

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: IPR2020-00408**

**U.S. Patent No. 6,430,498**

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**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

| <b>Description</b>   | <b>Exhibit #</b> |
|--|------------------|
| 5/31/19 Scheduling Order from District Court Action                          | 2001             |
| 3/10/15 Letter from Apple to Maxell  | 2002             |
| 5/15/15 Letter from Apple to Maxell  | 2003             |
| 5/17/18 Letter from Maxell to Apple  | 2004             |
| Maxell's Infringement Contentions from District Court Action                 | 2005             |
| Apple's Invalidity Contentions from District Court Action                    | 2006             |
| <i>Hayashida</i> Chart from Apple's Invalidity Contentions                   | 2007             |
| <i>Hayashida</i> Chart from Apple's Expert Report from District Court Action | 2008             |
| <i>Abowd</i> Chart from Apple's Expert Report from District Court Action     | 2009             |
| Apple's Final Election of Prior Art  | 2010             |
| 1/8/20 Minute Order  | 2011             |
| 8/28/19 Minute Order   | 2012             |
| 9/18/19 Minute Order   | 2013             |
| <i>Markman</i> Decision from District Court Action                           | 2014             |
| 4/20/20 Scheduling Order from District Court Action                          | 2015             |
| Declaration of Tiffany A. Miller   | 2016             |
| 5/8/20 Notices of Compliance   | 2017             |
| Decision denying Apple's Motion to Stay                                      | 2018             |
| '498 IPR Preliminary Response  | 2019             |
| '498 IPR Petition (ASUS)   | 2020             |
| Getting Heading and Course Information                                       | 2021             |
| Getting the Heading and Course of a Device                                   | 2022             |
| Wayback Machine excerpts   | 2023             |
| <b>COVID Standing Order</b>  | <b>2024</b>      |
| <b>March 6, 2017 Scheduling Order from Maxell v. ZTE</b>                     | <b>2025</b>      |
| <b>June 5, 2018 Scheduling Order from Maxell v. ZTE</b>                      | <b>2026</b>      |
| <b>Docket from District Court Action</b>                                     | <b>2027</b>      |
| <b>Maxell's Notice of Compliance Regarding Rebuttal Expert</b>               | <b>2028</b>      |

|  |             |
|--|-------------|
| <b>Reports</b>                                     |             |
| <b>June 3, 2020 Order in District Court Action</b> | <b>2029</b> |

## I. INTRODUCTION

Every *Fintiv* factor favors denial of Apple's Petition. Apple knows this, which is why it spends the majority of its Reply attacking the Board's precedential *Fintiv* decision. 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."). Indeed, the Board has already rejected Apple's policy arguments. *Apple v. Fintiv*, IPR2020-00019, Paper 15 at 11-12 (May 13, 2020).

The *NHK* and *Fintiv* line of cases recognize 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 15-17. These facts remain un rebutted.

The District Court Action is set for trial beginning October 26, 2020. Ex. 2001. 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 May 2021, and a Final Written Decision is expected August 12, 2021—ten 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**

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, noting 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. 2018 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 presaged that “[t]he late stage of the proceedings will certainly weigh against granting a stay” because the last institution decisions will only be complete on September 25, 2020, one month prior to trial.

*Id.* at 6 (emphasis added). This *Fintiv* factor favors denial.

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

Trial will be complete ten months before a Final Written Decision issues. As the Board has recognized, this fact pattern weighs in favor of denying the Petition. And, contrary to Apple’s argument (Reply at 5), 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 13-15 (collecting cases denying institution with trials set well before FWD); *see also Samsung v. Uniloc*, IPR2020-00117, Paper 11 (PTAB May 28, 2020) (same); *Intel v. VLSI Technology*, IPR2020-00158, Paper 16 (PTAB May 20, 2020) (same); *Cisco v. Ramot at Tel Aviv U*, IPR2020-00123, Paper 14 (PTAB May 15, 2020) (same). Also, the advanced nature of the District Court Action is not the sole reason why the Board should exercise its discretion. Paper 6 at 5-23.

Apple does not dispute that these facts favor denying institution. Instead, Apple speculates that the current trial date may be continued. Even were the trial date continued by three months, which is unlikely, the trial would still precede the Final Written Decision by seven months. Further, it is unlikely that the District Court will continue the trial even were the Board to institute, as the institution decision will come only two months prior to the scheduled trial date. Apple attempts to use Docket Navigator statistics to predict a 40% chance of a trial

continuance. Reply at 5. 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, and an in-person hearing will occur on a remaining discovery motion in the near future. *See* Ex. 2024; Ex. 2029. Thus trial is likely to proceed as scheduled. Apple’s statistics ignore this reality. Further, at the trial involving 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. 2025 *with* Ex. 2026.

Apple has known about Maxell’s allegations in the District Court Action for well over a year. Exs. 2001-2004. 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 ten months before the Final Written Decision. There is no evidence to the contrary. *See Fintiv*, IPR2020-00019, Paper 15 at 13 (“We generally take courts’ trial schedules at face value absent some strong evidence to the contrary.”) This *Fintiv* factor favors 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. 2027. 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. 2011; Ex. 2014. 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 motions. *See* Exs. 2011-2013. As the Court noted, “The case is not in its infancy. . . .” Ex. 2018 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. 2015. 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. Paper 6 at 12-13. The parties also served over 30 third-party subpoenas. *Id.* Expert discovery is underway and closes June 25, 2020. Maxell's experts have already spent nearly 600 hours reviewing source code produced by Apple. *Id.* Maxell's expert report regarding infringement and Apple's expert reports regarding invalidity of the '498 Patent were served on May 7, 2020 and Maxell's rebuttal reports regarding the validity of the '498 Patent was served on June 4, 2020 after substantial expense and effort by counsel and experts on both sides. Ex. 2017; Ex. 2028. Contrary to Apple's claim (Reply at 9), Maxell has responded substantively to its invalidity contentions. Ex. 2028. Between June 12 and June 25, the parties will take fifteen expert depositions. This *Fintiv* factor favors 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, 3-5, 7-11, and 13 of the '498 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. Ex.

2005 at 2. 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, 1053.

The prior art and grounds that Apple relies on in supporting its Petition are the same, or substantially the same, as the prior art in the District Court Action. In the Petition Apple proposes four grounds, utilizing *Hayashida*, *Abowd*, and *Ikeda*. Petition at 6. In the District Court Action, Apple also relies on *Hayashida* and *Abowd* as a primary ground of invalidity in its invalidity contentions and in its Expert Invalidity Report served on May 7, 2020. Ex. 2006 at 6, 12-19; Exs. 2007-2009; *see also* Paper 6 at 7-11. Indeed, Apple relies on a similar declaration from Mr. Munford in the District Court Action to establish that *Abowd* is prior art, forcing further duplication of efforts across the proceedings if Institution occurs.

Apple's claim that the grounds in the Petition no longer remain in the litigation is disingenuous at best. First, Apple relied upon the same prior art and grounds in the litigation 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. Second, Apple's claim that *CyberGuide* in view of *Hayashida* is "materially different" from Ground

3 is surprising. The combination of *Hayashida* and *Abowd* is substantially similar to the combination of *CyberGuide* and *Hayashida*, because as acknowledged by Apple, *CyberGuide* is simply system prior art allegedly described and developed by Abowd et al. In any event, Apple and its expert are still relying on *Abowd* in the litigation as part of its *CyberGuide* set of references. *See, e.g.*, Ex. 2010; Ex. 2009.

Nor can Apple avoid denial simply by challenging extraneous unasserted claims 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, even though independent Claims 5 and 10 are no longer asserted in the District Court Action, Apple itself acknowledges the substantial overlap at least between Claims 1, 5, and 10; it substantially relies on its Claim 1 analysis for Claims 5 and 10. Petition at 58-61. Moreover, even though there are some non-overlapping claims now, due to the Court's required narrowing, Apple 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).

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* and *Fintiv* 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. 2010 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. 2006 at 2. In other words, Apple has expressly and specifically sought to incorporate all of the Petition’s contentions into the District Court Action, a point Apple fails to rebut in its Reply.

Thus, substantially the same issues will be decided by a jury, using substantially the same prior art, ten 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 favors denial.

**E. Factor 5: Apple is Both Petitioner And Defendant**

Apple is both petitioner and defendant. Ex. 2027. This *Fintiv* factor favors denial. *Fintiv*, Paper 11 at 13-14.

**F. Factor 6: Other Circumstances**

Other circumstances, such as Apple's delay in filing the Petition, and an application of the *General Plastic* factors in addition to the *Fintiv* factors, weigh heavily in favor of denial. *See* Paper 6 at 5-21. 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 *Fintiv* line of cases. Indeed, the *Fintiv* panel has already expressly rejected Apple's policy arguments. *Apple v. Fintiv*, IPR2020-00019, Paper 15 at 11-12 (May 13, 2020).

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. This *Fintiv* factor favors denial.

### III. APPLE FAILED TO SHOW *ABOWD* IS PRIOR ART

Apple has failed to meet its burden to prove with *particularity* that Volume 3 of *Wireless Networks* was publically accessible before July 12, 1999. *See* Paper 6 at 45-51. Mr. Munford’s supplemental declaration only highlights this failure, and outlines what is notably absent: a “satisfactory showing” that Volume 3 was “disseminated or otherwise made available” to “persons interested and ordinarily skilled in the subject matter or art” **before the critical date**. *SRI Int’l, Inc. v. Internet Sec. Sys., Inc.*, 511 F.3d 1186, 1194 (Fed. Cir. 2008).

Neither Apple nor Mr. Munford detail *any* of the University of Pittsburgh’s procedures before the critical date. Apple claims that the words “**DO NOT CIRCULATE**” *have no relevance* on the question of *accessibility*. Not true. Mr. Munford opines about his access to the volumes in 2019, not 1999, and opines about his understanding in 2019 of what **DO NOT CIRCULATE** means: it “indicates only that some restrictions are placed on the permitted transactions.” Ex. 1054, 2. He does not and cannot opine on what those restrictions were in 1999 generally, nor specifically at the University of Pittsburgh in 1999. Mr. Munford has no experience working in a university library, and did not begin his career in the public library sector until 2004, years after the critical date. Ex. 1009, 2, 10-12.

Dated: June 12, 2020

Respectfully submitted,

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## **CERTIFICATE OF SERVICE**

I hereby certify that on this 12th day of June, 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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