PUBLIC VERSION

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** PUBLIC VERSION

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

Apple swung for the fences with its delayed IPR filings and missed; less than half of the asserted claims are under IPR review with no guarantee of cancellation. Thus this case will proceed to trial regardless of the outcome of the instituted IPR proceedings. The only point of debate is whether the potential simplification of **some** issues with respect to less than 40% of the currently asserted claims outweighs delaying justice for years at this late stage of the proceedings. Apple insists that the IPRs are "guaranteed" to simplify the case with respect to the claims subject to IPRs, but Apple's insistence rests on an assumption that Apple will prevail. This is not something Apple can guarantee—Apple was similarly confident that all IPRs would be instituted but was proven very wrong. Although Apple's argument provides no evidence of simplification, it does reveal that Apple has every intention of appealing any PTAB decision it does not like. Indeed, Apple has already appealed four of the five decisions denying institution to the Federal Circuit and requested rehearing on the fifth. *See* Exs. EE-II. Apple even filed a lawsuit against the Patent Office challenging the underlying basis for some of the denials. Ex. JJ. Thus, the fact that hearings in the IPRs are scheduled in March and April 2021 in no way signals that Apple's requested stay will be short in duration or alleviate the prejudice on Maxell from a stay that would issue now based on Apple's delayed filing of the IPRs. Apple's behavior proves quite the opposite.

I. Apple Has Not Established the Absence of Prejudice

Maxell identified undue prejudice it would suffer from a stay, and the Court already held that prejudice can result from the substantial delay of an imminent trial date. *See* Opp. at 5-7. But Apple disregards all this and instead conflates precedent holding that such prejudice may not alone defeat a stay with the proposition that such prejudice does not exist. Apple's position is incorrect. Courts in this District have repeatedly held that depriving a plaintiff of timely enforcement of its patent rights cuts slightly against a stay. *See id*. (citing cases). Indeed, facing similar facts, Judge Gilstrap held this factor "weighs heavily against" a stay where discovery was complete and the

majority of litigation expenses had been incurred. *Solas OLED Ltd. v. Samsung Display Co., Ltd., et al.*, C.A. No. 2:19-cv-152, 2020 WL 4040716, *2 (E.D. Tex. Jul. 17, 2020).

Apple's ignorance of Maxell's Opposition does not end with its misapplication of case law. Apple also fails to address Maxell's rebuttal regarding the parties' pre-suit negotiations. Maxell did not "effectively put its patent portfolio on ice with respect to Apple for three years." Reply at 5. Rather, during the time in question, [redacted]. Opp. at 2-3, 6. In its Reply, Apple attempts to sidestep these facts by asserting that 1) Maxell's argument was presented without evidence, and 2) such argument did not explain why Maxell chose to discontinue patent negotiations. Reply at 5. Apple's attempt to dodge the issue, however, fails for two reasons. First, Maxell did support its argument with evidence—[redacted]. Opp. at 2, Ex. N. Second, Maxell believed [redacted]. Indeed, Maxell's corporate witness, Kenji Nakamura, testified that [redacted]. *See, e.g.*, Ex. KK (Nakamura Dep. Tr.) at 136:12-20. That Apple now asserts Maxell drew the wrong conclusion [redacted]. Apple strung along Maxell for years and now attempts to use such actions to argue that Maxell is not entitled to timely enforcement of its patent rights. Apple should not be rewarded for such games.

Apple also attempts to muddle the issue by introducing facts regarding [redacted]. Ex. M at 3-4. In fact, Apple was reminded [redacted]

[redacted].

Id. The simple fact, as Maxell has shown, is that granting Apple's motion will delay this case for years—likely as much as two full years. The prejudice to Maxell from such significantly delayed resolution of its patent rights cannot be ignored.

II. The Late Stage of the Proceedings Weighs Strongly Against Stay

In its Opposition, Maxell addressed why the fact that trial, and a portion of the pre-trial preparations that remain, should not change the Court's prior ruling that this factor weighs against a stay. *See* D.I. 298 at 4. Specifically, Maxell pointed out that the precedent on which Apple relies (in both its Motion and Reply) relates to a factor directed to the burden of litigation that is considered in connection with stays pending CBM reviews and is separate and distinct from the factor related to the stage of the litigation that the Court is directed to consider here.[1] Opp. at 8-9. Maxell further demonstrated why this case is further along than Apple asserts, and the remaining burden of litigation is less than Apple asserts.[2]

Instead of directly addressing Maxell's Opposition, Apple simply repeats the argument that the fact trial remains favors stay, citing *NFC Tech. LLC v. HTC Am., Inc.*, No. 2:13-cv-1058, 2015 WL 1069111, at *3 (E.D. Tex. Mar. 11, 2015) in support of the proposition notwithstanding that the Court in *NFC* found that the state of the litigation (there, a month remaining in fact discovery

[1] Despite Apple's continued promotion of the factor of burden of litigation, Apple also chastises Maxell's recitation of the work performed to date discussed in connection therewith. As Maxell showed, the Federal Circuit found that work already done can be informative to provide context on how much burden remains. Opp. at 9 (citing *Smartflash LLC v. Apple Inc.*, 621 F. App'x 995, 1004 (Fed. Cir. 2015)). Maxell further notes that its discussion is not a "complaint" about expense, but an acknowledgement that expenses are outlaid throughout the case, not just at trial.

[2] Though it bears noting that *Virtual Agility Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1316-17 (Fed. Cir. 2014) does not address, let alone resolve, the issue of whether this factor should be analyzed as of the date when Apple first moved to stay (as opposed to when it filed its renewed motion), Maxell has not actually taken any stance on this issue because the timing does not impact the analysis here. In denying Apple's initial motion, this Court held the factor already weighed against a stay. Maxell provided a discussion about the progression of the case since "courts are not obligated to ignore advances in the litigation that occur as of the date that the PTAB granted CBM review." *Versata Software, Inc. v. Callidus Software, Inc.*, 771 F.3d 1368, 1373 (Fed. Cir. 2014); *see also Solas*, 2020 WL 4040716, *2 (taking into account progression of case in determining that extremely advanced stage of case weighed against stay).

and pre-Markman hearing) was "neutral, or, at most, cuts slightly **against** the issuance of a stay." D.I. 267 at 6 (citing *NFC*, 2015 WL 1069111, at *4 (emphasis added)). If Apple's position is right, that a stay is favored because trial has not yet taken place, then every motion to stay that is filed before trial would be granted. That is clearly not the case and it is clearly not the law.

Apple also introduces a new argument that denying a stay could result in requiring a second trial. Apple points to no case that has granted a stay based on such an argument. Indeed, the only case Apple cites on this issue relates to bifurcation, not stays. This case should not be subject to a years-long stay, particularly this close to trial, based on such a longshot possibility, which requires both that asserted claims be cancelled or amended during the IPR and that this case still be ongoing.

Finally, despite the fact the Court already held otherwise, Apple continues to assert that it was diligent in timely preparing and filing its IPRs. In doing so, Apple does not even attempt to address Maxell's arguments for why additional time to prepare the IPRs was not required or warranted in view of Maxell's narrowing of claims or third-party discovery, including the fact that Apple's IPR on the '493 Patent relied on a public user manual that Apple had in hand as early as November 2019. Opp. at 10-11. The Court's initial inclination regarding Apple's diligence was correct and need not be revisited. D.I. 298 at 4-5.

III. Apple Cannot Guarantee Simplification Sufficient to Override the Other Factors

Apple cannot guarantee any simplification of this case, and certainly not any simplification that outweighs the advanced stage of the case. Indeed, with respect to at least half of the Asserted Patents, no simplification whatsoever is possible and trial will proceed regardless of what happens with the four instituted IPRs. Apple's speculation about what may come to pass with respect to the IPRs on just four of the patents does not override this consideration.[3]

[3] As Maxell previously noted, Courts in this District have granted a stay despite an advanced stage where PTAB review was granted on a majority of asserted claims. Opp. at 11-12. Apple cannot argue that is the case here. The

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