

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



**DEFENDANT APPLE INC.'S REPLY IN SUPPORT OF ITS MOTION TO STAY
PENDING PROCEEDINGS AT THE PATENT OFFICE OR, IN THE ALTERNATIVE,
TO CONTINUE TRIAL DUE TO THE COVID-19 PANDEMIC**

I. INTRODUCTION

The Patent Office has granted review of every one of Maxell's six currently asserted patents that has reached a patentability decision. Applying "the expert agency's full and focused consideration," the Patent Office has devoted more than 150 pages analyzing the serious validity problems with Maxell's patents, agreeing with Apple at every turn. Despite this, Maxell would have the Court, its staff, the parties, the trial teams, and the jurors expend the tremendous resources necessary for a two-week trial where there is a high likelihood that all of the asserted patent claims will be cancelled, rejected, or materially amended. Courts in this District routinely hold that the most important factor is whether a stay is likely to simplify the issues for trial, because proceeding to trial on patent claims that are likely to be rejected or amended poses a serious risk of wasted resources as to the parties and the Court. Here, four of the six patents are subject to Patent Office review, and the Patent Office is likely to decide to review the other two patents before trial begins. Given the near certainty that the issues for the March 22 trial will be simplified by Patent Office's review of the asserted patents, the Court should enter a stay.

The March 22 trial also presents a substantial risk to the health and safety of all trial participants. Maxell downplays those risks and mischaracterizes the COVID-19 statistics in Texas, but the fact is that the number of new COVID-19 cases and deaths in and around Texarkana are roughly the same or higher than they were in November when the Court last continued the trial. Even with precautions such as wearing masks and social distancing, there remains a significant risk to all those involved in the trial. That risk far outweighs any minimal prejudice to Maxell of a limited continuance in the event the Court does not grant a stay pending the Patent Office proceedings—especially because it now appears that a significant majority of the U.S. population should be vaccinated by the end of May 2021.

II. MAXELL CANNOT OVERCOME THE STRONG POLICY FAVORING STAYS.

A. Patent Office Institution Decisions Alone Are Sufficient To Show Simplification Of The Issues.

Maxell's primary argument opposing Apple's stay request is that the "potential for simplification is purely speculative" because the Patent Office has only granted *ex parte* reexaminations, but has not yet issued a full merits decision rejecting the claims. Opp. at 6, 7, 10-12. Chief Judge Gilstrap squarely rejected that argument in *AGIS Software Dev. LLC v. Google LLC*, 2021 WL 465424 (E.D. Tex. Feb. 9, 2021). There, Judge Gilstrap explained this District's practice of refusing to stay cases when the PTAB or PTO has instituted review "on less than all asserted claims of all asserted patents." *Id.* at *1. Judge Gilstrap continued:

However, where the PTAB has instituted IPR proceedings or the PTO has granted EPR's as to *all claims of all asserted patents*, this Court has likewise routinely stayed cases because the Court there does not retain before it any intact (as originally asserted) claims that are ready to move forward toward trial. In the context where all claims have been instituted upon, the Court understands that all the claims may potentially be modified, dropped, or canceled in light of such parallel proceedings.

Id. (emphasis in original). This practice recognizes that for both IPRs and EPRs, the Patent Office issues an institution decision and then a subsequent merits decision. Maxell offers no reason why the Court would have a "well-established" practice of staying cases after institution of an IPR but not after grant of an EPR, and the law in this District is to the contrary.

Here, the Patent Office's decisions to grant *ex parte* review confirms that simplification of the issues requires no "speculation," as Maxell argues. Across five grants of *ex parte* reexaminations and one IPR institution, the Patent Office has devoted more than 150 pages to carefully analyzing how 27 prior art references disclose the claim limitations of four of Maxell's currently asserted patents. *See* Ex. 1 ('794 patent: "the combination of Hikishima and Tagoshi teaches all limitations of claim 1," and finding "a reasonable likelihood that ... claims 2, 3, 8-10,

and 14 would have been obvious over ... Hikishima and Tagoshi”); Ex. 2 (’999 patent: “Suzuki and Nozaka appear to teach all of the claim limitations of claim 1 and 3”); Ex. 3 (’999 patent: “Hayashida and Kawamoto appear to teach all of the claim limitations of claim 1 and 3”); Ex. 4 (’493 patent: “Casio and Juen teach [the] following limitations of claim 5...”); Ex. 5 (’317 patent: “the teachings of Hayashida as discussed herein ... were not previously considered nor addressed in this manner during a prior examination”); Ex. 6 (’317 patent; same).

The detailed findings by the Patent Office confirm that its post-grant review “will simplify this litigation and reduce the burden on the parties.” *CyWee Grp. Ltd. v. Samsung Elecs. Co.*, No. 217CV00140WCBRSP, 2019 WL 11023976, at *10 (E.D. Tex. Feb. 14, 2019) (Bryson, Circuit J.). Maxell even concedes, as it must, that all claims were not confirmed in 79% of the reexamination certificates. (Opp. at 11) (acknowledging that “all claims were confirmed in 21% of reexamination certificates”). And contrary to Maxell’s suggestion, the *Ramot* decision did not signal that the Court should ignore institution decisions. *Ramot*, 2021 WL 121154, at *2. Instead, *Ramot* examined whether the “facts and circumstances” show that “the reexams have ... progressed past the point of speculation.” *Id.* *AGIS*, which issued one month later, confirmed that PTO institution decisions are sufficient to cross the threshold “past the point of speculation.”

B. Maxell’s Prejudice Arguments Are Contrary To The Decisions Of This District.

Maxell’s “prejudice” argument focuses on the wrong timeframe; that is, the time through any appeals of the Patent Office’s decisions. But Circuit Judge Bryson squarely rejected that argument and instead held that the relevant timeframe to focus on is the initial proceedings before the Patent Office. *See CyWee Grp. Ltd.*, 2019 WL 11023976, at *10 n. 5. Maxell’s remaining prejudice argument recycles argument that Patent Office institution decisions are “too speculative” to justify a stay. But as demonstrated above, Judge Gilstrap squarely rejected that

in the *AGIS* opinion. That leaves Maxell with no argument for why it would be prejudiced by a stay—because there is no such argument.

C. The Stage of Proceedings Favors A Stay.

Maxell generically argues that past resources have been expended, but Maxell does not dispute Judge Gilstrap’s ruling that an impending trial is “the most burdensome task”—representing “resources yet to be expended by the parties.” Dkt. No. 629 at 10. Maxell instead argues that Apple cannot explain why it filed the *ex parte* reexamination request after filing IPR petitions. The answer to that is simple—the PTAB denied the IPR petitions as a function of its purported discretion and not because of their substantive merit, but the Patent Office cannot apply its “discretion” to deny *ex parte* reexaminations. So after receiving a discretionary denials of several IPR petitions on the asserted patents, Apple pursued *ex parte* reexaminations—not one of which has been denied. This is what happened in *Ramot* and *AGIS*—IPRs were denied on discretionary grounds, then the defendants sought *ex parte* reexaminations, which were granted. Both cases were stayed pending *ex parte* reexamination, and the same result should obtain here.

III. A MARCH 22 TRIAL POSES A SUBSTANTIAL HEALTH AND SAFETY RISK TO THE TRIAL PARTICIPANTS AND THE SURROUNDING COMMUNITY.

Maxell studiously ignores the detailed declaration of Dr. Ben Neuman, Professor of Biology and Chief Virologist for the Global Health Research Complex at Texas A&M University-Texarkana, who considered the circumstances of a March 22 trial, including proposed precautions during trial, and concluded that “a trial in Texarkana on March 22, 2021 is very likely to cause transmission of the SARS-CoV-2 virus to the participants, the local community, and the communities to which the trial participants return after the trial is over.” Neuman Decl. ¶ 21. Rather than confront this showing, Maxell merely points to an “improving COVID-19 environment.” Opp. at 12-13. Although the numbers of new COVID-19 cases, hospitalizations,

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