

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

MAXELL, LTD.

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V.

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No. 5:19CV36-RWS

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APPLE INC.

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**ORDER ON MOTION FOR SANCTIONS**

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The following motion has been referred to the undersigned United States Magistrate Judge for decision in accordance with 28 U.S.C. § 636:

**Maxell, Ltd.’s Opposed Motion for Sanctions (Docket Entry # 210).**

The Court, having carefully considered the relevant briefing and hearing arguments of counsel July 28, 2020, is of the opinion the motion should be **DENIED**.

**I. BACKGROUND**

Plaintiff Maxell, Ltd. (“Maxell”) filed its complaint for patent infringement against Apple Inc. (“Apple”) on March 15, 2019. The First Amended Complaint for Patent Infringement (“FAC”) alleges Apple infringes ten patents related to mobile device technology under theories of direct infringement, induced infringement, willful infringement, and contributory infringement. Docket Entry # 111. Maxell alleges that various aspects of Apple’s iPhone, iPad, and Mac products infringe the asserted patents, including: cameras; navigation capabilities; authentication systems; telecommunications techniques; video streaming; “do not disturb” functionality; power management technologies; and smartwatch integration. *See* Docket Entry # 171 at p. 1.

## II. BACKGROUND REGARDING APPLE'S DOCUMENT PRODUCTION

### A. Document production deadlines

The original Docket Control Order provided a July 10, 2019 deadline to comply with Paragraphs 1 and 3 of the Discovery Order (Initial and Additional Disclosures).<sup>1</sup> Docket Entry # 46 at p. 8. The deadline to comply with Patent Rule 3-4 regarding the production of documents sufficient to show how the accused instrumentalities work was August 14, 2019. *Id.* The fact discovery deadline was March 31, 2020.<sup>2</sup> *Id.* at p. 4.

### B. Maxell's first motion to compel

It is instructive to consider the parties' discovery disputes in determining whether sanctions are appropriate now. In its first motion to compel filed August 15, 2019, Maxell asked the Court to compel Apple to substantially complete its document production. At the hearing on September 17, 2019, Maxell raised issues as to the timing and scope of Apple's discovery responses. Arguing it was one month past the "last deadline for substantially completing discovery," Maxell stated it was still missing license agreements, marketing materials, technical documents, service manuals, etc. Docket Entry # 100 at 46:24-47:13.

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<sup>1</sup> Paragraph 3 of the Discovery Order for Patent Cases provides, among other things, that each party shall, without awaiting a discovery request, produce or permit the inspection of all documents, electronically stored information, and tangible things in the possession, custody, or control of the party that are relevant to the pleaded claims or defenses involved in the action, except to the extent these disclosures are affected by the time limits set forth in the Patent Rules for the Eastern District of Texas. Docket Entry # 42 at pp. 2-3.

<sup>2</sup> The Docket Control Order was amended on March 16, 2020, extending the deadline to complete all fact depositions to April 21, 2020 and the deadline for initial expert reports to April 28, 2020. Docket Entry # 232. On April 20, 2020, Judge Schroeder entered an Amended Docket Control Order, extending the deadline to complete all fact depositions to April 30, 2020. Docket Entry # 283 at p. 5. On May 8, 2020, the Court entered the parties' Joint Stipulation Regarding Extension of Deadlines to Submit Initial and Rebuttal Expert Reports on the '794 patent, ordering the parties exchange initial expert reports regarding the U.S. Patent. No. 6,329,794 on May 14, 2020 and exchange rebuttal expert reports regarding the same on June 11, 2020. Docket Entry # 325.

At the hearing, Apple pointed out there is no substantial completion of production deadline in this case, and the deadline for completion of fact discovery was still six and a half months away. *Id.* at 68:18-69:15; 73:24-74:2. Even so, Apple stated it would agree to a November 27, 2019 “substantial completion date” for its document production. *Id.* at 69:16-19. Although disputed by Maxell, Apple’s counsel also represented Apple had produced technical documents under Patent Rule 3-4 sufficient to show the functionality of the accused products. *Id.* at 78:23-79:19 (further noting that some of the technical documents were not in Apple’s control but were in the control of Qualcomm and Intel and third parties); *see also id.* at 97:16-21 (representing to the Court that under the definition of “sufficient to show” under Patent Rule 3-4 Apple had produced user manuals and “the big ticket item which is source code”). Judge Schroeder noted that, with the “carve-out” regarding third-party technical documents, to the extent Apple did not meet that deadline, it would be in violation of Patent Rule 3-4. *Id.* at 79:6-80:1.

On November 13, 2019, the Court issued an order granting in part and denying in part Maxell’s first motion to compel document production and responses to Interrogatory Nos. 2-9. *See* Docket Entry # 126. The Court denied Maxell’s motion to compel document production, noting Apple had assured the Court it was complying with the Court’s Discovery Order (regarding initial and additional disclosures). *Id.* at p. 3. The Court noted Apple had produced documents on July 10, July 18, July 26, August 2, and August 14, and it was unreasonable to expect Apple to produce all relevant documents, apart from those provided for in the Local Patent Rules, by July 10.<sup>3</sup> *Id.* Noting Maxell’s broad allegations necessarily contemplate extensive discovery and document production,

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<sup>3</sup> Noting the issue was not briefed and thus was not properly before the Court, Judge Schroeder did not address whether, as suggested by Maxell at the hearing, Apple had not produced “documentation sufficient to show the operation of any aspects or elements of an Accused Instrumentality identified by the patent claimant in its P. R. 3-1(c) chart” as required by Patent Rule 3-4. Docket Entry # 126 at p. 3, n. 1.

the Court noted Apple's inability to complete document production by the "Additional Disclosures" deadline was understandable. *Id.* at pp. 3-4.

The Court stated the parties agreed document production was still ongoing, and Apple had not taken the position that there was a category of documents it would not produce (other than those addressed in Interrogatory No. 9).<sup>4</sup> *Id.* at p. 4. The Court stated it could not determine at that time whether Apple had met its discovery obligations to date. *Id.* The Court further stated it expected Apple to substantially complete all discovery by November 27, 2019, as agreed by Apple at the hearing. *Id.*

### **C. Timeline relevant to Apple's subsequent productions**

#### **1. December 2019**

Apple made two productions of marketing surveys and reports in early December 2019. Declaration of Saqib J. Siddiqui in Support of Maxell, Ltd.'s Reply in Support of Opposed Motion for Sanctions ("Siddiqui Decl."), ¶ 15.

In a letter dated December 18, 2019, Maxell raised (in thirteen pages) additional deficiencies, including technical specifications for accused functionalities, [REDACTED] [REDACTED] third-party component documents, twenty-two categories of source code, the improper production of documents on the source code computers, and deficient interrogatory responses. Docket Entry # 210 at pp. 9-10; *see also* Ex. H attached thereto. Maxell also subpoenaed suppliers

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<sup>4</sup> The Court notes Apple did address the issue of licenses at the hearing. [REDACTED] [REDACTED]. Docket Entry # 100 at 71:18-72:14; 76:22-77:1 (further noting the parties' dispute about the scope of the licensing agreements, which could be addressed later after Apple's forthcoming production). Apple explained it had produced a few licenses but the bulk of the licenses required third-party consent, which Apple hoped to receive by the end of October. *Id.* at 78:8-22. Whereas Maxell had requested all licenses for every one of the products and reasonably similar products, Apple represented to the Court it had agreed to produce licenses relevant to the accused functionalities in the case. According to Apple, it was producing licenses based on technology rather than the products. *Id.* at 71:1-15.

of third-party component documents directly for component information. *Id.* at p. 5, n. 5 (stating that in many instances, the suppliers resisted or delayed production, noting Apple should have the documents and was given permission to produce them).

## **2. January 2020**

In early January 2020, Apple made three productions of documents (including specifications, Bills of Materials, forecasts, and flowcharts). Siddiqui Decl., ¶ 15. Apple also responded to Maxell's December 18, 2019 letter via letter dated January 15, 2020. Docket Entry # 210, Ex. I. In the letter, Apple stated Maxell's unreasonable requests included demands for documents and source code that had already been produced or that Apple had already advised Maxell could not be found after a reasonable search; documents and source code that were neither relevant nor proportional to the needs of the case; and newly-identified source code not previously requested in discovery and which was not relevant to the accused functionalities in this case. *Id.* at p. 1. Nonetheless, Apple reiterated its commitment to work cooperatively with Maxell. *Id.* at p. 2. However, Apple stated its "agreement to investigate issues raised by Maxell" was "not a concession that Apple is or was required by the Local and/or Federal Rules to produce any additional documents or source code, particularly in view of Apple's substantial productions." *Id.*

After additional back and forth and a meet and confer, Apple represented on January 31, 2020 that "Apple has conducted a reasonable investigation for the accused functionalities and produced all responsive technical documents that could be located after a reasonable search." Docket Entry # 210, Ex. K at p. 2.

## **3. February 2020**

Apple made two productions of documents ( [REDACTED] ) in early February

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