

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.
Petitioner,

v.

MAXELL, LTD.,
Patent Owner

Case: IPR2020-00200

U.S. Patent No. 10,084,991

PATENT OWNER'S AUTHORIZED PRELIMINARY SUR-REPLY

Mail Stop **Patent Board**
Patent Trial and Appeal Board
U.S. Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313-1450

PATENT OWNER'S UPDATED EXHIBIT LIST

Description	Exhibit #
October 9, 2018 Notice Letter from Maxell to Apple	2001
March 16, 2020 Scheduling Order	2002
May 31, 2019 Scheduling Order	2003
Docket From District Court Action	2004
January 8, 2020 Minute Order	2005
March 18, 2020 Markman Order	2006
August 28, 2019 Minute Order	2007
September 17, 2019 Minute Order	2008
Maxell's Disclosure of Asserted Claims and Infringement Contentions	2009
Maxell's Final Election of Asserted Claims	2010
Apple's Final Election of Prior Art	2011
Apple's Invalidity Contentions	2012
Asmussen Chart from District Court Action	2013
March 6, 2017 Scheduling Order from Maxell v. ZTE	2014
March 19, 2018 Scheduling Order from Maxell v. ZTE	2015
Docket from District Court Action	2016
Standing Order re COVID-19	2017
April 20, 2020 Scheduling Order from District Court Action	2018
Declaration of Tiffany A. Miller	2019

I. INTRODUCTION

Every *Fintiv* factor favors denial of Apple’s Petition. Apple knows this, which is why the majority of its Reply is spent attacking the Board’s precedential *NHK* decision and the *Fintiv* factors. But it is well settled that “the Director has complete discretion to decide not to institute review.” *Saint Regis Mohawk Tribe v. Mylan Pharms. Inc.*, 896 F.3d 1322, 1327 (Fed. Cir. 2018); *see also Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016) (“[T]he agency’s decision to deny a petition is a matter committed to the Patent Office’s discretion.”).

The *NHK* line of cases recognizes discretionary denial is appropriate for precisely the situation present here, where one of the largest companies in the world uses the IPR process, not as a less-expensive alternative to litigation, but as an overall gambit to litigate without end. Apple’s perverse attempt to cast itself as a martyr if the Board denies institution here ignores that Apple was entirely in control of when its IPR Petition was filed. Apple purposefully chose to delay filing its Petition, and elected to litigate in the District Court rather than focus on preparation of its Petition. *See* Paper 6 at 18-21. These facts remain unrebutted.

The District Court Action is set for trial beginning October 26, 2020. Ex. 2003. Apple has known about the trial date since May 31, 2019, over six months prior to filing its Petition. *Id.* An oral hearing will not occur until about April 2021,

and a Final Written Decision would not be expected until July 16, 2021—nine months after trial. These were the facts when Apple filed its Petition; these are the facts now. Apple’s statistical speculation on whether a trial date may be continued does not change these facts, nor should it persuade the Board to ignore sound precedent.

II. THE *FINTIV* FACTORS OVERWHELMINGLY FAVOR DENIAL

Instituting an IPR would needlessly duplicate the District Court Action, and unnecessarily waste the Board’s resources. *See NHK Spring Co., Ltd. v. Intri-Plex Techs., Inc.*, IPR2018-00752, Paper 8 at 20 (PTAB Sept. 12, 2018) (precedential).

Here, the *Fintiv* factors overwhelmingly favor denial of institution.

A. Factor 1: The District Court Denied Apple’s Motion to Stay

On April 27, 2020, the Court denied Apple’s motion to stay. The Court noted that “Apple has not sufficiently explained its delay in filing the [IPR] petitions. Apple filed its first wave of petitions nine months after Maxell filed suit and six months after Maxell served its initial infringement contentions.” Ex. 1052 at 4-5. The Court concluded that “The case is not in its infancy and is far enough along that a stay would interfere with ongoing proceedings.” *Id.* at 4. Though the Court denied the motion without prejudice, it noted that because the last of the institution decisions will not be complete until September 25, 2020, “[t]he late

stage of the proceedings will certainly weigh against granting a stay.” *Id.* at 6. This *Fintiv* factor weighs in favor of denial.

B. Factor 2: Trial In The District Court Action Will Occur *Nine* Months Before The Board’s Final Written Decision

The District Court Action will be complete eight months before a Final Written Decision issues. Apple has known about the trial date since May 31, 2019. Ex. 2003. As the Board has recognized, this fact pattern weighs in favor of denying the Petition. And, contrary to Apple’s argument, the focus on a trial date is not myopic, particularly where Apple waited until well into the litigation to file IPRs. *See* Paper No. 6 at 8-11 (collecting cases denying institution with trials set well before FWD). Also, the advanced nature of the District Court Action is not the sole reason why the Board should exercise its discretion. *Id.* at 18-21.

Apple does not dispute that these facts favor denying institution. Instead, Apple speculates that the current trial date may be continued, or that the case may be transferred out of Texas and a new trial date set. Both events are unlikely. First, on April 22, 2020, the Federal Circuit affirmed the District Court’s denial of Apple’s motion to transfer, a fact ignored by Apple in its Reply. *See In re Apple Inc.*, No. 2020-115 (Fed. Cir. Apr. 22, 2020). Even were the trial date continued by three months, which is unlikely, the trial would still precede the Final Written Decision by six months. And even were Apple to pursue rehearing on its writ, such

process will not conclude until later in the year. Second, Apple attempts to use Docket Navigator statistics to predict a 40% chance of a trial continuance. Reply at 3 (citing Ex. 1043). However, these statistics are general and relate to a variety of cases all over the country. In the jurisdiction where the District Court Action is pending, however, a Standing Order issued “to keep cases moving” despite COVID-19. Ex. 2017. Apple’s statistics ignore this reality. Further, at the trial between Maxell and ZTE, handled by the same presiding judge in the underlying litigation here, the Eastern District of Texas moved the trial date *earlier* than originally scheduled as a result of a vacancy in the Court’s trial schedule. *Compare* Ex. 2014 *with* Ex. 2015.

Apple has known about Maxell’s allegations in the District Court Action for well over a year. Ex. 2001. Yet, Apple waited until six months after it was sued to begin preparing its Petition. *See Apple Inc. v. Maxell Ltd.*, IPR2020-00204, Paper 1 at 46. Here, trial will occur nine months before the Final Written Decision. There is no evidence to the contrary. This *Fintiv* factor weighs in favor of denial.

C. Factor 3: Significant Investment of Time and Resources By The Court and the Parties Has Already Occurred

There has been significant time and resources invested by both the Court and the parties in the District Court Action, pending now for over one year. *See generally* Ex. 2016. While Apple gives short shrift to the Court’s investment of

time and resources (“The Court has little substantive investment”), it *completely ignores* the parties’ investment of time and resources as called for by *Fintiv* factor 3. Reply at 8.

1. The District Court Has Invested Significant Time and Resources on the District Court Action

The Court has invested significant time and resources into the District Court Action. For example, the Court conducted a four-hour *Markman* hearing and issued a 57-page *Markman* order with a detailed discussion of a number of disputed claim terms and phrases for the ten patents at issue in the District Court Action. Ex. 2005; Ex. 2006. The Court also has invested many hours in holding arguments and issuing numerous rulings on various motions, including Apple’s motion to dismiss, motion to transfer, and motion to stay along with several discovery related motions and the parties’ other various motions. *See* Exs. 2005, 2007-2008. As the Court noted in denying Apple’s motion to stay, “The case is not in its infancy. Ex. 1052 at 4.

2. The Parties Have Invested Significant Time and Resources on the District Court Action

The parties have also invested significant time and resources into the District Court Action. For example, fact discovery closed on March 31, 2020, except for remaining depositions postponed due to COVID-19 that are now complete. Ex.

2018. During fact discovery, the parties collectively produced nearly 2 million pages of documents, conducted 35 depositions, filed 20 motions, and served 50 interrogatories and 120 requests for admission. Ex. 2019, ¶¶3-4. The parties also served over 30 third-party subpoenas. *Id.* ¶5. Expert discovery is underway and closes June 25, 2020. For example, Maxell’s experts have already spent nearly 600 hours reviewing source code produced by Apple. *Id.* ¶6. Maxell’s expert report regarding infringement and Apple’s expert reports regarding invalidity of the ’991 Patent will be served on May 7, 2020 after substantial expense and effort by counsel and experts on both sides. Ex. 2018.

As Apple admits, “Apple prepared and served invalidity contentions . . . on August 14, 2019, **which involved a significant time investment** beyond the prior art searching already undertaken” *Apple v. Maxell*, IPR2020-00204, Paper 1 at 46 (emphasis added). This *Fintiv* factor weighs in favor of denial.

D. Factor 4: There is Significant Overlap Between Issues Raised In The Petition And In The District Court Action

The issues in this proceeding are substantially the same as in the District Court Action. Here, Apple asserts that Claims 1-5 and 8-12 of the ’991 Patent are unpatentable. Petition at 1. These claims cover the asserted claims against Apple in the District Court action at the time Apple filed its Petition. Pursuant to the District Court Action scheduling order, on March 17, 2020, Maxell made a Final Election

of Asserted Claims and on April 7, 2020, Apple made a Final Election of Prior Art. Exs. 2010-2011.

The prior art and grounds that Apple relies on in supporting its Petition are the same or substantially the same as the prior art at issue in the District Court Action. For example, in the Petition, Apple proposes six grounds, all utilizing *Asmussen* as the primary reference. Petition at 8. In the District Court Action, Apple also uses *Asmussen* as a primary reference. Ex. 2012 at 73. Even Apple's Final Election of Prior Art shows that Apple continues to rely primarily on *Asmussen*. Ex. 2011. Indeed, with respect to Claim 4, both in the Petition and in the District Court Action, Apple **solely** relies on *Asmussen*.¹ With respect to *Allen*, no meaningful distinction can be made relative to Apple's secondary references used in the petition, *Bear*, *Lindstrom*, *Marley*, and *DeFazio*. See Paper 6 at 15-16.

Apple argues that the litigation and the IPR do not address identical issues. Reply at 10. But Board precedent does not require "identical issues" in order for denial to be proper. See Paper 6 at 9-11. Here, no meaningful distinction exists between Apple's references and grounds used in the Petition versus those in the District Court Action. Paper 6 at 13-17. In the District Court Action, Apple relied

¹ Claim 4 depends from claims 1-3, thus requiring a validity analysis on each of the claims.

upon the same prior art as this Petition until at least April 7, 2020 at which point it selectively dropped certain prior art references in an attempt to compensate for its delay in filing its Petition and avoid discretionary denial. But from August 15, 2019 through April 7, 2020, Apple relied on identical prior art.

Nor can Apple avoid denial simply by challenging extraneous unasserted claims (Claims 5, 8-12) that raise the same invalidity issues as the asserted ones. First, the Court ordered Maxell to elect a narrower set of claims. This narrowing should not have an impact on the Board's decision. *See NetApp Inc. v. Realtime Data LLC*, IPR2017-01195, Paper 9 at 7-8 (PTAB Oct. 12, 2017). Second, while Apple makes a perfunctory argument that the claims are different, it never claims it would be harmed if the Board did not institute on the non-overlapping claims. *Next Caller v. TRUSTID*, IPR2019-00961, Paper 10 at 14 (PTAB Oct. 14, 2019). Third, Apple itself acknowledges the substantial overlap at least between Claims 1 and 8; it relies solely on its Claim 1 analysis for Claim 8. Petition at 45-48.

The Board should not countenance Apple's delayed filing of its IPRs, and its attempt to then take advantage of the Court's narrowing order *months after filing its petition* in an attempt to avoid discretionary denial. This "gotcha" tactic further exposes Apple's insincere claim that it seeks efficiency, and runs contrary to why the Board found *NHK* important to declare precedential.

Moreover, Apple’s position in the District Court Action is that there is complete overlap of issues. “Apple reserves the right to amend its election of prior art as appropriate. . . .” Ex. 2011 at 1. Apple’s invalidity contentions in the District Court Action also purport to “incorporate[] by reference all prior art cited during prosecution of the Asserted Patents, and all *inter partes* review (IPR) petitions filed against the Asserted Patents and the prior art cited in these IPR petitions” Ex. 2012 at 2. In other words, Apple has expressly and specifically sought to incorporate all of the Petition’s contentions into the District Court Action.

Thus, substantially the same issues will be decided by a jury, using the same prior art, nine months prior to the issuance of a Final Written Decision. At bottom, the issues presented in the Petition that differ from what will be argued in the District Court Action do not meaningfully distinguish the arguments in this proceeding from those in the District Court Action. *Edwards Lifesciences Corp. v. Evalve*, IPR2019-01546, Paper 7, 12-13 (PTAB Feb. 26, 2020) (denying institution despite lack of a 1:1 overlap of claims and prior art, finding such distinction not meaningful). This *Fintiv* factor weighs in favor of denial.

E. Factor 5: Apple is Both Petitioner And Defendant

Apple is both petitioner and defendant. Reply at 10. This *Fintiv* factor weighs in favor of denial.

F. Factor 6: Other Circumstances

Other circumstances, such as Apple's delay in filing the Petition, weigh heavily in favor of denial. *See* Paper 6 at 18-21. Apple's six-page screed against *NHK* and *Fintiv* also misses the mark. Apple's policy arguments are irrelevant to whether this Panel should follow a precedential Board decision in a case strikingly similar to the *NHK* line of cases.

Apple's extensive financial resources—as exhibited by hiring four law firms to handle the litigation and IPRs, respectively, should have allowed Apple to proceed with its defense of the District Court Action and preparation of its IPRs in parallel. Yet Apple admittedly waited months after the asserted claims were identified to even begin preparing its Petitions.

Here, instituting an IPR would not be an effective or efficient alternative to litigation, particularly given the advanced stage of the District Court Action, the finite resources of the Board, and Apple's delay in filing its Petition. This *Fintiv* factor weighs in favor of denial.

Dated: May 4, 2020

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on this 4th day of May, 2020, a copy of the attached **PATENT OWNER'S AUTHORIZED PRELIMINARY SUR-REPLY** was served by electronic mail to the attorneys of record, at the following addresses:

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