UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TEXAS
TYLER DIVISION

MIRROR WORLDS, LLC,

Plaintiff,

v.

APPLE INC.,

Defendant.

JURY TRIAL DEMANDED

Case No. 6:08-cv-88 (LED)

APPLE INC.,

Counterclaim Plaintiff,

v.

MIRROR WORLDS, LLC,
MIRROR WORLDS TECHNOLOGIES, INC.,

Counterclaim Defendants.

MIRROR WORLDS TECHNOLOGIES INC.'S RESPONSE TO 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

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I. INTRODUCTION

Mirror Worlds Technologies, Inc ("MWT") hereby opposes Apple, Inc.'s Motion to Strike the Expert Reports of John Levy, Ph.D. ("Dr. Levy") on the Purported Invalidity and Non-Infringement of U.S. Patent No. 6,613,101 ("the '101 patent") ("Apple's Motion to Strike")[1] (D.I. 205).

Apple asserts that the Court should strike Dr. Levy's expert report on invalidity of Apple's '101 patent ("Dr. Levy's Invalidity Report") for basically three reasons: (1) MWT expressly waived its invalidity defenses when the preliminary invalidity contentions were originally due on August 26, 2009, (2) Apple would be prejudiced if MWT were permitted to raise the invalidity defenses in Dr. Levy's Invalidity report, and (3) MWT's delay is unjustified.[2] Apple's Motion to Strike, pp. 5-6. MWT strongly disagrees, for the reasons explained below.

As an initial matter, however, the Court will recall that Apple's counterclaim for patent infringement relates to products sold by MWT between September 2, 2003, when the '101 patent issued, and the fall of 2004 when MWT ceased business operations. MWT's total sales revenues during that period (including sales revenues not associated with the products that Apple has accused of infringement) was less the $50,000. *See* Declaration of Kenneth J. Gallagher (D.I. 64-2). Even with damages assessed at a 10% royalty rate, Apple's potential recovery would be less than $5,000. Indeed, the damages on Apple's counterclaim are so miniscule that Apple did

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[1] In its motion, Apple refers collectively to Mirror Worlds Technologies, Inc. and Mirror Worlds LLC as "Mirror Worlds." Dr. Levy's expert invalidity report, which Apple seeks to strike, relates to Apple's counterclaim. That counterclaim stands only against MWT. Mirror Worlds was dismissed as a party to it.

[2] Apple's motion treats Dr. Levy's Invalidity Report and the Expert Report of John Levy, Ph.D. Regarding Non-Infringement of the '101 patent on the same bases. MWT does the same in this opposition brief.

not even bother to submit an expert report on damages for its counterclaim—no doubt because Apple does not wish to highlight the trivial amount at issue.

Apple attempts to make much of the fact that MWT did not submit preliminary invalidity contentions by the August 26, 2009 due date. However, in view of the *de minimus* amount involved in Apple's counterclaim, it certainly did not make sense for MWT to undertake a costly and time-consuming investigation of the validity of the '101 patent and that is why it did not submit invalidity contentions in August 2009. Certainly, a party accused of infringement cannot reasonably be expected to spend tens or hundreds of thousands of dollars to defend against a claim worth less the $5,000. While Apple may have the resources and motivation to pursue such a claim, MWT cannot be faulted for applying resources that are commensurate to the claim against it.

Nonetheless, as a result of two recent events in this litigation, it has become quite clear that the asserted claims of the '101 patent are, in fact, invalid. The first event was the Court's preliminary order concerning the construction of the claims (D.I. 178)—in which the Court adopted Apple's proffered construction of certain terms of the '101 patent. As explained in MWT's recently filed motion for summary judgment of invalidity of the '101 patent (D.I. 229) Apple's proffered construction eliminates the distinctions that Apple drew during prosecution between claims similar to those asserted here and prior art cited by the Examiner (namely, U.S. Patent Nos. 5,287,448 to Nicol and 5,060,135 to Levine). Had Apple applied the claim construction that it proffered to the Court here to the claims during prosecution, the United States Patent & Trademark Office would never have allowed the asserted claims over the cited prior art.

The second event was that Apple's own expert, Dr. Steven K. Feiner, testified at his deposition that a prior art reference recently disclosed by Apple—namely, Richard A. Bolt,

"Spatial Data Management," Massachusetts Institute of Technology, 1979 ("SDM")—discloses each limitation of claim 1 of the '101 patent, thus anticipating that claim under his analysis. *See* MWT's Motion for Leave to Amend its Answer and Submit Invalidity Contentions (D.I. 215). MWT first became aware of SDM when Apple identified it, as well as numerous other new references, in its proposed second amended invalidity contentions dated May 17, 2010.

In view of these recent event, Apple cannot seriously contend that MWT should be precluded from adding its important invalidity defenses at this time. To do so, would be highly prejudicial to MWT and simply unfair.

II. ARGUMENT

A. Contrary to Apple's Assertion, MWT Did Not Waive All Invalidity Defenses That It May Ever Have in this Case.

Apple asserts that MWT "waived its invalidity defense, and it is improper for [MWT] to raise it now," citing an email, dated August 23, 2009, in which MWT's counsel stated that MWT "is not pursuing any invalidity defenses enumerated in Patent Local Rule 3-3 with respect to U.S. Patent No. 6,613,101." Apple's Motion to Strike, p. 5 and Ex. A. The only fair reading of the email exchange that Apple cites is that MWT did not unintentionally forget to file Rule 3-3 invalidity on the August 26, 2009 due date, but, instead, did not have any to file. It certainly was not MWT's intent to waive its ability to bring invalidity contentions in the future if permitted under the Local Rules—as is the case for new invalidity contentions required by the Court's claim construction under Local Patent Rule 3-6(a)(2) or for good cause under Local Patent Rule 3-6(b).

Moreover, Apple does not explain how it relied upon MWT's supposed waiver or how it would be prejudiced if the Court finds there was no waiver. Apple seems to believe that MWT's supposed waiver should permit Apple to escape the consequences of its proffered claim

construction, adopted by the Court, that renders the asserted claims of the '101 patent invalid and to have the Court ignore the testimony of Apple's own expert (Dr. Feiner) that, under his analysis, claim 1 of the '101 patent is anticipated by SDM. Neither result should be permitted

B. Contrary to Apple's Assertion, Apple Would Not be Unfairly Prejudiced if Dr. Levy's Report on Invalidity is Permitted

Apple asserts that "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." Apple's Motion to Strike, p. 6. MWT disagrees.

First, Apple is quite familiar with both of the two references in Dr. Levy's Invalidity Report (*i.e.*, the Nicol and Levine patents). Both were of record during prosecution of the '101 patent and its parent application and were the basis for the rejection of claims in the parent application that are similar to the claims at issue here. The prosecution history reveals that Apple has already carefully considered both references. *See* Apple's Motion to Strike, Ex. C, pp. 3-4. In addition, Apple cited one of these references, Levine, in its invalidity contentions against Mirror Worlds, LLC.

Second, Apple could have already prepared a rebuttal report to Dr. Levy's Invalidity Report, but chose not to do so. Dr. Levy's Invalidity Report was timely according to this Court's scheduling order. It is only eight pages long and, again, addresses prior art that is well known to Apple. In view of its limited length and the fact that the prior art was well known to Apple, Apple's expert certainly could have filed a rebuttal report by the deadline in the docket control order in this case. In any event, Apple's expert certainly could file one now with minimal effort.

Significantly, while Apple complains about the ability of its expert to respond to an eight page report relating two references well known to Apple, on the same date as Dr. Levy's

Invalidity Report, Apple served an expert report on invalidity by its own expert, Dr. Feiner, that addresses dozens of completely new references, which comprise thousands of pages, and includes lengthy new claim charts. That report and corresponding amended invalidity contentions are the subject of a motion to strike by Mirror Worlds, LLC (D.I. 196). But comparing the massive amounts of new prior art in the invalidity report by Apple's expert (Dr. Feiner) to the extremely limited report by MWT's expert (Dr. Levy) illustrates how unreasonable Apple's position is.

C. Contrary to Apple's Assertion, MWT's Delay is not Unjustified

Apple asserts that "nothing in the Court's constructions differed from the parties' proposed constructions that would justify Mirror Worlds' [MWT's] change in position [on invalidity]." Apple's Motion to Strike, p. 6. Apple's assertion overlooks the fact that MWT's invalidity argument relates to an argument that MWT made during the claim construction proceedings—namely, that Apple's arguments distinguishing the claimed invention from Nicol and Levine supported MWT's construction, not Apple's. (D.I. 161, pp. 8-9). The flip side of that argument is that the asserted claims would not have been allowed over Nicol and Levine under Apple's proffered claim construction. Apple, for litigation purposes, proffered a claim construction that went far beyond the construction it asserted before the USPTO. Clearly, Apple took this tactic to broaden its infringement claim against MWT. The broad construction proffered and obtained by Apple during claim construction falls squarely within the teachings of Nicol and Levine. Apple must now live with consequences of that construction. Apple cannot claim prejudice or surprise when it proffered and obtained a claim construction that renders the claim invalid over the prior art cited during prosecution.

Apple also asserts that even if MWT had a right to submit invalidity contentions pursuant to P. R. 3-6(a)(2)(B), the time to do so has passed. Apple's Motion to Strike, p. 6. That is not,

however, MWT's understanding of P.R. 3-6(a)(2)(B). Under that rule MWT has 50 days after service of the Court's final claim construction ruling, which the Court has yet to issue, to amend its invalidity contentions. Apple claims that the term "claim construction" in Rule 3-6(a)(2)(B) should be applied to this Court's preliminary claim construction. However, MWT's local counsel advised that Rule 3-6(a)(2)(B) applies to the Court's *final* claim construction, which, again, has yet to issue. Indeed, under Apple's interpretation, there would seem to be **two** 50 day periods that apply—one after a preliminary claim construction order and one after a final claim construction order. That, however, is not consistent with the plain language of the rule.

III. CONCLUSION

In view of the foregoing, MWT respectfully requests that the Court deny Apple's Motion to Strike the Expert Reports of John Levy, Ph.D. on the purported Invalidity and Non-Infringement of U.S. Patent No. 6,613,101.

Dated: July 2, 2010

Respectfully submitted,

By: */s/ Kenneth L. Stein*

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that all counsel of record who are deemed to have consented to electronic service are being served with a copy of this document this 2nd day of July, 2010, via the Court's CM/ECF system per Local Rule CV-5(a)(3).

/s/ Kenneth L. Stein