IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
TEXARKANA DIVISION

MAXELL, LTD., *Plaintiff*, v. APPLE INC., *Defendant*.	Case No. 5:19-cv-00036-RWS **JURY TRIAL DEMANDED**

MAXELL, LTD.'S SUR-REPLY IN OPPOSITION TO APPLE INC.'S MOTION TO STAY PENDING DETERMINATION OF *INTER PARTES* REVIEW OF THE PATENTS-IN-SUIT

This District has clearly and consistently denied motions for stay when petitions for *inter partes* review have not yet been instituted. Apple knows this; yet, it doubles-down on its incredulous argument that this (post-fact discovery) case is "still early" and that a likely two-year delay would not cause Maxell "any prejudice whatsoever." Neither argument is supported by the evidence, and neither warrants a stay. What is undeniable, however, is that the fact that, right now, any potential simplification of the case is purely speculative. And, once the PTAB has acted on all pending petitions, the parties will be in middle of trial preparations. In view of this, it is clear that Apple's request for a stay is not motivated by increasing efficiencies, but is rather just another attempt to unduly delay trial.

I. The Speculative Nature of Any Simplification Favors Denial of Apple's Motion

Although Apple relies on an alleged lack of prejudice as the primary justification for a stay, courts in this District have held that "the most important factor… is the prospect that the inter partes review proceeding will result in simplification of the issues before the Court." *NFC Tech. LLC v. HTC Am., Inc.*, No. 2:13-cv-1058, 2015 WL 1069111, at *4 (E.D. Tex. Mar. 11, 2015). And where, as here, the PTAB has not yet instituted any IPRs, the same courts have held that simplification is too speculative to justify a stay. *See, e.g., Fall Line Patents, LLC v. Am. Airlines Grp.*, No. 6:17-cv-202, 2018 WL 4169251, at *1 (E.D. Tex. May 21, 2018).

Apple turns to statistics to argue that some issues will be simplified. But this District has squarely addressed this type of argument and held that "overall statistics for the number of petitions that are reviewed and the number of claims that are invalidated are not especially enlightening as to the likely disposition of any particular patents or claims, since the likelihood of invalidation depends entirely on the particulars of the patents and claims in dispute." *Trover Grp., v. Dedicated Micros USA*, No. 2:13-cv-1047-WCB, 2015 WL 1069179, at *4 (E.D. Tex. Mar. 11, 2015). The Court further held that "it would be speculative for the Court to extrapolate from the statistics and

conclude that it is likely that the PTAB will institute inter partes review in this case and invalidate some or all of the claims of the [asserted] patent." *Id.* It is no more appropriate for Apple to attempt to extrapolate from Maxell's statistics than its own, as neither address "the particulars of the patents and claims in dispute."[1] The closest the parties could get to doing so would be to evaluate the statistics for the IPRs previously filed on the asserted patents. Of the ten asserted patents, five previously had IPRs filed against them that received decisions on institution. And **every single decision** was a denial of institution. Thus, if anything, the most on-point statistics establish that simplification is unlikely.[2]

Apple asserts that Maxell's arguments about Apple's future products is irrelevant to the simplification factor as that factor relates to "***existing*** disputes before the Court." Reply at 4 (emphasis in original). But the infringing nature of accused features is an existing dispute, whether included in already-released or to-be-released products. *NFC* does not hold otherwise. In *NFC*, the Court merely held that the fact an instituted IPR did not address certain asserted claims did not support denial of a stay where 1) the claims were not asserted until after the IPR was filed, 2) the defendant had promptly petitioned for the claims to be added, and 3) the claims bore a relationship to claims for which review was already granted. *NFC*, 2015 WL 1069111, at *7.

Notably, Apple did not address the fact that its IPR petitions do not address the 35 U.S.C. § 112 issues or the invalidity arguments under § 101 that Apple has raised in this case. Courts have recognized the negligible impact on simplification that results from IPRs where, as here, a defendant's invalidity theories in the litigation exceed the scope of the pending IPR. *See* Opp. at 11.

[1] Maxell provided the statistics to underscore the fact that they are not a reliable indicator.
[2] Apple's argument that "even an IPR denial may lead to case simplification" highlights that Apple's motivation is delay, not efficiency. Given that decisions on institution will be rendered prior to trial, the parties would be free to use disclaimers, assuming any are made, at trial for this case. No stay would be necessary to enable such use.

II. The Stage of The Case Favors Denial of Apple's Motion

By the time Apple filed its motion, this case was advanced. The claim construction process was complete, the parties had briefed (or at least begun briefing) nearly twenty issues, and fact discovery was one week away from officially closing. The Court, too, has invested significant time and resources on this case, contrary to what Apple is representing to the Patent Office to support its IPRs.[3] And although the parties sought a few additional weeks to complete depositions in view of COVID-19, such depositions will be complete by April 30. D.I. 283. Courts in this District have held that this factor weighs against a stay in cases that were even less far along than the one here. *See* Opp. at 9. In its Motion, Apple attempted to detract from the advanced stage of litigation by arguing that there were "a number of pending discovery requests and disputes." Mot. at 4. Maxell responded by pointing out that Apple created such support for itself through its own discovery misconduct in this case. Maxell's brief and argument were unrelated to the extension sought to accommodate depositions in view of COVID-19.[4]

Apple argues that, "[b]ecause 'the bulk of the expenses that the parties would incur… are still in the future,' the stage-of-the-litigation factor favors a stay." Mot. at 4; *see also* Reply at 4. Although Apple asserts Maxell "cannot dispute" this argument, Maxell does. And that is why Maxell provided a discussion of the resources it has expended in the litigation (prior to Apple's filing of its Motion) in its Opposition. Apple cannot make a blanket assertion and then argue that

[3] Apple argues, "The Court has little substantive investment: Apart from the *Markman* proceedings, the district court has not invested other substantive efforts and the litigation is not 'advanced.'" *See* Ex. D, Apple v. Maxell, IPR2020-00199, Paper 8 at 8 (PTAB April 21, 2020).

[4] While Apple's discovery misconduct was not the impetus for the extension, such misconduct certainly made the situation worse than it had to be. If Apple had timely provided discovery and not waited until the final weeks to present its witnesses, for example, the COVID-19 crisis would have had far less impact on this case. Moreover, Apple's representation that it believed the depositions could have proceeded remotely within the original fact discovery period paints a picture far different than what has transpired. After the initial extension was granted, Apple immediately flipped its position and flat out refused video depositions in this case (even while simultaneously providing such depositions in *Optis Wireless Tech. LLC v. Apple Inc.*, No. 2:19-cv-66-JRG (E.D. Tex.)). And, it was Apple's inability to fit all the depositions within the initial three week extension that necessitated the parties' second request for an additional week of extension, which was just granted. D.I. 283.

Maxell's response in opposition is "of no moment." The Federal Circuit has not held that such consideration cannot be taken into account with respect to this factor. Rather, the Court in *Versata* held that, when evaluating the factor of "Reduced Burden of Litigation" in connection with stays pending CBM reviews, Courts are to focus prospectively on the impact of the stay on the litigation rather than the burdens caused by previously filed motions. *Versata Software, Inc. v. Callidus Software, Inc.* 771 F.3d 1368, 1375 (Fed. Cir. 2014). With respect to the stage of litigation, the Federal Circuit "recognized… that it is entirely appropriate … to wait for the institution decision before ruling on the motion" and "courts are not obligated to ignore advances in the litigation that occur as of the date that the PTAB granted CBM review." *Id.* at 1373.

III. The Prejudice to Maxell From a Length Stay Favors Denial of Apple's Motion

Courts in this District have repeatedly rejected the argument made by Apple that a plaintiff who does not sell competing products is precluded from experiencing prejudice. *See, e.g.*, *Danco, Inc. v. Lavelle Indus., Inc.*, No. 5:16-cv-48-CMC, 2017 WL 1732024, at *2 (E.D. Tex. Jan. 25, 2017); *NFC*, 2015 WL 1069111, at *2. Again, even the case cited by Apple in its Reply states "[t]he fact that [Plaintiff] is a non-practicing entity and is merely pursuing monetary damages would not preclude that [Plaintiff] from experiencing prejudice if the Court granted Defendants' motion to stay" because a plaintiff "has an interest in the timely enforcement of its patent rights." *Realtime Data, LLC v. Rackspace US, Inc.*, 2017 WL 772654, at *4 (E.D. Tex. Feb. 28, 2017). While Courts have held that such prejudice is "generally too generic, standing alone, to defeat a stay motion," they have not held that this type of prejudice actually favors stay. *Id.* And, importantly, Maxell is not relying on its prejudice alone to defeat Apple's motion; Maxell has also shown that a stay is inappropriate based on the speculative nature of simplification and the advanced stage of this case.

Maxell also does not "baldly assert[] that monetary damages are insufficient" in this case.

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