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

MIRROR WORLDS, LLC,	§	
	§	
Plaintiff,	§	
	§	Civil Action No. 6:08-CV-88 LED
v.	§	
	§	
APPLE INC.,	§	JURY TRIAL DEMANDED
	§	
Defendant.	§	
	§	

APPLE INC.'S MOTION FOR LEAVE TO FILE ITS FIRST AMENDED ANSWER, AFFIRMATIVE DEFENSES AND COUNTERCLAIMS

Defendant Apple Inc. respectfully moves for leave to file its First Amended Answer, Affirmative Defenses And Counterclaims, submitted herewith. Because good cause exists for this request, Apple's motion should be granted.

I. Introduction

This motion presents a simple issue: should Apple be permitted to file a new counterclaim three weeks after the deadline for amendment of pleadings without leave where that counterclaim is integrally tied to the claims and defenses already in the case and where no prejudice results from that modest delay?

Apple's counterclaim is for infringement of U.S. Patent No. 6,613,101 by Mirror Worlds and its predecessor Mirror Worlds Technologies through their acts relating to the Scopeware product. Neither the '101 patent nor Scopeware are new to this case. The '101 patent is one of Apple's key prior art references and is expected to feature prominently in Apple's invalidity defense. Likewise, the Scopeware product appears to be at the heart of Mirror Worlds' willfulness and marking allegations as a product that allegedly embodies Mirror

Worlds' patents. In other words, with or without Apple's counterclaim, the Court – and perhaps a jury – will have to adjudicate the implications of the parties' contentions as to both the '101 patent and the Scopeware product. All that Apple's counterclaim does is provide the decisionmaker(s) in this case with context for one of the fundamental questions underlying the parties' dispute: *who invented the technology at issue first?* As such, Apple's counterclaim is an important piece to the puzzle of this case. This fact alone weighs strongly in favor of granting Apple leave to file its counterclaim.

This is particularly true because Apple's counterclaim comes without any prejudice to Mirror Worlds. Apple filed its counterclaim only three weeks after the *agreed-upon* deadline for amending pleadings without leave of Court, and still more than a year before the Court's *Markman* hearing and eighteen months before the close of fact discovery. Any claim of prejudice resulting from the modest delay in filing Apple's counterclaim so early in the case is not credible.

In these circumstances, Apple has shown good cause for its request to amend its pleadings to add a counterclaim for infringement of the '101 patent. Yet, were good cause under the traditional analysis somehow not found, Apple's counterclaim should nonetheless be accepted because allowing Apple to file its counterclaim in this case instead of as a separate claim promotes judicial economy. Apple would have the right to file a new lawsuit alleging infringement of the '101 patent and to seek consolidation of the two cases under Rule 42(a). Were Apple to take that path, the common factual and legal questions underlying the two cases and the early stage of this case would support consolidation. As such, denial of Apple's motion for leave – as urged by Mirror Worlds – would not only elevate form over substance, but would do so at the cost of judicial economy.

II. Factual Background

This case is in its very early stages. Initial document productions are just starting. The *Markman* hearing is not until January 28, 2010. The close of fact discovery is not until June 2010. And trial is not scheduled until September 13, 2010. In short, the litigation between Mirror Worlds and Apple is just beginning.

In the course of investigating its invalidity defenses, Apple uncovered evidence that *Apple* had in fact first invented – and patented – the very concepts that Mirror Worlds claims to have invented. This investigation led to U.S. Patent No. 6,613,101, an Apple patent on an Apple invention nicknamed "Piles." Apple determined that its Piles work invalidates the Mirror Worlds' patents-in-suit, and on November 3, 2008, identified the '101 patent as invalidating prior art in its Patent Local Rule 3-3 and 3-4 Preliminary Invalidity Contentions.

Apple also investigated whether Mirror Worlds Technologies' Scopeware product infringed Apple's '101 patent. As of the November 3, 2008 date for amendment of pleadings without leave, Apple was evaluating its patent infringement counterclaim. *See* Declaration of Nicholas A. Brown in Support of Apple Inc.'s Motion For Leave To File Its First Amended Answer, Affirmative Defenses And Counterclaims ("Brown Decl.") at ¶ 2. Apple concluded its investigation and decision-making process related to that claim over the following weeks, and once its evaluation was complete, promptly filed an amended pleading that included a counterclaim for infringement of the '101 patent and added Mirror Worlds Technologies as a counterclaim defendant. *Id.* at ¶ 3. Apple's filing was dated November 25, 2008, approximately three weeks after the deadline for filing without leave.[1] D.I. # 48 [Apple's November 25, 2008

[1] Concurrently herewith, Apple is filing its Motion to Withdraw Apple's November 25, 2008 First Amended Answer, Affirmative Defenses And Counterclaims. In lieu of that pleading (D.I. #48), Apple is submitting herewith a revised First Amended Answer, Affirmative Defenses

First Amended Answer, Affirmative Defenses And Counterclaims].

Although Apple of course could have filed a new lawsuit against Mirror Worlds alleging infringement of the '101 patent, Apple chose instead to assert its infringement claim as a counterclaim to the pending litigation in which the '101 patent was already at issue. Apple hoped to obtain Mirror Worlds' consent to add the claim despite the three weeks that had passed since the deadline. Over the first two weeks of December, Apple met and conferred with Mirror Worlds about Apple's request for leave to file its new counterclaim. Brown Decl. at ¶ 4. After multiple calls between the parties, Mirror Worlds advised that it would need until December 16, 2008 to decide whether or not it would consent to the extension Apple was requesting. Brown Decl. at ¶ 4, Exh. A [12/11/08 Brown email]. On December 16, Mirror Worlds stated that it would oppose a motion for leave to file an amended answer. Brown Decl., Exh. B [12/16/08 Stein letter]. This motion followed.

III. Good Cause Exists For Apple's Request

A trial court has broad discretion in allowing scheduling order modifications. *Alt v. Medtronic, Inc.*, 2006 U.S. Dist. LEXIS 4435, *4-*6 (E.D. Tex. Feb. 1, 2006) (Davis, J.) (citations omitted). The Court considers four factors when determining whether to allow a scheduling order modification: (1) the explanation for the failure to meet the deadline; (2) the importance of the thing that would be excluded; (3) potential prejudice in allowing the thing that would be excluded; and (4) the availability of a continuance to cure such prejudice. *Id.* Here, each of these factors overwhelmingly supports Apple's motion.

And Counterclaims, which it intends to be the operative pleading should leave be granted. Although the pleading being submitted herewith has been updated, the patent infringement counterclaim against Mirror Worlds is identical to that filed on November 25, 2008.

A. Apple's Explanation For Its Modest Delay Supports A Finding Of Good Cause

Apple has provided a reasonable and legitimate explanation for its failure to meet the November 3, 2008 deadline and the modest delay in filing its new counterclaim. Apple was evaluating its patent infringement counterclaim as of the November 3, 2008 deadline for amendment of pleadings without leave. Brown Decl. at ¶ 2. Once Apple concluded its evaluation, it promptly filed its amended pleading. *Id.* at ¶ 3. That Apple's evaluation went three weeks beyond the deadline for amendment without leave cannot be faulted. *See, e.g., Eisai, Ltd. v. Teva Pharmaceuticals USA, Inc.*, 247 F.R.D. 445, 449 (D.N.J. Dec. 6, 2007).

B. Apple's Infringement Counterclaim Is Important To Adjudication Of This Case And Directly Coupled With The Claims And Defenses Already At Issue

With or without Apple's counterclaim, the Court – and perhaps a jury – will have to adjudicate the implications of the parties' contentions as to both the '101 patent and the Scopeware product. Apple's Piles work and '101 patent are key prior art references in Apple's affirmative defense. Mirror Worlds itself has injected the Scopeware product into this case as related to its willfulness and marking allegations for the Mirror Worlds' patents-in-suit. *See, e.g.*, D.I. #1 [Complaint] at ¶¶ 14, 15, 19, 23, 27.

The fact that Apple has an earlier patent on the technology that Mirror Worlds claims to have invented – a patent infringed by the very product Mirror Worlds appears to allege embodies its patents-in-suit – is important to this case. *See, e.g., Alt v. Medtronic, Inc.*, 2006 U.S. Dist. LEXIS 4435, *12-*13 (E.D. Tex. Feb. 1, 2006) (Davis, J.). Indeed, the relationship between Apple's Piles work and the '101 patent, on the one hand, and Mirror Worlds' Scopeware product and the Mirror Worlds patents-in-suit, on the other, goes to the very heart of this case. *Who invented the technology at issue first?* Thus, Apple's patent infringement

counterclaim is not only important to Apple,[2] but to a full and fair adjudication of this litigation.

C. Mirror Worlds Will Not Suffer Any Prejudice From The Modest Delay In Filing Of Apple's Counterclaim, Nor Would Any Continuance Be Necessary

Mirror Worlds has been unable to articulate any real prejudice as a result of the three weeks that elapsed between the deadline for amendment of pleadings without leave and Apple's amendment. Mirror Worlds has implied that the addition of a new party and new patent at this stage will throw the case schedule into turmoil, and has complained that Apple's counterclaim is too late because the parties have already exchanged infringement and invalidity contentions. Brown Decl., Exh. B [12/16/08 Stein letter]. But this case is at such an early stage and the delay in filing Apple's counterclaim is so modest that these claims are not credible. Discovery is just starting and the *Markman* hearing is more than a year away.

It is true that if Apple's claim is added the invalidity contentions for Apple's patent will be on a slightly different schedule than for Mirror Worlds' patents. This is not unusual or prejudicial. There is no reason to believe that the case schedule will have to be adjusted to accommodate the addition of Apple's counterclaims a mere three weeks after the agreed-upon deadline.[3] To the contrary, other than the identification of new dates for

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[2] Mirror Worlds' suggestion that Apple's patent infringement counterclaim is unimportant because the damages for Mirror Worlds' and Mirror Worlds Technologies' infringement would be, according to Mirror Worlds, "*de minimis*" is inaccurate. *See* Brown Decl., Exh. B [12/16/08 Stein letter]. Where Apple's patent rights are violated, Apple has an interest in enforcing those rights even if the accused infringer's sales are small relative to Apple's.

[3] Other than service of initial disclosures and of a handful of third-party subpoenas, there was no meaningful activity in the case between November 3 and November 25, 2008. Having agreed to the November 3rd date for amendment without leave, Mirror Worlds has no basis to object to the November 25th date. Moreover, any additional delay since November 25th has largely been the result of Mirror Worlds' request for additional time to consider whether or not it would consent to Apple's motion for leave. *See* Brown Decl., Exh. A [12/11/08 Brown email]. Indeed, Mirror Worlds has been in no hurry to resolve this issue or to move forward with the case. To date, Mirror Worlds and its counsel have requested a number of extensions – for its

infringement and invalidity contentions on Apple's patents, the current case schedule provides ample time – eighteen months – for the parties to conclude discovery on both the Mirror Worlds patents-in-suit and Apple's patent. This is particularly true because the facts underlying Apple's counterclaim are already at issue in the case and will already be subject to discovery and development regardless.

For the same reason, Mirror Worlds' suggestion that Apple's counterclaim will add further complexity to the case falls flat. The parties will have to conduct discovery on Apple's Piles work, the '101 patent and the Scopeware product, and the Court will have to understand and adjudicate their implications, whether or not Apple's counterclaim is in the case.[4]

All that Mirror Worlds is really saying is that it does not want to defend against Apple's claim in this case. This is not prejudice. *See, e.g., Garmin Ltd., vs. TomTom, Inc.*, 2007 U.S. Dist. Lexis 74032, *21 (E.D. Tex. Oct. 3, 2007) (Davis, J.).

IV. Apple's Patent Infringement Claim Against Mirror Worlds Would Be Consolidated With This Action If It Had Been Filed Separately

Apple could have filed a separate suit against Mirror Worlds for infringement of the '101 patent and then simply moved for consolidation of the two cases pursuant to Rule 42(a). *See* Fed. R. Civ. P. 42(a); Local Rule CV-42(b). There is little question that a motion for consolidation should be granted under these circumstances. Not only do Mirror Worlds' claims and Apple's counterclaim present common issues of fact and law between the same parties, but

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infringement contentions, for its initial disclosures, and for discovery responses – to which Apple has consented every time.

[4] Addition of Mirror Worlds Technologies as a party also does not cause any prejudice. Until this year, Mirror Worlds Technologies was the assignee of the patents-in-suit; it simply assigned the patents to Mirror Worlds LLC, a Texas-based shell company, for purposes of litigation. Indeed, Mirror Worlds LLC identified several former Mirror Worlds Technologies' officers and directors, all represented by counsel of record in this case, as knowledgeable about "Mirror Worlds Technologies, Inc.'s business" and the patents-in-suit in its initial disclosures. Brown Decl., Exh. C [Mirror Worlds' Initial Disclosures].

they both go to the same central dispute between the parties. Consolidation would promote judicial economy and prevent unnecessary repetition and inconsistent judgments, all without undue delay in either of the cases. Accordingly, denial of Apple's motion for leave merely because Apple choose to file its claim as a counterclaim and not a separate suit would elevate form over substance at the cost of judicial economy.

V. Conclusion

For the foregoing reasons, Apple respectfully requests leave to file its First Amended Answer, Affirmative Defenses And Counterclaims.

Dated: December 23, 2008

Respectfully submitted,

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CERTIFICATE OF CONFERENCE

I certify that counsel for Apple have satisfied the "meet and confer" requirements of Local Rule CV-7(h).

The personal conference requirement of Local Rule CV-7(h) has been met. On December 5, 2008 Richard An of Jenner & Block LLP, counsel of record for Mirror Worlds, LLC, and Nicholas Brown of Weil, Gotshal & Manges, LLP, counsel of record for Apple Inc. met and conferred telephonically. In that conference, the parties discussed their viewpoints, and the conference ended with Mr. An resolved to discuss the matter with the Mirror Worlds counsel team. On December 11, 2008 Kenneth Stein of Jenner & Block LLP and Nicholas Brown met and conferred telephonically. The parties discussed their viewpoints and the conference ended with a statement by Mr. Stein that Mirror Worlds would make its final decision by December 16, 2008. On December 16, 2008, Mr. Stein sent a letter informing Apple of its intent to oppose this Motion. The discussions have conclusively ended in an impasse leaving the issue open for the Court of whether Apple should be granted leave to amend its answer, affirmative defenses, and counterclaims.

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 23rd day of December, 2008. As of this date, all counsel of record have 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).

/s/ Sonal N. Mehta
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