

1 Yitai Hu (SBN 248085) (yitai.hu@alston.com)
 Sean P. DeBruine (SBN 168071) (sean.debruine@alston.com)
 2 S.H. Michael Kim (SBN 203491) (michael.kim@alston.com)
 C. Augustine Rakow (SBN 254585) (augie.rakow@alston.com)
 3 ALSTON + BIRD LLP
 Two Palo Alto Square
 4 3000 El Camino Real, Suite 400
 Palo Alto, California 94306
 5 Telephone: 650-838-2000
 Facsimile: 650-838-2001
 6

7 Attorneys for Plaintiff and Counterdefendant
 ELAN MICROELECTRONICS CORPORATION
 8

9 UNITED STATES DISTRICT COURT
 10 NORTHERN DISTRICT OF CALIFORNIA
 11 SAN JOSE DIVISION

12 ELAN MICROELECTRONICS) Case No. C-09-01531 RS
 CORPORATION,)
 13)
 Plaintiff,) **ELAN MICROELECTRONICS**
 14) **CORPORATION’S MOTION TO DISMISS**
 v.) **APPLE, INC.’S THIRD, FOURTH AND**
 15) **FIFTH COUNTERCLAIMS UNDER RULE**
 APPLE, INC.,) **12(b)(6) FOR FAILURE TO STATE A**
 16) **CLAIM, OR IN THE ALTERNATIVE, FOR**
 Defendant.) **MORE DEFINITE STATEMENT UNDER**
) **RULE 12(e)**

18 APPLE, INC.,)
)
 19 Counterclaimant,) Date: August 26, 2009
) Time: 9:30 a.m.
 20 v.) Courtroom: 4, 5th Floor
)
 21 ELAN MICROELECTRONICS) The Honorable Richard Seeborg
 CORPORATION,)
 22)
 Counterdefendant.)
 23)
)

1 Defenses, and Counterclaims to Elan’s Complaint for Patent Infringement (“Amended Answer”). (Dkt.
2 No. 15). In its Third, Fourth and Fifth Counterclaims, Apple attempts to allege that Elan infringes U.S.
3 Patent Nos. 5,764,218 (“the ’218 patent”), 7,495,659 (“the ’659 patent”), and 6,933,929 (“the ’929
4 patent”) respectively. *Id.* at 7-9.

5 Apple’s Third Counterclaim states:

6 50. Upon information and belief, Elan has been and is currently, directly and/or
7 indirectly, infringing, in violation of 35 U.S.C. §271, the ’218 patent through its design,
8 marketing, manufacture and/or sale of touch-sensitive input devices or touchpads,
including but not limited to the Smart-Pad.

9 *Id.* at 7. Apple’s Fourth Counterclaim states:

10 55. Pursuant to Rule 11(b)(3) and upon information and belief, it is likely that
11 reasonable opportunity for further investigation or discovery will confirm that Elan has
12 been and is currently, directly and/or indirectly, infringing, in violation of 35 U.S.C. §
271, the ’659 patent through its design, marketing, manufacture and/or sale of touch-
sensitive input devices or touchpads, including but not limited to the Smart-Pad.

13 *Id.* at 8. Apple’s Fifth Counterclaim states:

14 60. Pursuant to Rule 11(b)(3) and upon information and belief, it is likely that
15 reasonable opportunity for further investigation or discovery will confirm that Elan has
16 been and is currently, directly and/or indirectly, infringing, in violation of 35 U.S.C. §
271, the ’929 patent through its design, marketing, manufacture and/or sale of touch-
sensitive input devices or touchpads, including but not limited to the Smart-Pad.

17 *Id.* at 8-9. For the following reasons, these allegations fail to aver facts sufficient to support a claim for
18 patent infringement.

19 **II. ARGUMENT**

20 The Federal Rules of Civil Procedure require that a complaint contain “a short and plain
21 statement of the claim showing that the pleader is entitled to relief.” Fed.R.Civ.P. 8(a)(2). A party
22 may move for dismissal of action for failure to state a claim upon which relief can be granted.
23 Fed.R.Civ.P. 12(b)(6). The United States Supreme Court restated and clarified the pleading standards
24 under Rules 8(a) and 12(b)(6) in 2007 in the case of *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544
25 (2007). The Court held that a plaintiff must allege sufficient facts to give a defendant fair notice of the
26 plaintiff’s claim. *Id.* at 555 (quoting *Conley v. Gibson*, 355 U.S. 41, 47 (1957)). Although a complaint
27 does not need detailed factual allegations, “a plaintiff’s obligation to provide the grounds of his
28 entitlement to relief requires more than labels and conclusions, and a formulaic recitation of elements

1 of a cause of action will not do.” *Id.* at 555 (internal citations and quotations omitted). Thus, under
2 *Bell Atlantic*, Rule 8(a)(2) “requires a ‘showing,’ rather than a blanket assertion, of entitlement to
3 relief.” *Id.* at 556 n.3. Further, factual allegations must be enough to raise a right to relief above the
4 speculative level. “The pleading must contain something more ... than ... a statement of facts that
5 merely creates a suspicion [of] a legally cognizable right of action.” *Id.* at 555 (parenthetically quoting
6 *Wright & Miller*, Federal Practice and Procedure § 1216, pp. 235-36 (3d ed. 2004)).

7 **A. Apple’s Fourth And Fifth Counterclaims Should Be Dismissed Because Apple Fails**
8 **to Even Allege that Elan is Infringing the Asserted Patents.**

9 As the Supreme Court made clear in *Bell Atlantic*, the factual allegations in a complaint must be
10 sufficient to state a claim to relief. *See Bell Atlantic*, 550 U.S. at 570. To survive a motion to dismiss a
11 claim for patent infringement requires *inter alia* “a statement that the plaintiff owns the patent . . . [and]
12 a statement that the defendant has been infringing the patent by making, selling and using” a device
13 embodying the patent. *McZeal v. Sprint Nextel Corp.*, 501 F.3d 1354, 1356-57 (Fed. Cir. 2007).
14 Apple’s Fourth and Fifth Counterclaims alleging infringement by Elan fail to meet even this minimal
15 pleading standard. Apple does not even make the bald allegation that Elan infringes its patents. Rather
16 it alleges only that “further investigation or discovery” might provide a basis for such an allegation.
17 Amended Answer at ¶ 55 and ¶ 60 (Dkt. No. 15). Apple’s failure to allege the fundamental fact
18 necessary to support its claim – that there has been infringement of its patents – is fatal to Apple’s
19 counterclaims. Something more than speculation of possible infringement must be pleaded. Dismissal
20 of Apple’s Fourth and Fifth Counterclaims under Rule 12(b)(6) is appropriate because Apple has done
21 nothing more than allege that it is *speculating* that Elan infringes the asserted patents.

22 The District Court for the District of Columbia recently dismissed a complaint for patent
23 infringement based on a nearly-identical pleading. *In re Papst Licensing GMBH & Co., KG Litigation*,
24 585 F.Supp.2d 32 (D.D.C. 2008). In that case the plaintiff, Papst, alleged in its complaint that “[a]
25 reasonable opportunity for further investigation or discovery is *likely to provide evidentiary support*
26 the Sanyo Defendants have made, used, sold or offered to sell . . .” products covered by the asserted
27 patent. *Id.* at 33 (omission of original emphasis and emphasis added). In the court’s opinion, that
28 language “merely *speculates* that Sanyo *might* have infringed or be infringing and notifies Sanyo and

1 the Court that Papst intends to investigate whether Papst has an infringement claim against Sanyo.” *Id.*
2 at 35 (emphasis added). By alleging that it needed further investigation in order to determine whether
3 Sanyo had infringed, Papst was admitting that it could not allege facts giving rise to the claim. Papst
4 was held to have pleaded itself out of court by making allegations demonstrating it had no legal claim.
5 *Id.* at 35 n.2. Thus, the court held that such language “fail[ed] to state a claim as required by Rule 8 —
6 it does not contain ‘a short and plain statement of the claim showing that the pleader is entitled to
7 relief’ sufficient ‘to give a defendant fair notice’ of the claims.” *Id.* at 35. Apple’s Fourth and Fifth
8 Counterclaims are presented in terms that closely parallel the language rejected by *In re Papst*. Here,
9 Apple alleges that “it is likely that reasonable opportunity for further investigation or discovery will
10 confirm” Elan’s infringement, Amended Answer, ¶¶ 55 and 60 (Dkt. No. 7), while in *Papst* the
11 plaintiff alleged that “[a] reasonable opportunity for further investigation or discovery is likely to
12 provide evidentiary support” of infringement. *Papst*, 585 F. Supp. 2d at 33 (omission of original
13 emphasis). Since Apple needs to conduct further investigation in order to determine whether Elan
14 infringes Apple’s patents, Apple cannot allege sufficient facts giving rise to its counterclaims at the
15 time of filing. Therefore, the counterclaims do not meet the pleading standard of Rule 8(a)(2).

16 The court in *Pabst* also pointed out that “[a] patentee has a duty under Federal Rule of Civil
17 Procedure 11 to conduct an adequate pre-filing investigation of the devices it accuses of infringement.”
18 *Id.* at 35 n.2 (citing *Judin v. United States*, 110 F.3d. 780, 784 (Fed. Cir. 1997)). Apple therefore
19 acknowledges that it has failed to conduct a sufficient pre-filing investigation to allege Elan’s
20 infringement of the ’659 and ’929 patents, as required under *Judin*, because Apple merely alleges intent
21 to rely on further investigation to confirm its speculation. *See Judin*, 110 F.3d. at 784 (Rule 11 requires
22 party and counsel to investigate accused device and reasonably determine that every patent claim
23 element is present before filing suit).

24 Apple’s unfounded counterclaims will impose extensive costs to Elan and will unnecessarily
25 burden this Court. As patent litigation is quite expensive, it is proper to correct these deficiencies at the
26 outset by dismissing these claims under Rule 12(b)(6). Accordingly, the Court should grant Elan’s
27 motion to dismiss Apple’s Fourth and Fifth Counterclaims for failure to state a claim upon which relief
28 can be granted.

1 **B. Apple’s Third, Fourth and Fifth Counterclaims Should be Dismissed Because**
 2 **Apple Fails to Allege the Facts Required For a Claim of Patent Infringement.**

3 In addition to admitting that it can not state a case for patent infringement in support of its
 4 Fourth and Fifth Counterclaims, both of those claims as well as Apple’s Third Counterclaim fail to
 5 state facts sufficient to establish a cause of action. For each of these claims, Apple attempts to allege
 6 that Elan has and is “directly and/or indirectly” infringing its patents. Amended Answer at ¶ 50, ¶ 55
 7 and ¶ 60 (Dkt. No. 15). Yet Apple’s Amended Answer fails to state a plausible set of facts to support
 8 those causes of action. In fact, Apple has failed to even make conclusory allegations that mimic all of
 9 the required elements to state a claim. As will be described below, a claim for direct infringement
 10 under 35 U.S.C. §271(a) requires some infringing action by the defendant in the United States. Yet
 11 Apple’s counterclaims fail to allege what, if any, actions Elan has taken in this country that could
 12 constitute infringement. Similarly indirect infringement requires direct infringement by a third party.
 13 Again, Apple’s complaint is silent as to any alleged third party infringement. Because Apple has failed
 14 to even allege the elements of these counterclaims in conclusory terms, they should be dismissed.

15 Apple may argue that these allegations are not required under the Federal Circuit’s decision in
 16 *McZeal*. That decision states that a pleading following Fed.R.Civ.P. 84 Form 18 is sufficient. *McZeal*
 17 involved a *pro se* patentee’s complaint for direct infringement against a domestic defendant. As Judge
 18 Dyk pointed out in his dissent, it is difficult to reconcile *McZeal* with the standard set out in *Bell*
 19 *Atlantic*. *McZeal*, 501 F.3d at 1359. Moreover, since *McZeal* was decided the Supreme Court
 20 confirmed that the standard established in *Bell Atlantic* applies “in all civil actions” governed by Rule 8
 21 of the Federal Rules of Civil Procedure. *Id.* at 1953.¹ That standard therefore applies in patent cases

22
 23 ¹ Certainly the rationale underlying *Bell Atlantic* favoring dismissal of unsupported claims before
 24 parties are forced to undergo the expense of discovery applies in full force in patent case. As Judge Dyk
 25 noted, a recent AIPLA survey reported that “the median cost of discovery in a patent infringement suit is
 26 between \$350,000 and \$3,000,000.” *McZeal*, 501 F.3d at 1362 n.8. Since the *McZeal* decision, Courts
 27 in at least this District and the Southern District of California have held that *Bell Atlantic* applies to
 28 patent infringement claims. *See, e.g., Anticancer, Inc. v. Xenogen Corp.*, 248 F.R.D. 278 (S.D. Ca. 2007)
 (*Bell Atlantic* pleading standards applies to pleadings in patent infringement actions); Order Granting in
 Part and Denying in Part Defendant’s Motion to Dismiss or, in the Alternative, for a More Definite
 Statement; Vacating Hearing, *Advanced Analogic Techs, Inc. v. Kinetic Techs, Inc.*, No. C-09-1360
 MMC (N.D. Ca. July 8, 2009) (Dkt. No. 43) (hereafter “*Advanced Analogic Order*”).

1 and is inconsistent with the conclusory statements at issue in *McZeal*. However, this motion does not
2 require that the *McZeal* decision be reconciled with the *Bell Atlantic* and *Iqbal* cases. The better course
3 is to recognize, as did Judge Dyk in his dissent, that *McZeal* sets the minimum standard to properly
4 state a claim for direct, literal patent infringement by a domestic defendant. *See McZeal*, 501 F.3d at
5 1360-61. Because Apple makes different allegations here – namely for indirect infringement and
6 infringement by a foreign defendant – it must allege the elements of those causes of action. Apple has
7 failed to do so.

8 **1. Apple Fails to Allege Direct Infringement by a Third Party and Thus Does**
9 **Not State a Claim for Indirect Infringement.**

10 Apple has not set out even conclusory allegations of the necessary elements for its claim for
11 indirect infringement. To indirectly infringe a patent, whether by inducing another's infringement, or
12 by contributing to another's infringement, there must be some act of direct infringement in this country
13 by a third party. *See Joy Technologies, Inc. v. Flakt, Inc.*, 6 F.3d 770, 774 (Fed. Cir. 1993). Moreover,
14 to be liable for inducing another's infringement, the indirect infringer must intentionally aid and abet
15 that direct infringement with knowledge of the patent. *DSU Medical Corporation, et al. v. JMS Co.,*
16 *LTD, et al.*, 471 F.3d 1293, 1305 (2006) ("In order to induce infringement, there must first be an act of
17 direct infringement and proof that the defendant knowingly induced infringement with the intent to
18 encourage the infringement. The defendant must have intended to cause the acts that constitute the
19 direct infringement and must have known or should have known than[sic] its action would cause the
20 direct infringement."). Apple makes no allegation of direct infringement of its patent by any third
21 party, nor does Apple allege that Elan knew of and encouraged any such third-party infringement. As
22 such, Apple has failed to allege facts sufficient to support a claim for indirect infringement, and its
23 allegations of indirect infringement should be dismissed. *See Advanced Analogic Order* at 3
24 (dismissing claim for induced and contributory infringement for failure to allege direct infringement by
25 a third party).

26 **2. Apple Fails to Allege Any Acts by Elan in the United States to Support its**
27 **Claim for Direct Infringement.**

28 Apple's attempt to allege direct infringement is similarly lacking. In order to directly infringe a

1 United States patent, one must “make[], use[], offer[] to sell, or sell[] [the] patented invention, *within*
2 *the United States . . .*” 35 U.S.C. §271(a) (emphasis added). To be liable for indirect infringement by
3 contributing to another’s infringement, one must sell or offer to sell or import *into the United States* a
4 component of the patented invention. 35 U.S.C. §271(c) (emphasis added). In other words, the U.S.
5 patent laws are territorial, and cover only acts that take place in the United States. *Microsoft*
6 *Corporation v. AT&T Corp.*, 550 U.S. 437, 454-55 (“The presumption that United States law governs
7 domestically but does not rule the world applies with particular force in patent law. The traditional
8 understanding that our patent law operate[s] only domestically and d[oes] not extend to foreign
9 activities is embedded in the Patent Act itself, which provides that a patent confers exclusive rights in
10 an invention within the United States.”) (internal citations and quotations omitted). The Federal Circuit
11 recently noted – after the *McZeal* decision – that “whether the allegedly infringing act happened in the
12 United States is an element of the claim for patent infringement” that should be pleaded. *Litecubes,*
13 *LLC v. Northern Light Prods, Inc.*, 523 F.3d 1353, 1366 (Fed. Cir. 2008). While the complaint at issue
14 in *Litecubes* included an allegation that defendant’s actions took place “in the United States,” the Court
15 noted that cases where “the activity complained of took place wholly outside the United States” could
16 be “quickly disposed of in a Rule 12(b)(6) motion to dismiss for failure to state a claim.” *Id.* at 1366
17 n.14. This is such a case.

18 Elan alleges that it is incorporated and has its principle place of business outside the United
19 States. *See* Complaint, ¶ 1 (Dkt. No. 1). Apple states that it lacks any information to contest that
20 allegation. Amended Answer, ¶ 1 (Dkt. No. 15). As such, it is fair to assume that the location of any
21 actions by Elan will be at issue with respect to Apple’s infringement claims. Yet none of Apple’s
22 Third, Fourth or Fifth Counterclaims allege that any of Elan’s allegedly infringing acts have taken
23 place in the United States. *Id.* at ¶¶ 50, 55 and 60. Because Apple has failed to allege the necessary
24 elements of infringement under any of §§ 271(a)-(c), those counterclaims should be dismissed under
25 Fed. R. Civ. P. 12(b)(6).

26 **3. In the Alternative, Apple Should Provide a More Definitive Statement of Its**
27 **Direct Infringement Contentions.**

28 This case is similar to that recently decided by Judge Chesney, where infringement claims were

1 dismissed. *See* Order Granting in Part and Denying in Part Defendant’s Motion to Dismiss or, in the
2 Alternative, for a More Definite Statement; Vacating Hearing, *Advanced Analogic Techs, Inc. v. Kinetic*
3 *Techs, Inc.*, No. C-09-1360 MMC (N.D. Ca. July 8, 2009). In that case the Court rejected the allegation
4 in the complaint that “a substantial part of the events which give rise to the claim for patent infringement
5 occurred in the County of Santa Clara” as insufficient to allege infringing acts in the United States. *Id.*
6 at 2. While Elan contends that the same outcome should apply here, in its Amended Answer Apple
7 alleges that Elan’s contacts with this district include some undefined alleged “past and ongoing
8 infringing conduct.” Amended Answer, ¶ 34. This is nothing more than a cursory statement of a legal
9 conclusion. Under *Bell Atlantic* and *Iqbal* this statement need not be accepted as true, and is insufficient
10 to state a claim.

11 However, should the Court nevertheless accept this statement of a legal conclusion as adequate
12 to state a claim, Elan is nevertheless entitled to a more definite statement on this topic. Elan therefore
13 alternatively requests that the Court order Apple to provide a more definite statement setting forth
14 Apple’s infringement allegations against Elan, pursuant to Rule 12(e) of the Federal Rules of Civil
15 Procedure. Rule 12(e) provides that, “A party may move for a more definite statement of a pleading to
16 which a responsive pleading is allowed but which is so vague or ambiguous that the party cannot
17 reasonably prepare a response.” Fed.R.Civ.P. 12(e). The Supreme Court has further stated that, “[i]f a
18 pleading fails to specify the allegations in a manner that provides sufficient notice, a defendant can
19 move for a more definite statement under Rule 12(e) before responding.” *Swierkiewicz v. Sorema, N.A.*,
20 534 U.S. 506, 514 (2002). At a minimum, Elan is entitled to know whether Apple is alleging direct
21 infringement, and if so of which one, two or all three of its asserted patents. Furthermore, to address any
22 such allegation Elan is entitled to know what acts Apple alleges have taken place in this country that
23 constitute infringement.

24 **III. CONCLUSION**

25 For the foregoing reasons, Plaintiff and Counterdefendant Elan respectfully submits that the
26 allegations of direct and indirect infringement in Defendant and Counterclaimant Apple’s Third, Fourth
27 and Fifth Counterclaims each fail to state a claim and should be dismissed under Rule 12(b)(6). In the
28 alternative, Plaintiff and Counterdefendant Elan requests that Defendant and Counterclaimant Apple be

1 required, under Rule 12(e) to provide a more definite statement as to what allegedly infringing acts by
2 Elan took place in the United States.

3
4 Dated: July 21, 2009

Respectfully submitted,

ALSTON + BIRD LLP

5
6
7 By: _____/s/_____

8
9 Sean P. DeBruine

10 Attorneys for Plaintiff and Counterdefendant
11 ELAN MICROELECTRONICS CORPORATION
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

#31412227