
11 AMERANTH, INC.,

Case No. 3:12-cv-0733 DMS (WVG)

12 v.

13
14 DOMINO'S PIZZA, INC. and
15 DOMINO'S PIZZA, LLC

**REPLY MEMORANDUM OF POINTS
 AND AUTHORITIES IN SUPPORT OF
 AMERANTH INC.'S MOTION FOR
 RECONSIDERATION OF ORDER
 GRANTING IN PART MOTION TO
 DECLARE CASE EXCEPTIONAL AND
 AWARD ATTORNEY FEES AND COSTS
 OR, IN THE ALTERNATIVE, REQUEST
 FOR CERTIFICATION OF
 INTERLOCUTORY APPEAL [28 U.S.C.
 § 1292(b)(2)]**

ORAL ARGUMENT REQUESTED

DATE: April 16, 2021
TIME: 1:30 p.m.
DEPT: Courtroom 13A
JUDGE: Hon. Dana M. Sabraw

[UNREDACTED – FILED UNDER SEAL]

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1 **A. Reconsideration Is Appropriate and Warranted Here**

2 The purpose of the reconsideration procedure is “to allow the district court to
3 correct its own errors, sparing the parties and appellate courts the burden of
4 unnecessary appellate proceedings.” *Walker v. United States*, 2020 WL 4464459 * 1
5 (S.D. Cal. 8-4-2020 J. Sabraw).

6 The Order cries out for reconsideration because it is based on a number of “clear
7 errors” of fact and law and consequently reaches a “manifestly unjust” result. Unless
8 the Court corrects these errors, both the parties and the Federal Circuit will not be
9 spared the burden of appellate proceedings to address the mistaken factual findings and
10 erroneous legal conclusions on which the Order is based, including the far reaching
11 precedent of punishing a party under §285 for: (a) obtaining significant, late stage
12 settlements through district court-ordered settlement conferences and mandatory
13 Federal Circuit Mediation Program participation; and (b) by giving weight to verdicts
14 that have been properly vacated while on appeal after two “law of the case” rulings
15 that such verdicts had no preclusive effect. If reconsideration is not granted, these and
16 other vital issues will have to be taken up through an interlocutory or final appeal.

17 **B. The Order Is Manifestly In Error And Unjust Because It Is Based**
18 **On The False Presumption That Ameranth Is A Patent Troll That**
19 **Seeks Nuisance Value Settlements To Avoid Testing Its Patents**

20 The Order manifestly errs in finding the case exceptional by relying on
21 decisions imposing exceptional case sanctions against the worst examples of troll-like
22 entities that developed no products, sued hundreds of defendants, quickly dismissed
23 any cases that were contested in order to avoid invalidity findings, and sought cheap
24 nuisance settlements for less than it would cost to respond to an infringement
25 complaint. The Order, in making such comparisons, clearly – but mistakenly and
26 unfairly – viewed Ameranth as the same sort of non-practicing patent troll.

27 The Order’s comparison of Ameranth to patent trolls unwilling to substantively
28 litigate their claims and simply chasing nuisance value is flatly wrong. There is no
dispute whatsoever that Ameranth is a technology company – established in 1996 and

1 still led by its original founder and president – that filed for its patents to protect the
 2 award-winning products that it had invented, developed, and deployed for itself and
 3 with thousands of its own customers, and which was on the brink of becoming the
 4 industry standard¹ until it was overcome by wide-spread infringement. It was *not*
 5 merely a non-practicing patent assertion entity with no products of its own. Ameranth
 6 has clearly demonstrated that it is willing to substantively litigate its claims through
 7 trial and appeal, and has not dismissed its claims for nuisance settlements.

8 The Order is also clearly erroneous to the extent that its exceptional case
 9 conclusion is based upon Ameranth’s significant late-stage settlements with Pizza Hut
 10 and Menusoft, or on any assumption that Ameranth entered into those settlements
 11 merely to avoid adjudicating the merits of its patents. Ameranth settled with Pizza
 12 Hut for ██████████ two weeks before trial was to begin at the *Court-ordered*
 13 *settlement conference* before Judge Gallo². Ameranth settled with Menusoft *after* trial,
 14 while on appeal to the Federal Circuit, through the Federal Circuit Mandatory
 15 Mediation Program. NOL, Exh. 1. Contrary to Domino’s assertion, the Ameranth-
 16 Menusoft agreement was *not* a “cheap settlement”—through the end of 2020,
 17 Menusoft has paid Ameranth approximately ██████████ in royalties, and through the
 18 end of the term of the licensed patents the agreement is estimated to generate roughly
 19 ██████████ in royalty payments to Ameranth. McNally Decl., ¶ 2 .

20 These valuable settlements—reached at the *end* of the litigation process and not
 21 at the inception and resulting from *court-ordered* negotiations—are *nothing* like the
 22 nuisance value “patent troll” actions cited by the Order from *Shipping and Transit*,
 23 2017 WL 3485782 *7 (C.D. Cal. 7-5-2017)(filing nearly 500 cases, dismissing those
 24

25 ¹ Ameranth’s 21st Century Restaurant is “poised to become the industry standard.”
 26 *Market Busters: 40 Strategic Moves that Drive Exceptional Business Growth*,
 Harvard Bus. School Press 34-35 (2005). NOL, Exh. 2.

27 ² Despite the fact that Ameranth sued Pizza Hut in 2011, the Court did not hold any
 28 settlement conference between the parties until two weeks before the scheduled trial.
 Dkt. No. 1277. The Court set the settlement conference, not Ameranth.

1 where defendants challenged validity, and settling cases for between \$10,000 and
 2 \$25,000), *Kindred Studio*, 2019 WL 3064112 *9 (C.D. Cal. 5-23-19)(patent holding
 3 shell company engaged in “*in terrorem*” tactics – threatening litigation in hopes of a
 4 quick settlement with no intention of ever testing either the strength of its patent or its
 5 allegations of infringement” in order to extract “nuisance value patent rents”), or
 6 *Edekka*, 2015 WL 9225038 *4 (E.D. Tex. 12-17-15)(filing suits against over 200
 7 defendants and “avoid[ing] testing its case on the merits and instead aim[ing] for early
 8 settlements falling at or below the cost of defense ... counsel for eDekka contacted
 9 numerous defendants with offers to settle their cases for *three-thousand dollars each*.
 10 These offers represent extraordinarily low amounts”)(emp. added) It is inaccurate and
 11 unjust to compare Ameranth’s conduct to that of the plaintiffs in such cases³.

12 **C. The Order is Manifestly in Error Because it is Based on the Wrong**
 13 **Law And The Inaccurate Presumption that the Properly Vacated**
 14 **Menusoft Verdicts Irreparably Tainted Ameranth’s Entire Patent**
 15 **Family, and That Ameranth Had No Reasonable Basis to Believe**
 16 **that the ‘077 Patent Was Valid and Patent Eligible**

17 The Order likewise materially errs by concluding that Ameranth’s entire family
 18 of patents was irreparably tainted by the *Menusoft* verdicts issued over a decade ago
 19 despite the uncontroverted facts that: (a) those invalidity verdicts (as to only 7 of 47
 20 claims, and only on §102 and 103 grounds, and *not* §101)(NOL, Exh. 3) were *properly*
 21 *vacated* while on appeal to the Federal Circuit as part of a settlement reached through
 22 the Mandatory Federal Circuit Mediation Program (*see* NOL, Exh. 1); and (b) this
 23 Court *twice* confirmed the propriety of the vacatur (under the law of the Eastern
 24 District of Texas *and* of the Ninth Circuit) and held that the vacated verdicts had *no*
 25 *preclusive effect* in this litigation (a holding that constitutes law of the case).

26 ³ Domino’s argues that Ameranth’s opposition to Domino’s belated request to join in
 27 Pizza Hut’s §101 MSJ supposedly demonstrates that Ameranth attempted to avoid
 28 adjudication of the §101 issue. This is a canard. Both Ameranth and Domino’s
 explicitly identified the §101 challenge as an issue *to be determined by the Court at*
trial in their Joint Pre-Trial Order (Dkt. No. 1238, ¶ 8), a trial that was scheduled to
 start only a few days after the Court issued its Order granting the MSJ.

1 The only legal support cited by the Order for the conclusion that the vacatur of
2 the *Menusoft* verdicts supposedly “cast a cloud on the Patents, and indicated a
3 weakness in Ameranth’s position” was the wrong law, *i.e.*, a 1992 district court
4 decision from the Eastern District of Virginia never previously cited within the Ninth
5 Circuit. Tellingly, *neither* of the decisions cited in Domino’s Opposition (*American*
6 *Games, Inc. v. Trade Products, Inc.*, 142 F.3d 1164 (9th Cir. 1998) and *Protegrity USA,*
7 *Inc. v. Netskope, Inc.*, 2016 WL 4761093 (N.D. Cal. 9-13-2016)) stand for the
8 proposition that vacating a challenged invalidity verdict casts a cloud of doubt over a
9 patent or represents an admission of weakness of the claims by the patent holder.
10 Instead, both decisions discuss the “balancing of the equities” standard that courts are
11 to use to determine whether to vacate a verdict, a standard that both the Eastern District
12 of Texas *and this Court* (twice) found was satisfied here with respect to *Menusoft*.
13 Furthermore, a court should not base an exceptional case finding in one case on a
14 litigant’s conduct in other lawsuits. *Whitewater West Ind., Ltd. v. Pacific Surf*
15 *Designs, Inc.*, Case no. 17-cv-0118 at p. 8 (S.D. Cal. 4-5-2021)(J. Benitez).

16 Based upon yet further factual errors, the Order unreasonably concludes that
17 Ameranth’s conduct was even *worse* than the patent trolls sanctioned in the decisions
18 it cited, and erroneously bases exceptional case finding on this mistaken conclusion:

19 Indeed, the facts of this case are *even more compelling than the facts in*
20 *Kindred Studio*, where the patentee was faced with one finding of
21 invalidity by the district court. Here, Ameranth was presented with two
22 decisions, one from the PTAB and the other from the Federal Circuit,
23 *finding the ‘850, ‘325 and ‘733 Patents ineligible*. Thus, the reasoning
of *Kindred Studio applies with even more force* here, and weighs
squarely in favor of an exceptional case finding. Order, p. 12 (emp.
added).

24 The “facts” relied upon by the Order, however, are incorrect. Ameranth’s ‘850,
25 ‘325, and ‘733 *patents were not* found to be entirely ineligible by *either* the PTAB *or*
26 the Federal Circuit. 20 out of the 47 claims of those three patents were *not* found
27 ineligible by the PTAB. The Federal Circuit found that 37 of the 47 claims of the three
28 patents were ineligible, but did *not* invalidate the remaining 10 claims of those patents.

1 Furthermore, until this Court granted Domino’s motion for summary adjudication in
2 late September of 2018, no court or administrative body had *ever* found that *any* claim
3 of the ‘077 patent was invalid or ineligible. In fact, the ‘077 patent had *survived*
4 *multiple attacks* before the PTAB even after claims of the earlier patents had been
5 struck down, and the ‘077 patent was issued by the USPTO over the *Menusoft* verdicts.

6 Misled by Domino’s inaccurate representations, the Order also errs by failing to
7 recognize the critical significance of the PTAB’s December 4, 2017 denial of the
8 defendants’ request to reconsider its non-institution decision as to the patent eligibility
9 of the ‘077 patent following the issuance of the Federal Circuit’s decision in *Apple v.*
10 *Ameranth*. The Court appears to have accepted Domino’s misrepresentations of the
11 PTAB’s non-institution decision, *e.g.*, where Domino’s states:

12 Ameranth continues to falsely assert that in the Starbuck’s ‘077 CBM,
13 the PTAB substantively considered the petition, in light of the *Apple*
14 decision, and ruled that the ‘077 patent was patent-eligible. To the
15 contrary, the PTAB made clear that its decision was not a substantive
16 decision, instead denying the petition because Starbuck had filed a
17 previous petition. The *Apple* case is never mentioned. *Oppo.*, p. 11 &
18 n. 4 (emp. added).

19 Domino’s mischaracterization—which the Court apparently believed and
20 accepted at face value—is *indisputably false*. The PTAB **expressly considered and**
21 **cited to** the *Apple v. Ameranth* opinion, correctly found that the claims of the ‘077
22 patent contain multiple claim limitations not contained in the ‘850, ‘325, and ‘733
23 patents, and decided that it would *not* institute CBM review against the ‘077 patent
24 despite *Apple v. Ameranth*. The CBM 2017-00053 decision indisputably states:

25 One of the later cases Petitioner specifically relies upon in its Petition
26 is *Apple, Inc. v. Ameranth, Inc.*, 842 F.3d 1229, 1235 (Fed. Cir. 2016).
27 In that case, the Federal Circuit upheld the Board’s determination that
28 claims from several patents related to the ‘077 patent were unpatentable
under 35 U.S.C. §101. There are, however, *a number of limitations found in the ‘077 patent claims that are not in the related patents.* See
Pet. 33–37; 43–52. Thus, we view [*Apple v.*] *Ameranth* as providing
another example of post-*Alice* analysis, but not as requiring a finding
of unpatentability for the challenged claims in this proceeding.” (emp.
added) (NOL, Exh 4. (CBM2017-00053), at p. 11, n.1)

Based on this analysis—as to merits of the defendants’ §101 challenge—the PTAB

1 decided not to institute CBM review of the ‘077 patent *despite* the issuance of *Alice*,
2 *Apple v. Ameranth*, and Alice’s other §101 progeny decisions:

3 We are not persuaded that this analysis is in tension with *Alice*, its
4 predecessor *Mayo*, or its progeny [which includes **Apple**], and,
5 therefore, *we are not persuaded that we should institute this ground*
6 *[§101] due* to subsequent statement of the existing law. (NOL, Exh. 4,
7 (CBM2017-00053), pp. 13-14)(emp. added)

8 Domino’s makes a *false* representation to the Court about the content of the PTAB’s
9 decision in the hope that the Court will not read the decision for itself. But the Court
10 has a duty to do so, and not to simply accept Domino’s mischaracterizations.

11 The PTAB’s reasoning with respect to the defendants’ renewed §101 challenge
12 to the ‘077 patent thus *differs from and goes well beyond* its rationale for declining to
13 institute review on the other grounds asserted by the defendants (§112 enablement and
14 indefiniteness). The PTAB had previously rejected §101 challenges to the ‘077 patent
15 claims in 2014 *on the merits under 35 U.S.C. §324* (CBM2014-00014⁴), re-examined
16 that decision in 2017 in light of *Alice*, *Apple v. Ameranth*, *etc.*, and concluded that
17 those later-issued opinion did *not* change its determination regarding the eligibility of
18 the ‘077 claims under §101. In contrast, in response to the §112 challenges, the PTAB
19 simply found that the defendants’ arguments were “substantially the same” as the
20 arguments previously made and rejected, and therefore exercised its discretion to
21 decline to institute review. (NOL Exh. 4, CBM2017-00053, pp. 15, 17) Domino’s
22 obfuscation of the difference between the consideration the PTAB gave to the §101
23 challenge (including application of *Alice* and *Apple v. Ameranth*), as opposed to the
24 §112 challenges, and the Order’s failure to appreciate that important distinction,
25 support granting of Ameranth’s motion for reconsideration. To conclude that the
26 PTAB’s decision provided *no “reasonable basis”* (Order, p. 11) for Ameranth to

26 ⁴ In its March 26, 2014 non-institution decision under 35 U.S.C. §324 in CBM2014-
27 00014, the PTAB stated: “Accordingly, we are not persuaded that claims 1-18 [of the
28 ‘077 patent] are directed to non-statutory subject matter under 35 U.S.C. §101,” p.
40, and that “no covered business method review will be instituted pursuant to 35
U.S.C. §324 as to any claim of the ‘077 patent ...” p. 41. NOL, Ex. 5.

1 believe that the ‘077 patent claims remained patent eligible after *Alice* and *Apple v.*
 2 *Ameranth* (particularly after the ‘077 patent had already survived multiple earlier
 3 challenges) simply defies common sense and is manifestly unjust .

4 **D. The Order Is Manifestly In Error Because Its Conclusion that**
 5 **Ameranth Took Inconsistent Positions As To ‘Synchronization’ Was**
 6 **Improperly Based Upon A 2009 Construction Which Was**
 7 **Superseded By The Federal Circuit, the Failure to Construct a Key**
 8 **Disputed Claim Element, and a Misapplication of the IPDEV**
 9 **Arguments That Were Confined to a Single Store Context**

10 The Order faults Ameranth for supposedly “shift[ing] its **long-held** position on
 11 a central element of its invention, namely that the system be ‘synchronous’ or
 12 ‘synchronized,’ to avoid a finding that the Domino’s Defendants did not infringe”
 13 (Order, p. 18)(emp. added), and points out that Ameranth’s proposed construction was
 14 “consistent with its [2009] proposed construction of a similar phase in *Menusoft*.”
 15 Order, p. 9, n. 3. By harkening back to the position that Ameranth took in *Menusoft*
 16 with respect to the ‘850, ‘325, and ‘733 patents in 2009, based upon the preambles
 17 being limiting, the Order’s analysis overlooks the change in claim construction position
 18 that was mandated by the Federal Circuit’s own constructions in 2016 in *Apple v.*
 19 *Ameranth*. There, the Federal Circuit held that the claim preambles reciting
 20 “‘synchronous communications systems’ are not limiting,” and found “that nothing in
 21 the patents’ specifications indicates that a synchronous communication system is
 22 required to include a central back-office server that communicates data updates to and
 23 from multiple client devices.” *Apple*, 842 F.3d 1229, 1237 (Fed. Cir. 2016).

24 Ameranth raised this issue in the *Markman* proceedings in this case and
 25 conformed its position to the Federal Circuit’s. This Court’s December 2017 claim
 26 construction order demonstrated an understanding of the issue by rejecting the
 27 defendants’ “changes ... reflected on an entire network of connected devices” proposed
 28 construction of synchronous. Dkt. No. 908, pp. 5-6. Yet, by adopting Domino’s
 misinterpretation of arguments made by Ameranth at the IPDEV MSJ hearing that were
 expressly confined to a single store system, and by misapplying that misinterpretation

1 to the totally different context of a chain restaurant system with roughly 5,000 separate
2 stores, the Order in essence retroactively adopts the defendants’ proposed “all
3 connected devices” construction that was expressly rejected in the *Markman* order.

4 Domino’s Opposition again attempts to downplay the significance of the
5 difference in application of “synchronous” between the single-store mode model
6 discussed (exclusively) at the IPEV MSJ hearing, on one hand, and in the context of a
7 5,000 separate store system, like Domino’s, on the other. The issue is not, as Domino’s
8 argues (Oppo. at 16) that the claims do not distinguish between the two different
9 embodiments. Both embodiments (single store and multiple chain store) infringe,
10 albeit in somewhat different ways, and “The patentee is entitled to the full scope of his
11 claims.” *Kara Tech. Inc v. Stamps.Com Inc.*, 582 F.3d 1341,1348 (Fed. Cir. 2009). As
12 explained in the infringement opinion of Ameranth’s expert witness, Sam Malek,
13 Ameranth took the infringement position that master menu *synchronization in multi-*
14 *store environment meant consistency between those users connected to a particular*
15 *store*, where the menu made available to users was generated by an interaction between
16 the server side menu (somewhat confusingly called a “master menu” by Domino’s
17 system programmers) and the menu items selected by each individual store to appear
18 on that particular store’s online and mobile menu:

19 58. ... the programmed handheld menu configuration sent, in the form
20 of structured JSON data files, from the server side to the mobile device,
21 synchronizes menu information from the master menu and the store
menu, including categories, items, and modifiers with the online menu
displayed on the mobile device.

22 59. The accused product synchronizes in real time the programmed
23 handheld menu configuration with the master menu. For instance, when
the user selects a store, the programmed handheld menu configuration
is generated on the server side and sent to the mobile app to display the
menu information for that store. Afterwards, if the user selects a
different store, the system synchronizes in real time the programmed
handheld menu configuration that is stored on the phone with the master
menu by calling the back-end API, which returns an updated JSON file
constituting the programmed handheld menu configuration for the
newly selected store. In this way, the system prevents an inconsistency
between the selected store and the programmed handheld menu
configuration corresponding to that store.

1 NOL, Exh 6., ¶¶58-59 (Emp. added). Thus, in a multi-store system, there is substantive
2 consistency *between a given store and users connected to the menu for that given store*,
3 regardless of the type of handheld device possessed by each such connected user.

4 Ameranth’s statements at the IPDEV MSJ hearing, expressly confined to the
5 *single store* context, are not inconsistent with the *multi-location* “chain restaurant”
6 application set forth in Ameranth’s infringement position against Domino’s. The
7 Court’s *own* comments at that hearing make this obvious. The Court asked about the
8 application of synchronization *in the context of a single hamburger restaurant* that ran
9 out of pickles and had to take that item off of the store menu:

10 **THE COURT:** Just a point of—one way for me to look at it on the
11 synchronizing is, on the hamburger model, if **the restaurant** runs out
12 of pickles **they** take the pickles off, and then if there are five people
13 looking at the menu there won’t be an option for pickles.

14 **MR. CALDARELLI:** That’s right.

15 **THE COURT:** It is **synchronized**.

16 Case no. 14-cv-01303, Dkt. No. 85, p. 50 (emp. added). Consider for a moment the
17 absurdity of applying this single store model of synchronization to a chain restaurant,
18 like Burger King, with thousands of restaurants throughout the country. If the Burger
19 King in downtown San Diego ran out of pickles and took that item off of the menu for
20 that particular store, does anyone seriously think a mobile device Burger King customer
21 in Memphis, Tennessee could not get a pickle on her Whopper? Of course not. But
22 the argument Domino’s presents to demonstrate that Ameranth has supposedly been
23 inconsistent – and which the Order adopted – requires the Court to endorse such
24 absurdities. With users experiencing on average 15 screens per menu, applied to a
25 5000-store menu system, Domino’s nonsensical construction would require a customer
26 to navigate over 75,000 screens to place an order. However, “A claim construction
27 that renders asserted claims facially nonsensical ‘cannot be correct.’” *Beckton,*
28 *Dickinson & Co. v. Tyco Healthcare Group, LP*, 616 F.2d 1249, 1255 (Fed. Cir. 2010).

These competing interpretations go directly to the heart of the alleged

CERTIFICATE OF SERVICE

Pursuant to controlling General Orders, and in accordance with the local rules and procedures of this court, I filed the foregoing document(s) through the court’s CM/ECF system, which will generate and send a Notice of Electronic Filing and hyperlink to the document to all registered users in the case listed above.

I declare under penalty of perjury under laws of the United States of America that the above is true and correct.

Executed on April 8, 2021 at San Diego, California.

CALDARELLI HEJMANOWSKI PAGE & LEER LLP

By: /s/ William J. Caldarelli
William J. Caldarelli

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