

**IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION**

SOFTEX LLC,

Plaintiff,

vs.

**DELL TECHNOLOGIES INC. AND
DELL, INC.,**

Defendants.

Civil Action No. 1:22-cv-01309-DAE

PLAINTIFF SOFTEX LLC'S OPPOSITION TO DELL'S MOTION TO STAY

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I. INTRODUCTION

Dell's Second Motion to Stay (Dkt. 76) presents no "new facts" that could justify changing the Court's prior Order (Dkt. 57) denying Dell's First Motion to Stay (Dkt. 38). Dell's alleged "new facts" are (i) not new (ii) irrelevant to the Court's analysis, and (iii) mischaracterized by Dell.

The *actual new facts* Softex uncovered from Dell's *recent* document production and deposition of Dell's declarant (Mr. Dolbeare) conclusively prove Dell is far from a mere reseller of an off-the-shelf product and raise questions regarding Dell's good faith in requesting a stay based on the customer suit exception. The *actual new facts* demonstrate, e.g., that (i) Dell sought customization of the Absolute software, (ii) Dell has its *own* BIOSs with Absolute functionality, (iii) Dell factory floor integrates the Absolute functionality either as part of Dell's "standard offer" for any Dell Accused Device or Dell's "persistence offer" for custom orders for certain Dell Accused Products, and (iv) Dell pre-installs Absolute software (license included) on Dell Accused Products as part of Dell's "standard offer."¹ Because the evidence that Absolute is not the sole source of infringing activity or product is much stronger now, Dell's Second Motion to Stay is much weaker than the First Motion and should be denied with prejudice. In short, Dell's Motion is a contrived, untimely² and improperly filed attempt at a second bite at the apple.

II. LEGAL STANDARD

Dell has the burden to show that a stay is appropriate. *Neo Wireless LLC v. Dell Techs.*

¹ These revelations concerning Dell's customization and integration efforts raise questions regarding Dell's veracity to the Court during the First Motion to Stay Hearing. The question of integration had been rightfully raised by Softex and the Court. Ex. A at 10:1–14. Counsel for Dell responded that "absolutely no evidence" of integration efforts existed while Counsel had a duty to know of and to disclose HP's significant efforts. *Id.* at 10:15-19.

² Dell chose not to appeal to the Magistrate Judge's opinion. Fed. R. Civ. P. 72(a); L.R. 1(c). Dell's Motion is an untimely motion for reconsideration, and should be denied on this basis alone. *See U.S. v. Real Prop. Located at 6250 WT Montgomery Rd., Bexar Cnty., San Antonio, Tex.*, 2017 WL 11112472, at *1 (W.D. Tex. Nov. 9, 2017).

Inc., No. 1:22-CV-60-DAE, 2022 WL 2763150, at *1 (W.D. Tex. Apr. 12, 2022), report and recommendation adopted, No. 1:22-CV-60-DAE, 2022 WL 2763139 (W.D. Tex. June 7, 2022). Courts consider the following factors in evaluating a motion to stay when assessing whether to stay based on a pending IPR: (i) whether the stay will simplify the issues in the action; (ii) whether a stay will unduly prejudice or present a clear tactical disadvantage to the nonmoving party; and (iii) how far the litigation has progressed. *Nobots, LLC v. Google, LLC*, No. 1:22-cv-0585, Dkt. 53 at 1 (W.D. Tx. July 13, 2022). Softex’s initial briefing details the burdens for proving a stay based on the customer suit exception.

III. ARGUMENT

A. The ’649 Patent Claims Should Not Be Stayed Pending An IPR Institution Decision Because It Is Neither A “New Fact” Nor Is It Relevant

Microsoft’s pending IPR petition regarding U.S. Patent No. 8,506,649 (one of seven patents asserted against Dell) is not a “new fact.” A simple timeline clearly establishes the IPR petition is old news—Dell’s own counsel filed the pending ’649 IPR petition on July 11, 2023, ten days *before* this Court denied Dell’s First Motion to Stay:

Date	Event	Citation
May 4, 2023	Dell’s attorneys from Faegre Drinker appear in this Action (including Kirstin Stoll-DeBell and Carrie Beyer)	Dkts. 32–35
May 12, 2023	Dell files First Motion to Stay	Dkt. 36
July 11, 2023	Dell’s attorneys from Faegre Drinker file IPR petition regarding the ’649 Patent on behalf of Microsoft (Kirstin Stoll-DeBell, Carrie Beyer)	Ex. B
July 21, 2023	This Court holds hearing, denies Dell’s First Motion to Stay	Dkts. 56, 57
October 31, 2023	Dell files Second Motion to Stay, citing the ’649 Patent IPR petition as a “new fact”	Dkt. 73

Dell’s counsel filed the ’649 IPR petition well before the hearing on Dell’s First Motion to Stay and chose not to bring this to the Court’s attention or to file a notice of supplemental facts bringing the IPR to the Court’s attention. Dell chose instead to “lay behind the log in ambush,” so that it

could present this purportedly “new fact” months later in an improper effort to get a second bite at the apple. *In re Signal Intern., LLC*, 579 F.3d 478, 488 (5th Cir. 2009). What is worse, the facts surrounding this IPR petition are the same now as they were at the time of the hearing on the First Motion, as no decision on institution has been received. As such, the limited relief requested now could have been requested during the hearing, and Dell waived such relief by not seeking it.

In any event, staying *only one* of seven asserted patents until the January 2024 decision on an IPR petition concerning a single patent will not simplify issues. *Neo Wireless LLC*, WL 2763150, at *1 (W.D. Tex. Apr. 12, 2022) (affirming denial of stay where IPR petitions were pending on two of five asserted patents and finding any purported simplification “entirely speculative”); *Enventure Glob. Tech. Inc. v. Weatherford U.S., L.P.*, No. CV 4:19-2397, 2020 WL 12573280, at *7 (S.D. Tex. Dec. 11, 2020) (“Courts generally deny requests to stay made before the PTAB institutes IPR proceedings on any at-issue patents.”) (collecting cases). Finally, the sole patent facing a filed IPR lacks the BIOS and other limitations of the remaining patents.

B. New Facts Conclusively Confirm The Customer Suit Exception (Still) Does Not Apply

The Court *already* ruled that the customer suit exception does not apply, and Dell presents no “new facts” that justify revisiting the Court’s prior order. Dkt. 56. The only *purportedly* “new fact” Dell identifies is Dell’s incorrect assertion that Softex conceded during representative product discussions that the case against Dell “hinges exclusively on Absolute’s software.” Mot. at 9. This is false because Softex accuses Dell’s products, not Absolute’s software, of infringement. Nor does the fact that Softex entered into “representative product” discussions with Dell establish anything. Mot. at 3. In an attempt to address Dell’s complaints about the number of accused products, Softex proposed that Dell identify representative products or, alternatively, identify “the BIOS used by each accused computer/server/tablet,” and, from either of those options, the parties

could work together to identify representative Dell products. Ex. C at 11. The parties discussed various ways to identify representative products. *Id.* at 3, 7–10. But Dell never identified potentially representative Dell products, and discussions broke down.³ Ex. D at 1–2.

The remainder of Dell’s Motion recycles the same arguments previously rejected by the Court, primarily because Dell bases its entire Motion on the incorrect premise that only Absolute’s software is relevant to infringement in the Dell case, while the evidence all shows that Softex asserts method claims and accuses hundreds of Dell products of infringement. *See, e.g.*, Mot. at 9. Just as with Dell’s First Motion, Dell’s mischaracterization of infringing products skews any fair customer suit stay analysis because Softex accuses ***Dell laptops and other devices*** (not just the Absolute software) of infringement. *See* Ex. D at 3–8. Dell’s Second Motion to Stay should be denied for the same reasons as before. Ex. A at 43:24–47:1; Dkt. 39; Dkt. 50; Dkt. 57.

Moreover, *new facts* developed at the deposition of Dell’s declarant reveal critical independent reasons to deny the stay. In denying the First Motion to Stay, the Court noted “the level of integration that’s involved between Dell and HP when they install the software and utilize it” and concluded this made Dell/HP “more than a mere reseller.” Ex. A at 44:10–17. *After* Dell filed its First and Second Motions to Stay, it produced documents confirming that Dell is *deeply involved* in the integration and customization process, making the scenario here even clearer than when the Court ruled against Dell the first time.

For example, Dell’s Statement of Work (SOW) for development of a “Base BIOS Persistence Feature” demonstrates Dell instructed Absolute to develop a modified version of the Absolute functionality with custom features for Dell, including, e.g., to “[d]evelop a unique

³ Dell’s concession that it does not presently contest infringement based on hardware results from Dell’s strategic positions taken during representative product discussions. Dell’s concession does not make Absolute the true defendant, especially because Dell has reserved all rights to dispute infringement based on hardware claim limitations and any claim constructions for such terms.

capability call Dell Persistence Service,” and “[a]ctivate modified Computrace Agent and its BIOS persistence module at point of shipment.” Ex. F at §§3, 4 (emphasis added). Dell approved the system design specifications, tested products on multiple platforms, and directed Absolute to fix issues identified by Dell. *Id.* at §6. Dell designated the SOW as Dell property containing confidential and trade secret information. *Id.* at DELL-SFTX00004568. Similarly, the Dell-Absolute Software Licensing Agreement states that the Absolute functionality is “designed to be compatible with Dell products” and provides that updates when there are changes to Dell Accused Products. Ex. G at §4.4. Dell has its *own* BIOS that includes Absolute functionality. *Id.* at §4.5. Dell produced its *own* source code (not Absolute source code) for the installation of the Absolute functionality. Ex. H; *see also* Ex. I at 49:6–18, 64:4–65:2. Dell touts its two-way collaboration with component suppliers, like Absolute, and has a policy of validating and testing third-party component product lifecycles. *See, e.g.*, Ex. J at 3, 7.⁴

Dell promotes and sells the Absolute functionality under the name, Dell SafeData, which is part of Dell’s “end-to-end security from design to delivery and beyond.” *See, e.g.*, Ex. L at 11; Ex. M at 2, 4. Dell even has dedicated Endpoint Security Specialists for the Dell Accused Products with Absolute functionality and provides customer support for the Absolute functionality. Ex. N at 5; Ex. G at Dell-SFTX00004605.

Dell’s declarant testified that, upon customer request, Dell factory floor integrates Dell’s “standard offer” or Dell’s “persistence offer” on Dell Accused Products. Dell’s “standard offer” results in factory floor integration of the full Absolute software (license included). Ex. I at 15:2–11, 17:17–18:5, 19:3–5, 28:6–12, 80:15–22; Ex. M; Ex. N. Dell’s “persistence offer” is only for

⁴ Dell has collected a large document production, which is forthcoming. We anticipate these documents will provide further evidence confirming Dell is not a mere reseller. Dell represents it has not yet produced the documents due to vendor conflict issues and a prior period of unexpected unavailability of counsel leading the collection effort. Ex. K.

custom orders of business line computers where the customer supplies a custom image to Dell and Dell assists with adding the Persistence code to a Dell Accused Device. *Id.* at 24:4–6, 28:13–22, 29:4–13, 63:15–21, 87:2–10, 87:13–18; Ex. O at 5.

In short, this case does not fall within the customer-suit exception because the core allegations here involve the role of Dell as the *direct infringer* and Absolute as the indirect infringer. *Dali Wireless v. AT&T Corp.*, 2:22-cv-0012-RWS, 2023 WL 2898423 (E.D. Tex. Apr. 8, 2023). This evidence demonstrates conclusively that resolution of claims against Absolute will *not eliminate* the need to adjudicate Dell’s direct infringement.

Dell’s declarant’s deposition further revealed that he was misled by counsel in filing his declaration and that he lacked crucial knowledge. Mr. Dolbeare (i) *was not aware* that Softex had accused **Dell products** of infringing (Ex. I at 31:7–9, 36:6–11), (ii) was not aware of who designs or develops Dell laptops (*Id.* at 37:4–13), who is responsible for manufacturing Dell laptops (*Id.* at 37:14–38:2), who decides what hardware, firmware or software to include in Dell laptops (*Id.* at 38:4–25), or if the Absolute software worked on its own without hardware (*Id.* at 39:15–40:7), (iii) was unaware Dell has its own BIOS incorporating Absolute functionality (*Id.* at 22:15–25), (iv) was unaware of Dell’s SOW customization, testing and related efforts (*Id.* at 46:4–48:2); (v) was unaware of the types of technical, sales, marketing and customer service documents Dell possessed and/or created by regarding Dell Accused Products or Absolute functionality (*Id.* at 42:23–43:15, 44:24–45:6), and (vii) was unaware of Dell SafeData and did not know who Dell’s End Point Security Specialists were (*Id.* at 55:11–13, 55:25–56:6, 56:17–21, 58:21–59:8). He conceded he lacked information regarding the non-business line products (e.g., consumer laptops such as Inspiron).⁵ *Id.* at 53:2–8, 79:19–80:7. The concessions above demonstrate that Mr.

⁵ The Dell declarant only had narrow responsibility related to business line products with custom images built by the customer. Ex. I at 8:5–9:10, 79:23–80:7, 82:5–11, 82:10–13, 82:23–83:6.

Dolbeare’s declaration was carefully crafted with only partial information provided to the witness about “Absolute Accused Products” while avoiding entirely the actual issue before the Court—HP’s own infringing acts in the development, testing, production, and distribution of *HP Accused Products*.

Dell’s reliance on *In re Google* remains misplaced because the facts are very different here. Mot. at 9–10. That case concerned Texas and California actions and focused on (i) the fact that the plaintiff *conceded the actions were duplicative* and involved substantially the same controversy, (ii) avoidance of conflicting decisions from parallel proceedings in Texas and California, and (iii) the comparative convenience of witnesses where key witnesses reside near Google’s California headquarters. 588 Fed. Appx. 988, 990 (Fed. Cir. 2014). No such concessions or considerations exist here and that case is inapposite given the significant integration, redesign and independent infringement activity of Dell.

The circumstances here remain much closer to *Efindergemeinsch UroPep GBR v. Eli Lilly & Co.*, 2016 WL 1659924 (E.D. Tex. Apr. 26, 2016). There, Federal Circuit Judge Bryson (two years *after* the *Google* decision) rejected Lilly’s request for a stay based on the customer suit exception because, like here, the customer’s sale of Lilly’s Cialis drug (or Absolute’s software) did not infringe “off the shelf.” *Id.* at *3. Just as in *Efindergemeinsch*, Dell provides the required hardware components, it provides a Dell BIOS, and the Dell factory floor installs the BIOS image as required by the various asserted claims. These activities demonstrate Dell infringement, not Absolute infringement. As the Court noted in *Efindergemeinsch*, “courts have treated [this] class of cases differently . . . and have declined to apply the customer-suit-exception to cases in which the manufacturer is charged as the indirect infringer⁶ of a method patent and the retailer is charged

⁶ Absolute is an indirect infringer. Absolute provides no product that infringes off the shelf.

as a direct infringer.”⁷ *Id.*; see also *Fleet Connect Sols., LLC v. Precision Drilling Corp.*, No. 6:21-CV-00987-ADA, 2022 WL 2373711, at *2 (W.D. Tex. June 30, 2022).

Finally, infringement by Dell Accused Products with the Microsoft functionality remains a proper wholly separate ground to deny the requested stay based on the customer suit exception for the reasons previously briefed by Softex and found by this Court.

C. The North Carolina Litigation Against Lenovo Is Neither Relevant Nor New

On August 30, 2023, a court in the Eastern District of North Carolina stayed a separate suit against different defendants—many of whom were foreign corporations who contended they were either beyond the court’s jurisdiction or not liable for Lenovo’s acts of infringement. As Counsel for Dell recognized *before* the North Carolina court’s decision, “[t]he Lenovo case [was] in front of a different judge in a different district, who may view the issues differently than Magistrate Judge Howell.” See Ex. Q at 1. Dell’s counsel now reverses course in filing this Motion, contending that the North Carolina Order is a “new fact” justifying reconsideration. An order involving different foreign defendants in a different venue involving different facts and a judge who afforded this Court’s decision “no weight”⁸ does not warrant this Court’s reconsideration of its prior order, particularly given the development of detailed facts (apparently hidden in the First Motion) showing that Absolute is not the sole provider of infringing hardware/functionality/acts.

Dell further mischaracterizes the North Carolina proceedings by alleging that Softex

Absolute’s direct infringement pertains to, e.g., testing of a device with Absolute functionality not manufacturing or sale of a device with Absolute functionality.

⁷ Relevant asserted method claims include: ’235 Patent claims 1–7; ’892 Patent claims 1–10; ’603 Patent claims 1–4, 10–11; ’649 Patent claims 9, 10, 15; ’410 Patent claims 1–4, 7, 16–20; and ’710 Patent claims 1, 3–6.

⁸ The Eastern District of North Carolina Court disregarded this Court’s analysis stating “If you knew anything about me you would know that I never use a magistrate . . . for anything It’s not precedential, it’s not a binding ruling, it’s just a magistrate’s opinion. . . . It’s as if there’s no opinion at all.”). Ex. P at 20:5–19.

“conceded that . . . it is improperly using the customer cases to obtain discovery for its concurrent case against Absolute.” Mot. at 1. Dell’s argument is not true. To the contrary, Softex argued in both North Carolina and here that a stay would prejudice its ability to obtain discovery regarding infringement claims against Lenovo, Dell and Dell. *See, e.g.*, Dkt. 38 at 11. This Court agreed that Softex’s need for discovery from Dell was proper and found that, contrary to simplifying the issues, granting a stay could result in discovery disputes over Dell’s integration of Absolute functionality. Ex. A at 13:20–14:9, 16:11–20, 45:21–24.

D. Other Factors Do Not Support A Stay Based On The IPR Of Only One Patent Or The Customer Suit Exception

Because Dell is not a mere reseller or peripheral, and Absolute is not the sole provider of “off the shelf” infringing products, the other stay factors confirm that a stay is not appropriate, and Dell’s Motion should be denied.

1. Softex Will Be Unduly Prejudiced by a Stay

Dividing this case between hardware and software makers will unnecessarily magnify the burden on the Court and result in highly prejudicial piecemeal and significantly more expensive adjudication of Softex’s claims. As this Court already explained:

As for the traditional stay factors, whether there’s prejudice to the non-moving party, I think the plaintiffs have done a good job of explaining the delay in their ability to prosecute some of these claims against Dell and Dell, and the inefficiencies that would arise from having separate trials, perhaps years down the road after the Absolute litigation is completed. I don’t think that.

Ex. A at 45:13–24. The “new facts” Dell cites in its Motion do not impact the Court’s analysis.

2. The Case Is Not in Its “Early Stages”

Dell contends that the case is still “in its early stages.” Mot. at 6. This is simply not true. Softex filed suit on December 14, 2022—more than a year ago. The parties have completed claim construction briefing. Discovery is significantly advanced and will be complete by April of 2024.

Softex served written discovery requests on Dell in June and September, and Softex has promptly and consistently pressed Dell to supplement its insufficient responses. Softex has also pursued extensive third-party discovery through more than 11 individuals and companies, including Phoenix (a purported BIOS provider to Dell), former Absolute and Phoenix employees, and Microsoft. Softex and Dell negotiated and filed a Joint Motion for Entry of E-Discovery Order. Dell served Softex with 8 interrogatories and 49 requests for production. Substantial completion of discovery is set for January 24, 2024. Ex. K. This case is well beyond the early stages, and this factor weighs against a stay. *See Kerr Mach. Co. v. Vulcan Indus. Holdings, LLC*, No. 6-20-CV-00200-ADA, 2021 WL 1298932, at *3 (W.D. Tex. Apr. 7, 2021).

3. A Stay Will Complicate the Issues and Burden the Court

Dell alleges that a stay will increase judicial efficiency because “Softex’s infringement theories hinge exclusively on Absolute’s software.” Mot. 9. Dell is wrong. Staying Softex’s case against Dell will complicate issues and increase, not decrease, burdens on the Court. As this Court stated, “if anything . . . the stay here would complicate things, make it more difficult to try, more difficult to carry out discovery than it would be if the cases were just proceeding simultaneously.” Ex. A at 45:20–24. The Court’s prior analysis on this factor, while prescient when provided, has been magnified by records demonstrating the integration and customization efforts by Dell in designing the Absolute software into the Dell hardware. A stay will only embolden Dell’s discovery delays and disputes, thus resulting in significant prejudice against Softex.

IV. CONCLUSION

For the foregoing reasons, Dell’s Motion should be denied. Further, the Court should sanction Dell for bringing a wasteful and unnecessary Second Motion to Stay under the facts presented here. Dell should have withdrawn the Motion after being confronted with evidence regarding the scope of Dell’s customization and integration.

Dated: December 20, 2023

Respectfully submitted,

McKool Smith, P.C.

/s/ Blair M. Jacobs

Blair M. Jacobs (WDTX. Bar No. 32010)

bjacobs@McKoolSmith.com

Christina A. Ondrick (WDTX. Bar No. 494625)

condrick@McKoolSmith.com

John S. Holley (SBN 24078678)

jholley@McKoolSmith.com

1999 K Street, NW Suite 600

Washington, D.C. 20006

Telephone: (202) 370-8300

Facsimile: (202) 370-8344

John B. Campbell (SBN 24036314)

jcampbell@McKoolSmith.com

McKool Smith, P.C.

303 Colorado Street, Suite 2100

Austin, TX 78701

Telephone: (512) 692-8700

Facsimile: (512) 692-8744

Casey L. Shomaker (SBN 24110359)

cshomaker@McKoolSmith.com

Matthew Folks (SBN 24116368)

mfolks@McKoolSmith.com

McKool Smith, P.C.

300 Crescent Court, Suite 1500

Dallas, TX 75201

Telephone: (214) 978-4218

Facsimile: (214) 978-4044

ATTORNEYS FOR PLAINTIFF

SOFTEX LLC

CERTIFICATE OF SERVICE

Pursuant to the Federal Rules of Civil Procedure, I hereby certify that, on December 20, 2023, all counsel of record who have appeared in this case are being served with a copy of the foregoing by electronic mail through the Court's ECF system.

/s/ Blair M. Jacobs

Blair M. Jacobs