IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
TYLER DIVISION

MIRROR WORLDS, LLC, Plaintiff, v. APPLE INC., Defendant.	Civil Action No. 6:08-cv-88 LED JURY TRIAL DEMANDED
APPLE INC., Counterclaim Plaintiff, v. MIRROR WORLDS, LLC, MIRROR WORLDS TECHNOLOGIES, INC., Counterclaim Defendants.	

DEFENDANT / COUNTERCLAIM PLAINTIFF APPLE INC.'S MOTION TO STRIKE THE SURPRISE EXPERT REPORTS OF JOHN LEVY, PH.D. ON THE PURPORTED INVALIDITY AND NON-INFRINGEMENT OF U.S. PATENT NO. 6,613,101

I. INTRODUCTION

Defendant/Counterclaim Plaintiff Apple Inc. ("Apple") respectfully moves to strike two recently-served expert reports that challenge—for the first time in this case—the validity of the U.S. Patent No. 6,613,101 (the "'101 patent"). Mirror Worlds Technologies, Inc. and Mirror Worlds, LLC (collectively "Mirror Worlds") did not plead invalidity as an affirmative defense in its answer to Apple's counterclaim of infringement on the '101 patent, nor did it serve any contentions concerning the alleged invalidity of the '101 patent, electing instead to expressly waive any invalidity defenses. Notwithstanding its express waiver, and without any notice or leave of Court, Mirror Worlds has now served two expert reports challenging the '101 patent's validity. That is obviously improper and inconsistent with this Court's practice. The Court should accordingly strike the two surprise reports and preclude Mirror Worlds from challenging the validity of the '101 patent. Apple, therefore, respectfully requests that its motion be granted.

II. FACTUAL BACKGROUND

On June 2, 2009, the Court granted leave for Apple to file its first Amended Answer and Counterclaims to include the allegations of infringement of the '101 patent. (*See* D.I. 81.) On August 10, 2009, Mirror Worlds filed an Answer to Apple's First Amended Answer and Counterclaims. (*See* D.I. 106.) In its answer, Mirror Worlds asserted the following defenses: (1) Failure to State a Claim; (2) Non-Infringement; (3) Laches; (4) Estoppel; (5) Waiver; (6) Statute of Limitations; (7) Failure to Mark; (8) Prosecution History Estoppel. *See id.* Mirror Worlds never asserted the defense of Invalidity of the '101 patent.[1] (*See id.*)

[1] Mirror Worlds' Answer to Apple's Second Amended Answer, filed on September 30, 2009, contained the same defenses. *See* D.I. 131.

Pursuant to the Court's June 15, 2009 Amended Discovery Schedule and Docket Control Order, Mirror Worlds was required to comply with Local Patent Rules 3-3 and 3-4, and supply invalidity contentions for the '101, no later than August 26, 2009. (*See* D.I. 90.) The Court specifically instructed Mirror Worlds that, "Invalidity Contentions [are] due for [the] '101 patent. Thereafter, it is *necessary* to obtain leave of court to add and/or amend invalidity contentions, pursuant to Patent Rule 3-6." (*Id.* (emphasis added))

Notwithstanding this Order, Mirror Worlds failed to serve any Invalidity Contentions by the August 26, 2009 deadline. The next day, Apple sought to confirm whether Mirror Worlds' failure to do so was intentional:

> Pursuant to the Court's June 15 Order, Mirror Worlds Technologies' PLR 3-3 and 3-4 disclosures were due yesterday. Could you please email your disclosures to us today or confirm that Mirror Worlds Technologies is not pursuing an invalidity defense? Given next week's exchange of claim terms for construction, we need to know your positions right away. Thanks in advance.

(Declaration of Jeffrey G. Randall, ("Randall Decl."), Ex. A.) The next day, August 28, 2009, Mirror Worlds confirmed its position and ***expressly waived*** its invalidity defense to Apple, stating that

> This [email] confirms that Mirror Worlds Technologies, Inc. is ***not pursuing any invalidity defenses*** enumerated in Patent Local Rule 3-3 with respect to U.S. Patent No. 6,613,101.

(Randall Decl., Ex. B (emphasis added).)

On February 16, 2010, the Court issued its preliminary claim construction Order for the '101 patent and the other patents-in-suit. (*See* D.I. 178.) In the months following the issuance of this Order, Mirror Worlds never suggested that this Order may have affected its position on invalidity. Subsequently, after the parties agreed to exchange amended contentions, Mirror Worlds again provided no indication that it had purportedly changed its mind, or that it planned to challenge the validity the '101 patent.

On May 16, 2010, the day before the parties agreed-upon date for the exchange of proposed amended contentions, Mirror Worlds unexpectedly wrote to Apple to "clarify" its position on amended contentions, attempting to unilaterally limit the scope of the parties' proposed amendments. (*See* Randall Decl., Ex. B.) Nevertheless, Mirror Worlds failed to indicate that it was planning to challenge invalidity of the '101 patent or that it had changed its stance. (*See id.*) The parties exchanged proposed Amended Contentions on May 18 and 19, respectively, with Mirror Worlds again failing to produce any Invalidity Contentions for the '101 patent.

On May 20, 2010, without notice or leave of Court, Mirror Worlds served the Expert Report of John Levy, Ph.D., Regarding Invalidity of the '101 patent. (*See* Randall Decl., Ex. C.) Subsequently, on June 4, 2010, Mirror Worlds served the Expert Report of John Levy, Ph.D. Regarding Non-Infringement of the '101 patent, arguing that there is no infringement solely because the patent is allegedly invalid: (*See* Randall Decl., Ex. D, ¶ 7) ("[a]s…stated in [the May 20, 2010] initial Invalidity Report, the '101 Patent is anticipated by the prior art").)

The parties met and conferred on this issue multiple times, during which Mirror Worlds sought to justify the reports based on the Court's preliminary claim construction Order. Despite having the Order for three months and numerous opportunities to raise the issue with Apple and the Court, Mirror Worlds never sought leave to raise the defense and failed to notify Apple of its change in position, choosing instead to serve Dr. Levy's two surprise expert reports on May 20 and June 4, respectively.

III. LEGAL STANDARD

The Federal Rules of Civil Procedure require that "[e]very defense to a claim for relief in any pleading must be asserted in the responsive pleading if one is required." Fed. R. Civ. P. 12

(b). Local Patent Rule 3-3, in turn, requires "each party opposing a claim of patent infringement, [to] serve on all parties its "Invalidity Contentions . . . ," requiring a party to (a) specifically identify each item of prior art asserted, (b) state whether the prior art anticipates or render obvious the claims of the patent, and (c) provide a chart "identifying where specifically in each alleged item of prior art each element of each asserted claim is found. P.R. 3-3.

These Local Patent Rules 3-3 and 3-4 require much more than just notifying the other party of an invalidity defense. *See id.* Instead, the "Local Patent Rules 'exist to further the goal of full, timely discovery and provide all parties with adequate notice and information with which to litigate their cases, not to create supposed loopholes through which parties may practice litigation by ambush.'" *Anascape, Ltd. v. Microsoft Corp.,* No. 9:06-CV-158, 2008 U.S. Dist. LEXIS 111917, at *7 (E.D. Tex. May 1, 2008). When a party fails to comply with local and federal rules, "[a] court has the inherent power to enforce its scheduling orders and to impose sanctions." *Id.*; *see also* Fed. R. Civ. P. 16(f). Such sanctions may include striking the report of an expert where a party has failed to provide proper invalidity contentions pursuant to Patent Rules 3-3 and 3-4. *See Anascape, Ltd.* 2008 U.S. Dist. LEXIS 111917, at *10-11.

Courts consider the following factors in determining whether sanctions are appropriate for failing to comply with the Federal and local Patent Rules of disclosure: (1) the danger of unfair prejudice; (2) the length of the delay and its potential impact on judicial proceedings; (3) the reason for the delay, including whether it was within the reasonable control of the party responsible for the delay; (4) the importance of the particular matter, and if vital to the case, whether a lesser sanction would adequately address the other factors to be considered and also deter future violations of the court's scheduling orders, local rules, and the federal rules of procedure; and (5) whether the offending party was diligent in seeking an extension of time, or in

supplementing discovery, after an alleged need to disclose the new matter became apparent. *Anascape*, 2008 U.S. Dist. LEXIS 111917, at *8.

IV. ARGUMENT

Dr. Levy's surprise expert reports challenging the validity of the '101 patent are improper and inconsistent with this Court's Local Patent Rules. Mirror Worlds not only failed to plead invalidity as an affirmative defense, it expressly waived its right to challenge validity nearly a year ago. While Mirror Worlds contends that the Court's preliminary claim construction Order now justifies such a challenge, Mirror Worlds never sought leave to serve invalidity contentions, nor provided any notice that the Order changed its position. The weight of the *Anascape* factors above overwhelmingly favors striking Dr. Levy's surprise reports as an appropriate sanction.

A. Mirror Worlds Waived Its Invalidity Defense And Cannot Raise It Now

Mirror Worlds waived its invalidity defense, and it is improper for Mirror Worlds to attempt to raise it now. After Mirror Worlds failed to plead invalidity as a defense and did not serve any invalidity contentions, Apple assumed that this was an oversight on Mirror Worlds' part and asked Mirror Worlds to confirm its position. (Randall Decl. Ex. A.) In response, Mirror Worlds ***expressly waived*** any challenge to validity, "confirm[ing] that Mirror Worlds Technologies, Inc. is ***not pursuing any invalidity defenses*** enumerated in Patent Local Rule 3-3 with respect to U.S. Patent No. 6,613,101. (Randall Decl. Ex. A (emphasis added).) Since then, Mirror Worlds did not serve any invalidity contentions, nor seek leave to do so, instead serving Dr. Levy's expert reports raising the issue for the first time. This is obviously improper, and the Court should strike Dr. Levy's expert reports.

B. Apple Would Be Unfairly Prejudiced If Mirror Worlds Were Permitted To Raise Its Surprise Invalidity Defense

Apple would be unfairly prejudiced if Mirror Worlds were permitted to rely on Dr. Levy's expert reports. Apple had no notice that Mirror Worlds planned to challenge the validity of the '101 patent until Mirror Worlds served the reports. With the deadline for expert report disclosures past due, and discovery closed, it would be unfair to require Apple to respond to Mirror Worlds new assertion of invalidity and its expert's reports at this late stage in the litigation and devote resources to preparing rebuttal reports on this new issue.

C. Mirror Worlds' Delay Is Unjustified And Inexcusable

Mirror Worlds cannot justify the surprise reports based on the Court's preliminary claim construction Order, and its delay in raising the issue is nevertheless inexcusable.

First, nothing in the Court's constructions differed from the parties' proposed constructions that would justify Mirror Worlds' change in position, and Mirror Worlds has failed to articulate any such justification.

Second, even if Mirror Worlds had the right to "amend," – or in this case submit for the first time – its invalidity contentions pursuant to 3-6(a)(2)(B) in light of the Court's Order, Mirror Worlds had 50 days after the Order to do so. (P.R. 3-6(a)(2)(B).) Mirror Worlds, however, never sought leave to provide contentions, nor notified Apple of any need to do so. Instead, over 100 days after the Court issued its Order, Mirror Worlds ignored the requirements of P.R. 3-3 and 3-4, and simply served its reports without any notice or leave. This delay was solely within Mirror Worlds' control, and it is unjustified and inexcusable.

D. Striking Dr. Levy's Expert Reports Is An Appropriate Sanction

Mirror Worlds has not been diligent in seeking leave to raise its newfound invalidity defense, and in fact, has not sought leave to raise the defense at all. Its surprise expert reports are

clearly inconsistent with this Court's practice, and there is no lesser sanction that is appropriate other than to strike the surprise expert reports and preclude Mirror Worlds from challenging the validity of the '101 patent at this late stage of the litigation.

V. CONCLUSION

For the foregoing reasons, Apple respectfully requests that the Court (i) strike the Expert Report of John Levy, Ph.D. Regarding Invalidity of U.S. Patent No. 6,613,101 and the Expert Report of John Levy, Ph.D. Regarding Non-Infringement of U.S. Patent No. 6,613,101; and (ii) preclude Mirror Worlds from challenging the validity of the '101 patent.

Dated: June 14, 2010

Respectfully submitted,

/s/ Jeffrey G. Randall

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was filed electronically in compliance with Local Rule CV-5 on this 14th day of June, 2010. As of this date, all counsel of record had consented to electronic service and are being served with a copy of this document through the Court's CM/ECF system under Local Rule CV-5(a)(3)(A) and by email by way of the parties' agreed upon service address: MW_v_Apple@stroock.com.

/s/ Jeffrey G. Randall
Jeffrey G. Randall

CERTIFICATE OF CONFERENCE

I hereby certify that counsel for Apple has satisfied the "meet and confer" requirements of Local Rule CV-7(h), and that opposing counsel of record in this matter are opposed to the relief sought in this Motion. Counsel for Apple, Allan Soobert conferred telephonically with Counsel for Mirror Worlds and Mirror Worlds Technology, Kenneth Stein, on May 25, 2010, and the discussions ended in an impasse for the reasons described herein. I am lead counsel for Apple in this matter and I am also admitted to practice in the United States District Court for the Eastern District of Texas.

/s/ Jeffrey G. Randall
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