Mirror Worlds, LLC v. Apple, Inc. Doc. 265

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TEXAS
TYLER DIVISION

MIRROR WORLDS, LLC

Plaintiff,

v.

APPLE INC.

Defendant.

APPLE INC.

Counterclaim Plaintiff

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

Counterclaim Defendants.

Civil Action No. 6:08-CV-88 LED

JURY TRIAL DEMANDED

MIRROR WORLDS, LLC'S REPLY IN SUPPORT OF ITS MOTION TO SEVER APPLE'S COUNTERCLAIM AGAINST MIRROR WORLDS TECHNOLOGIES, INC.

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TABLE OF CONTENTS

I. INTRODUCTION 1

II. APPLE FAILS TO REFUTE THAT ITS COUNTERCLAIM WAS BROUGHT FOR STRATEGIC REASONS ONLY 1

III. THE POTENTIAL FOR JURY CONFUSION IS REAL AND SUBSTANTIAL 2

IV. APPLE FAILS TO DISCUSS SEVERANCE UNDER RULE 42(B) AND FAILS TO DISTINGUISH THE CASES SEVERING COUNTERCLAIMS UNDER RULE 21 3

V. APPLE'S ARGUMENTS ARE IRRELEVANT.. 4

VI. CONCLUSION.. 5

TABLE OF AUTHORITIES

Page(s)

CASES

Fiber Systems International, Inc. v. Applied Optical Systems, Inc.,
No. 2:06-CV-473, 2009 WL 3571350 (E.D.Tex. October 26, 2009)....................................3, 5

ROY-G-BIV Corp. v. Fanuc LTD.,
No. 2:07-CV-418, 2009 U.S. Dist. LEXIS 37809 (E.D.Tex. April 14, 2009)...........................3

Texas Instruments, Inc. v. Linear Technologies Corp.,
No. 2:01-CV-004, 2002 U.S. Dist. LEXIS 5669 (E.D.Tex. January 15, 2002).........................4

William Reed v. General Motors Corp., et al.,
No. 2:05-CV-401, 2007 U.S. Dist. LEXIS 6257 (E.D.Tex. January 16, 2007).....................3, 4

OTHER AUTHORITIES

Federal Rule of Civil Procedure 42(b)...1, 3, 5

Federal Rule of Civil Procedure 16(b)...4

Federal Rule of Civil Procedure 21 ....3, 4

Plaintiff Mirror Worlds, LLC ("Mirror Worlds") hereby submits this reply brief in support of its motion to sever the counterclaim of defendant Apple Inc. ("Apple") against Mirror Worlds Technologies, Inc. ("MWT") (D.I. 217).

I. INTRODUCTION

Apple's opposition to Mirror Worlds' motion to sever Apple's counterclaim of patent infringement against MWT, an unrelated third party, establishes conclusively that Apple's counterclaim was brought for strategic reasons only ("Apple Brief")(D.I. 239). In addition, Apple's opposition fails to address, much less dispute, that severance of its counterclaim is appropriate under Rule 42(b) of the Federal Rules of Civil Procedure. For these reasons, Mirror Worlds' motion should be granted.

II. APPLE FAILS TO REFUTE THAT ITS COUNTERCLAIM WAS BROUGHT FOR STRATEGIC REASONS ONLY

Apple's opposition establishes conclusively that its counterclaim against MWT was brought for strategic reasons only. For example, Apple does not dispute that:

1. Mirror Worlds never sold any of the products Apple accuses of infringing its counterclaim patent.
2. The products Apple accuses of infringement were sold by MWT, an unrelated entity from Mirror Worlds.
3. The MWT products Apple accuses of infringement were sold six years ago, before Mirror Worlds was formed.
4. The total gross revenue of products against which Apple seeks relief in its counterclaim is approximately $50,000.
5. Once apportioned to the accused features, and once a reasonable royalty rate has been set, Apple's potential recovery against MWT is *de minimus*.
6. Apple's potential recovery is so insignificant, particularly when viewed in the context of Mirror Worlds' claim against Apple, which is in the hundreds of millions of dollars, that Apple's own economic expert did not provide any analysis with respect to Apple's counterclaim.

Based on this record, there can be no dispute that Apple brought the counterclaim simply in an effort to prejudice Mirror Worlds in having to present its infringement claims against Apple

while simultaneously having to present MWT's defense of Apple's counterclaim.

III. THE POTENTIAL FOR JURY CONFUSION IS REAL AND SUBSTANTIAL

Mirror Worlds has asserted four patents against Apple. The four patents are directed at three different features (Spotlight, Time Machine and Cover Flow), one or more of which are included in nearly every product currently sold by Apple, including Apple's eMac, MacBook, MacBook Air, MacBook Pro, Mac Mini, iMac, Mac Pro, iBook, PowerBook, Power Mac, PowerPC, iPhone, iPad, iPod, and Apple TV. Hardly a "relatively small number of accused products" as Apple asserts. Apple Brief at 7. Regardless of whether Mirror Worlds streamlines for trial the number of asserted claims from one or more of the four asserted patents, the jury will have to focus on a substantial number of patents, asserted claims and accused products. The present case is complex enough without requiring the jury to also focus on a separate infringement claim against an unrelated third party based on sales of a different product that occurred six years ago.

If Apple's counterclaim is not severed, the jury will be presented with an enormous amount of evidence regarding the numerous Apple products accused of infringing four different patents, and the jury will also be presented with evidence in connection with MWT's Scopeware product, which is accused of infringing a fifth patent. The jury will be under tremendous pressure to ensure that it does not confuse the parties' products and the various functions included in those products, as well as the asserted claims from five different patents, and other issues concerning each product and patent at trial.

The potential for jury confusion is further compounded by the similarity in names between Mirror Worlds and Mirror Worlds Technologies, a point Apple does not dispute. Apple Brief at 7. Given the similarity in names, when the jury hears Apple's infringement arguments against Mirror Worlds Technologies, Inc. (i.e., MWT), it will likely connect the patent

infringement accusations to Mirror Worlds (i.e., Mirror Worlds, LLC).

IV. APPLE FAILS TO DISCUSS SEVERANCE UNDER RULE 42(B) AND FAILS TO DISTINGUISH THE CASES SEVERING COUNTERCLAIMS UNDER RULE 21

The potential for jury confusion is clearly relevant in assessing whether to sever Apple's counterclaim pursuant to Rule 42(b) of the Federal Rules of Civil Procedure. In fact, as described in Mirror Worlds' moving brief, this is the exact type of prejudice that Rule 42(b) is intended to prevent. (D.I. 217 at 3-5). Apple does not dispute this. In fact, Apple fails to discuss Rule 42(b) at all.[1] In doing so, Apple invites the Court to commit legal error by asserting that the potential for jury confusion "should not be of any concern to the Court." Apple Brief at 6-8.

Under Federal Rule of Civil Procedure 42(b), the Court may sever and order a separate trial on any claim or counterclaim when such severance would be convenient or would avoid prejudice. Fed. R. Civ. 42(b). The potential for jury confusion is precisely the type of prejudice that Rule 42(b) is intended to prevent. *Fiber Systems International, Inc. v. Applied Optical Systems, Inc*., 2009 WL 3571350 at *4 (E.D.Tex. October 26, 2009) (severing a counterclaim under Rule 42(b) due to the risk of jury confusion). Apple fails to discuss, much less distinguish, *Fiber-Systems*.

Apple also does not discuss, much less distinguish, the other cases cited in Mirror Worlds moving brief in which the Court severed counterclaims, albeit under Rule 21. *See ROY-G-BIV Corp. v. Fanuc LTD.,* 2009 U.S. Dist. LEXIS 37809 at *3-4 (E.D.Tex. April 14, 2009) (severing infringement counterclaims under Rule 21 "would simplify an already complex matter."); *Texas*

[1] While the underlying rational is the same, severance under Rules 21 and 42(b) are distinct. Under Rule 21, severance results in two independent actions with separate judgments in each. *William Read v. General Motors Corp*., 2007 LEXIS 6257 *7 (E.D. Tex. 2007). Severance under Rule 42(b), however, results in a single judgment, with the severed claim simply being tried at a later date. *Id*.

Instruments, Inc. v. Linear Technologies Corp., 2002 U.S. Dist. LEXIS 5669 at *7 (E.D.Tex. January 15, 2002) (severing defendants' counterclaims against third party defendant under Rule 21 because the counterclaim did not "relate to the question before the Court in the instant case, which is whether the [plaintiff's patents] are infringed by the [defendant's] processes."); *William Reed v. General Motors Corp., et al*., 2007 U.S. Dist. LEXIS 6257 at *10 (E.D.Tex. January 16, 2007) (severing patent infringement claim against one defendant because that claim was "sufficiently distinct from Plaintiff's claims against the remaining defendants to warrant a severance pursuant to Rule 21.").

Each of these cases support severing Apple's counterclaim. Apple's failure to mention or distinguish any of these cases evidences the fact that its arguments in opposition should be rejected. In fact, as set forth below, each of the arguments Apple raises in its brief are largely irrelevant in assessing whether severance is appropriate.

V. APPLE'S ARGUMENTS ARE IRRELEVANT

First, Apple asserts that this Court already rejected Mirror Worlds' arguments in its Opinion and Order on Apple's motion for leave to file the counterclaim. Apple Brief at 1-2, 4-6. The Court did not, however, hold that it was "appropriate to adjudicate Apple's counterclaim alongside Mirror Worlds' claims" as Apple asserts. *Id.* at 1. Rather, the Court was focused on whether Apple could establish good cause under Rule 16(b) to modify the Court's Docket Control Order. D.I. 81 at 2. While the Court ultimately permitted Apple to assert the counterclaim, in assessing the potential prejudice to Mirror Worlds, the Court focused on whether sufficient time remained to prepare for the claim construction hearing and whether such prejudice weighed against allowing the amendment. *Id*. at 4. In fact, the Court specifically stated that the prejudice Mirror Worlds had identified "is not the prejudice that the Court is concerned with." *Id*. The factors the Court assessed in deciding whether to permit Apple to

assert the counterclaim are separate and apart from the factors the Court must assess in deciding whether to sever that same counterclaim for purposes of trial. In fact, as described above the potential for jury confusion is a primary factor to be considered under Rule 42(b). *Fiber Systems*, 2009 WL 3571350 at *4.

Apple also asserts that there are significant overlapping factual and legal issues that weigh against severance. Apple Brief at 5-6. Apple blurs the issues. Whether the counterclaim patent (the '101 patent) invalidates the Mirror Worlds' patents-in-suit as Apple asserts, however, is separate and apart both legally and factually from whether the '101 patent is infringed, which will only further serve to confuse the jury. In addition, Apple's willful infringement is based on its knowledge of the Mirror Worlds' patents-in-suit, regardless of which entity owned the patents at the time of first infringement. *Id.* at 5-6. Even if there are some common witnesses between Apple's counterclaim and Mirror Worlds' claims of infringement, such commonality is far outweighed by the potential for prejudice against Mirror Worlds, who is not a party to Apple's counterclaim. Thus, the interests of justice support severing Apple's counterclaim against MWT.

VI. CONCLUSION

For the foregoing reasons, Mirror Worlds respectfully requests that this Court issue an order severing and ordering a separate trial at a later date on Apple's counterclaim against MWT.

Dated: July 26, 2010

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CERTIFICATE OF CONFERENCE

The undersigned counsel hereby certifies that Mirror Worlds, LLC's ("Mirror Worlds") counsel has in good faith conferred Apple's counsel in an effort to resolve the dispute without court action. Counsel of record for Mirror Worlds (Alexander Solo, together with Charles Cantine and Matthew Siegal of Stroock & Stroock & Lavan LLP) conducted a telephonic meet and confer with Apple's counsel of record (Allan Soobert, Christian Platt) on June 25, 2010 which ended in an impasse.

/s/ Alexander Solo

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 26th day of July, 2010, via the Court's CM/ECF system per Local Rule CV-5(a)(3).

/s/ Alexander Solo