

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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APPLE INC.  
Petitioner  
v.  
MAXELL, LTD.  
Patent Owner

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Case No. IPR2020-00200  
U.S. Patent No. 10,084,991 B2

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**PETITIONER APPLE INC.'S PRELIMINARY REPLY**

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The six factors set forth in *Apple v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) (“*Fintiv*”) strongly favor institution.

***I. Fintiv’s and NHK’s Focus on the Trial Date Is Misplaced as a Basis for the Board’s Exercise of Its Discretion***

**First**, Congress explicitly allows petitioners one year to file IPR petitions after service of a complaint. And this makes sense: the date on which a party is served with a complaint is a known, fixed date. Congress did not choose to set the bar backwards from a scheduled trial date—a date not known for months after a suit begins, and which may vary from court to court and judge by judge and can routinely change once initially set. Exalting a trial date as the benchmark over the statutory filing window contravenes Congressional intent and introduces rank uncertainty.

Particularly in cases where a plaintiff asserts multiple patents (ten in this case), the certainty a 1-year window provides is essential to reasonably plan and muster resources to meet a known deadline. Trial-based timing may force accused infringers to forego an IPR entirely because they are in a “fast” court or to hastily file an IPR without opportunity to develop the record, particularly as to which specific claims are asserted because a complaint often does not provide such specificity. *See Bell Atlantic Corp. v. Twombly*, 550 U.S. 544 (2007).

**Second**, the Board’s improper focus on a trial date as a determining factor on whether to use its discretion to deny institution directly undermines the AIA’s and USPTO’s objectives of improving patent quality. “Congress, concerned about

overpatenting and its diminishment of competition, sought to weed out bad patent claims efficiently.” *Thryv, Inc. v. Click-to-Call Techs., LP*, \_\_ U.S. \_\_ (Apr. 20, 2020) (slip op., at 8); *see also Foster v. Hallco Mfg. Co.*, 947 F.2d 469, 474 (Fed. Cir. 1991) (citing *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969) (acknowledging a long-standing and broad public policy of eliminating invalid patents)). Congress intended for IPRs to “serve as a less-expensive alternative to the courtroom litigation.” 157 Cong. Rec. S1352 (March 8, 2011) (Sen. Udall).

To achieve this, Congress recognized that litigants should be afforded “access to the expertise of the Patent Office on questions of patentability,” and that IPRs should be “the preferred method of examination because a panel of experts is more likely to reach the correct decision on a technical question **compared to a jury composed of laypeople.**” *Id.* (emphasis added); *see also* 157 Cong. Rec. S5319 (Sept. 6, 2011) (Sen. Kyle). This matches the long-standing policy of the PTO itself—“[b]y providing for the possibility of amendment of challenged claims, the proposed system would preserve the merited benefits of patent claims **better than the win-all or lose-all validity contests in district court.**” *Patent Quality Improvement: Post-Grant Opposition: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. on the Judiciary*, 108th Cong. 10 (2004) (statement of PTO General Counsel James A. Toupin); *Aqua Prod., Inc. v. Matal*, 872 F.3d 1290, 1298 (Fed. Cir. 2017) (noting General Counsel Toupin’s

quote for PTO policy); *see* Ex. 1042 (excerpts of legislative history discussion). More simply, Congress did not intend for the PTAB to use a trial date to deny an IPR, and doing so now “would be arbitrary and capricious [because the PTAB] has relied on factors which Congress has not intended it to consider.” *Motor Vehicle Mfrs. Ass’n of U.S., Inc. v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 43 (1983).

**Third**, the *NHK/Fintiv* factors’ myopic focus on a trial date ignores that IPR proceedings not only may stop trials on invalid patents, but also may eliminate the injustice of infringement verdicts rendered on invalid patents. The Federal Circuit has embraced this significant benefit of post-grant proceedings. In *Fresenius v. Baxter*, it explained that a final, post-grant decision of invalidity renders a patent void *ab initio* and, unless final, overrides any corresponding district court finding. 721 F.3d 1330 (Fed. Cir. 2013). A district court’s decision is not “final” until it “ends the litigation on the merits and leaves nothing for the court to do but execute the judgment.” *Id.* at 1341. Accordingly, focusing on the trial date is short-sighted.

**Fourth**, looking speculatively at the time delta between a current trial date and FWD ignores the practical realities of shifting litigation dockets. Over 40% of cases have their initial trial dates continued by more than four months, some even longer.<sup>1</sup> Ironically, the Board’s reliance on a trial date putatively six months prior to the FWD in *NHK* was misplaced. The trial that led the Board to deny institution was

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<sup>1</sup> (Ex. 1043, trial date statistics).

ultimately delayed more than eight months. If the Board had instituted, the FWD would have issued several months before the trial. Because trial dates are far more fluid than statutory timelines, considering the former at institution will ensure the unfair result in *NHK* will not be an anomaly. And that assumes a case normally progresses to trial. For example, in cases where a motion to transfer venue is filed, over 51% of those requests were granted in 2019 (Ex. 1044, Transfer Statistics) and, once transferred, a new trial date is set and the new judge will have a different view on stays pending IPRs. Thus, even considering stay precedent is entirely speculative.

*Fintiv's* focus on trial also allows so-minded courts to artificially influence institution. For example, J. Albright (W.D. Tex.) recently denied a motion to stay pending IPR pre-institution and *sua sponte* shortened the time to trial such that the new trial date now precedes the FWD's expected statutory deadline, implicating *NHK/Fintiv*. The Board's guidelines should not allow district courts to manipulate the availability of IPRs. (Ex. 1049, minute entry moving trial to May 10, 2021); (Ex. 1050, scheduling order showing trial previously in July 2021); *see also* IPR2020-00140 (filing date of May 14, 2020, with anticipated FWD on May 14, 2021).

***Fifth***, trial is not the end of the economies that can be beneficially gained through IPRs. Post-trial motions, new trials, mistrials, appeals, reversals, and remands may take years. But the PTAB cancelling invalid claims through IPR can short circuit all of this. In *Fresenius*, the trial concluded, an appeal was filed, the

Federal Circuit remanded, and while the case was pending on remand, the Patent Office in a parallel proceeding found all asserted claims invalid, thus avoiding another round of appeals. The Federal Circuit noted that “when a claim is cancelled, the patentee loses any cause of action based on that claim, and any pending litigation in which the claims are asserted becomes moot.” *Id.* at 1340. The *Fresenius* facts highlight the error in thinking a fast-approaching trial is more “efficient” and will “save resources.”<sup>2</sup> Trial is not the end of litigation and IPR will conserve many post-trial resources. Considering the lengthy process before district court litigation is deemed “final,” the statutory 18-month deadlines governing PTAB proceedings ensure IPR proceedings should conclude first.

***Sixth***, considering a trial date as a threshold of institution ignores the scenario, contemplated by Congress, of obtaining a district court stay based on institution. *See, e.g., IOENGINE, LLC v. PayPal Holdings, Inc.*, 2019 U.S. Dist. LEXIS 141545, at \*9-10 (D. Del. Aug. 21, 2019) (J. Bryson); 157 Cong. Rec. S1363 (daily ed. Mar. 8, 2011) (Sen. Schumer); H. Rep. No. 112- 98, Part I, at 48 (2011). A perverse situation emerges where a district court may set a relatively short initial time to trial, the Board denies an IPR based on that quick trial date, and the district court denies a stay based

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<sup>2</sup> The judge denied multiple requests to stay the case, which became moot after the PTO canceled the claims, thus wasting significant resources. *Id.* at 1335.

on the Board’s discretionary denial. IPRs would thus be unavailable in such a “fast” district. This self-fulfilling prophecy will deprive significant numbers of petitioners what is otherwise available to them by statute.

*Finally*, by focusing its discretionary analysis on a putative trial date, the Board encourages patent owners to forum shop to effectively foreclose IPRs. If the mere possibility of a district court trial before a FWD is a *de facto* bar on institution, the PTAB’s doors will be closed to all defendants in any jurisdiction that is “fast,” and the public interest in eliminating invalid patents at the PTO will be harmed. No statute supports the Board allowing litigation venue to carry such sway. Congress envisioned IPRs as a litigation alternative to *petitioning parties*; it did not afford patent owners an option to self-select out of IPR proceedings by shopping for “fast” forums. The AIA should provide petitioners a fair shake regardless of the forum.

## ***II. The Fintiv Factors Favor Institution***

### **Factor 1 – Evidence exists that a stay may be granted if IPR is instituted:**

Apple moved to stay the underlying litigation on March 24, 2020. (Ex. 1045, District Court Docket, Dkt. 239). On April 27, 2020, the Court denied the stay (Ex. 1052), which is inconsistent with Congress’ intent “for district courts to be liberal” in granting stays pending PTAB proceedings. *IOENGINE* at 10-11; 157 Cong. Rec. S1363 (Mar. 8, 2011) (Sen. Schumer) (Congress placed “a very heavy thumb on the scale in favor of a stay being granted”). The Court, however, refused Maxell’s



request to deny the motion with prejudice. Apple will have the opportunity to re-file its motion and the Court expressly noted that a renewed motion after institution may allow for simplification of issues.

**Factor 2 – Litigation will continue after the FWD:** Trial is currently-scheduled for October 26, 2020, and the FWD is expected by July 16, 2021. While a litigation appeal would likely not be decided before 2022, focusing on the trial date is the wrong analysis as noted above. Given the COVID-19 pandemic, trials are being impacted (especially as criminal trials take precedence), and the parties have already received multiple extensions. The impact of these delays may impact the trial date case as well. Additionally, Apple has filed a writ of mandamus with the Federal Circuit addressing the district court’s denial of transfer. (Ex. 1046, Fed. Cir. Docket, Dkt. 2). If granted, the transferee court will undoubtedly set a new trial date and may have a different view on stays pending IPRs.

Apple moved as quickly as possible to locate art, prepare invalidity contentions, and file ten IPRs after Maxell filed suit on March 15, 2019. To guarantee FWDs before the current trial date, Apple would have needed to file all 10 of its petitions in April 2019, **less than one month after it was sued**. Requiring Apple to locate art for 10 different patents on 132 possibly-asserted claims, and then prepare and file petitions covering those claims in less than 30 days is completely

unreasonable. This highlights the fallacy of focusing on trial dates.<sup>3</sup> *See* 157 Cong. Rec. S5429 (Sept. 8, 2011) (Sen. Kyl) (“High-technology companies ... are often sued by defendants asserting multiple patents with large numbers of vague claims, making it difficult to determine in the first few months of the litigation which claims will be relevant.... [I]t is important that the section 315(b) deadline afford defendants a reasonable opportunity to identify and understand the patent claims that are relevant to the litigation.”)

**Factor 3 – 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.” Summary judgment is still months away, and it is unlikely the court will tackle invalidity until trial. Fact discovery and depositions are ongoing. The bulk of the parties’ work lies ahead. *See IOENGINE* at \*14.

Nor did the litigation give Apple a tactical advantage. Because Maxell did not substantively respond to Apple’s invalidity contentions, Apple could not have used

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<sup>3</sup> Maxell argues it served Apple with a letter identifying the challenged patent on October 9, 2018. That letter (Ex. 2001) listed 14 additional patents and 109 possible claims, in addition to the previously-identified **80 different patents** and **647 possible claims**. *See* IPR2020-00199, Ex. 2001, Maxell’s May 17, 2018, Letter. Maxell’s suggestion that this letter should be part of this analysis is patently unreasonable.

any substantive insight gained in the litigation in its IPR filings. (Paper 11, at 12.)

**Factor 4 – There is little to no overlap between the IPR and Litigation:** As the legislative history makes clear, Congress was not concerned with overlap between the IPR and the litigation. Congress expected the PTAB to provide its expertise and even provided a different standard at the PTAB (rather than the clear and convincing standard in district courts) to take a second look at issued patents. In any event, this IPR presents significantly different grounds than those in the litigation.

First, this IPR challenges different claims based on different art than from the underlying litigation. Maxell only asserts dependent claim 4 (depending from claims 1-3) in the litigation. The Petition challenges claims 1-5 and 8-12, resulting in 9 claims challenged in the Petition and not asserted by Maxell, **including both independent claims 1 and 8**. It is hardly the case of overlapping claims when Maxell fails to even assert the challenged independent claims.

Second, each IPR ground of unpatentability relies on a combination of at least Asmussen and Bear, whereas the litigation relies only on Asmussen and U.S. PGPub No. 2003/0041333 to Allen (not relied on in the IPR). (Paper 1, at 8; Ex. 2013, at 2-55; Ex. 1047, Apple's Final Election of Prior Art, at 3). Asmussen is solely relied on for claim 1 in the litigation. But, the IPR relies on Asmussen and Bear for claim 1, specifically using Bear for teachings regarding rendering the camera operative. Indeed, Maxell contends Bear does not teach such, indicating there is no identical

overlap between use of Asmussen alone for claim 1 in the litigation versus Asmussen and Bear for claim 1 in the IPR. (Paper 6, at 29 (“Bear is completely silent on rendering the camera operative”)). Maxell initially argues the Petition relies solely on Asmussen for claim 4, which is incorrect due to claim 4 indirectly depending from claim 1, which relies on Asmussen and Bear. (Paper 6, at 15-16). Maxell then argues “no meaningful distinction can be made” between the litigation’s use of Allen and the IPR’s use of the secondary references, referring to claim 2. *Id.* It is insufficient to merely argue both references teach the same limitation—of course they do. More importantly, because these are separate references with different teachings, the motivations to combine will be different and distinct, thus presenting unique grounds to the Board not addressed in the litigation. Finally, Maxell incorrectly states (at page 16) the litigation relies on Asmussen, Bear, and Allen. This is false; Apple’s litigation election only relies on Asmussen and Allen. (Ex. 1047, at 3). The IPR and litigation proceedings do not address identical issues.

Thus, this case is similar to the Board’s decision in *Facebook*, where different art and claims were asserted, unlike *NHK*. *See Facebook, Inc. v. Blackberry Ltd.*, IPR2019-00899, Paper 15 at 11-12 (Oct. 8, 2019).

**Factor 5 – Parties in Litigation and IPR:** The parties are the same.

**Factor 6 – Other Circumstances:** *See* Section I. Additionally, this case does not involve serial or parallel petitions, which also favors institution.

Respectfully submitted,

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**CERTIFICATE OF SERVICE ON PATENT OWNER**  
**UNDER 37 C.F.R. § 42.6**

Pursuant to 37 C.F.R. § 42.6(e), the undersigned certifies that on April 27, 2020 the foregoing *Petitioner Apple Inc.'s Preliminary Reply* was served via electronic filing with the Board and via Electronic Mail on the following practitioners of record for Patent Owner:

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