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 ELAN MICROELECTRONICS
 11 CORPORATION

12 UNITED STATES DISTRICT COURT
 13 NORTHERN DISTRICT OF CALIFORNIA
 14 SAN FRANCISCO DIVISION
 15

17 ELAN MICROELECTRONICS
 CORPORATION,
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 Plaintiff and Counterdefendant,
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 v.
 20
 APPLE, INC.,
 21
 Defendant and Counterplaintiff.
 22

Case No. 5:09-cv-01531 RS (PSG)
**ELAN MICROELECTRONICS
 CORPORATION'S NOTICE OF
 MOTION AND MOTION TO COMPEL
 DISCOVERY RELATED TO APPLE iOS
 APPLICATIONS FOR THE ACCUSED
 PRODUCTS**

Date: August 23, 2011
 Time: 10:00 a.m.
 Courtroom 5
 Hon. Paul S. Grewal

23 **AND RELATED COUNTERCLAIMS**
 24

1 **NOTICE OF MOTION AND MOTION**

2 TO APPLE, INC. AND ITS ATTORNEYS OF RECORD:

3 PLEASE TAKE NOTICE that on August 23, 2011, at 10:00 a.m. or as soon thereafter as
4 the matter may be heard, in Courtroom 5, located at 280 South First Street, Fifth Floor, San Jose,
5 California, Plaintiff Elan Microelectronics Corporation (“Elan”) will and hereby does move this
6 Court, pursuant to L.R. 7 and Fed. R. Civ. P. 37(a)(1) and 37(a)(4) to compel Apple to produce
7 discovery related to Apple’s iOS applications for the accused products.¹

8 As its basis for this motion, and as more fully set forth in the following Memorandum of
9 Points and Authorities, Elan states that this is a patent infringement action. Elan is asserting, *inter*
10 *alia*, that Apple infringes its patent claiming touch sensitive input devices capable of recognizing
11 input from multiple fingers simultaneously. The accused Apple products include tablet computers,
12 smartphones and other devices that include touchscreen input devices capable of accepting
13 multiple finger input. On April 12, 2011, Elan served Document Request Nos. 82-85 and
14 Interrogatory Nos. 20-21 requesting that Apple provide revenue, sales and certain marketing
15 information relating to Apple’s iOS applications (“iOS apps”). On June 7, 2011, Elan also served
16 a Rule 30(b)(6) deposition notice on Apple with Topic Nos. 17-21 seeking the same discovery.
17 This discovery particularly seeks comparative financial data relating to the iOS apps that rely on
18 the specific features accused of patent infringement to those iOS apps that do not rely on the
19 accused functionality. Apple refused to produce *any* discovery in response to these requests. This
20 discovery is highly relevant to Elan’s damages analysis, and is narrowly tailored to obtain the
21 necessary information and not unduly burdensome. Accordingly, Elan respectfully requests that
22 the Court compel Apple to provide discovery responsive to these requests.

23 This motion is based upon this Notice of Motion, Memorandum of Points and Authorities,
24 and the Declaration of Jane H. Bu (“Bu Decl.”) filed herewith and on such other argument and
25 evidence as may be presented to the Court at or prior to the hearing on this motion.

26
27
28 ¹ Elan has filed concurrently herewith a Motion to Shorten Time asking that this motion be heard on August 2, 2011.

1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I. FACTS**

3 In this case Elan is asserting, *inter alia*, infringement of its U.S. Patent No. 5,875,352,
4 which covers touchpads and touchscreens capable to detecting the simultaneous presence of two
5 or more fingers, and the correlation of multi-finger contacts into user input commands. The Apple
6 products accused of infringement include the iPhone, iPod Touch and iPad products. Those
7 products run on Apple’s “iOS” mobile operating system (*see* <http://www.apple.com/iphone/ios4>).
8 Since the release of its first iPhone, Apple has touted the importance to these products of what it
9 calls its “Multi-Touch” interface technology, which allows the user to operate the products’
10 touchscreen using multiple finger inputs. Bu Decl. Exh. G. Further, “iOS apps” are software
11 programs that work on the iOS operating system. iOS apps include games and programs that
12 allow users to perform a multitude of tasks. Apps can be purchased from Apple through its on-
13 line “App Store” where users can download commercial “apps” of their choice (*see*
14 <http://www.apple.com/iphone/features/app-store.html>).²

15 Apple’s website strongly emphasizes the importance of the connection between the Multi-
16 Touch interface and the wide variety of apps that runs on the accused iOS Products. For example,
17 Apple’s iOS 4 webpage states as follow:

18 “The first time you pick up an iPhone, you know how to use it. That’s
19 because the revolutionary Multi-Touch interface in iOS was designed
20 for the most natural pointing device ever: your finger. So whether
21 you’re using one of the built-in apps or one of the over 350,000 apps
and games available from the App Store, you control everything with
a tap, drag, swipe, pinch, flick, or twist of your fingers...”

22 *Bu Decl. Exh. G.* Further, while all iOS apps require use of the touchscreen on Apple’s accused
23 products, some of the iOS apps are specifically designed to require the use of multiple fingers.
24 That is, certain iOS apps make use of the multi-finger input feature, while other apps do not have
25 such capabilities.

26 Elan seeks discovery into the iOS apps as evidence of the demand for, and value of, the

27 _____
28 ² Apple retains a portion of the revenue from sale of all apps in the Apple App Store developed
and sold by third parties. *See e.g.*, Bu Decl. Exh I.

1 multi-finger input features on the iOS products. The Federal Circuit has made clear in recent
2 cases that damages experts must provide “evidence tending to separate or apportion the
3 defendant’s profits and the patentee’s damages between the patented feature and the unpatented
4 features.” *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1318 (Fed. Cir. 2011). Therefore,
5 Elan requires the iOS app discovery in order to generate comparative profit information for
6 products that do not contain the accused functionality versus products that do. Elan also requested
7 the iOS app data to evaluate whether the effect of the accused patented feature has promoted the
8 sales of the iOS apps, in order to quantify and attribute the profit generated by the patented
9 features. *See Georgia-Pacific Corp. v. United States Plywood Corp.*, 318 F. Supp. 1116, 1120
10 (S.D.N.Y. 1970) (holding “convoyed sales” is relevant to the reasonable royalty analysis).

11 Since Elan first served its iOS app discovery, Apple consistently refused to produce *any* of
12 the requested discovery on the basis that the iOS apps are not the accused products for the
13 underlying infringement case and thus this information is not relevant. *See* Bu Decl. Exhs. A, B,
14 D & E. In an attempt to resolve this issue with Apple without Court intervention, Elan met and
15 conferred with Apple several times explaining why discovery relating to Apple iOS apps is
16 relevant to the damages analysis. Bu Decl. Exh. C, D. On June 23, 2011, Apple stated that it
17 would consider Elan’s discovery requests relating to the iOS apps. Bu Decl. Ex. D at 3-4.
18 However, Apple did not substantively respond until July 13, after Elan demanded that Apple give
19 its definitive position on this discovery so it could seek the Court’s assistance if necessary. Bu
20 Decl. Exh. F. Apple’s refusal to produce any discovery related to the iOS apps, finally conveyed
21 two days ago, leaves Elan no choice but to seek Court assistance on this issue. Bu Decl. Exh. D

22 II. ARGUMENT

23 “[P]arties may obtain discovery regarding any non-privileged matter that is relevant to any
24 party’s claim or defense” or that “appears reasonably calculated to lead to the discovery of
25 admissible evidence.” Fed. R. Civ. P. 26(b)(1). Elan’s requests for financial information
26 regarding Apple iOS apps—particularly the comparison of revenue and cost data between the apps
27 that require multiple finger input and the apps that do not—is relevant to Elan’s damages case,
28 even though the iOS apps themselves are not accused products. *See Beinin v. Ctr. for the Study of*

1 *Popular Culture*, 2006 U.S. Dist. LEXIS 96088, *8-9, NO. C 06-2298 JW, (N.D. Cal. Oct. 31,
2 2006) (denying defendant’s argument that revenue information from non-accused products are not
3 discoverable and ordering defendant to produce all of defendant’s indirect profits because such
4 information is reasonably calculated to lead to the discovery of admissible evidence); *Uniloc USA,*
5 *Inc. v. Microsoft Corp.*, 632 F.3d at 1318. *See also Biac Corp. v. NVIDIA Corp.*, 271 F.R.D. 200,
6 215 (D. Colo. 2010) (finding “the amount of the reasonable royalty may be affected by whether
7 and to what extent [defendant’s] use of the patent technology increased its **sales of related**
8 **products that are not covered by the Patents-in-Suit**”) (emphasis added).

9 A comparison of the financial performance of multi-finger apps to those apps that do not
10 use multi-finger input is directly relevant to Elan’s analysis and quantification of the profit
11 premium Apple has earned by offering the patented feature. Those data are also relevant to an
12 evaluation of a reasonable royalty because they may correlate to the value consumers have placed
13 on apps incorporating the accused functionality. As such, Elan’s discovery requests are precisely
14 crafted to seek such iOS app financial data, and not the technical aspects of iOS apps themselves,
15 which allows Elan to conduct the necessary damages analysis endorsed by the Federal Circuit.
16 *See Lucent Techs. v. Gateway, Inc.*, 580 F.3d 1301, 1337 (Fed. Cir. 2009) (holding one accepted
17 method of quantifying the profit premium attributed to patented features is to compare them to the
18 features that are not patented); *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d at 1318.

19 Further, financial information for the iOS apps is relevant to certain of the *Georgia-Pacific*
20 factors for determining a reasonable royalty. For example, *Georgia-Pacific* factor six is the
21 “effect of selling the patented specialty in promoting sales of **other products** of the licensee; that
22 existing value of the invention to the licensor as a generator of sales of his **non-patented items**; and
23 the extent of such derivative or **convoyed sales**.” *Georgia-Pacific Corp. v. United States Plywood*
24 *Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970) (emphasis added). Similarly, *Georgia-Pacific*
25 factor 11 relates to “[t]he extent to which the infringer has made use of the invention; and . . . the
26 value of such use.” *Id.* Apple’s advertising and marketing of the accused iOS products and the
27 apps for use with those products makes clear that there is a connection between sales and
28 promotion of the iOS apps and consumer demand for the patented technology (the multi-finger

1 touchscreen capability on the iOS products), the utility and advantages of the patented technology,
2 and the commercial success of the accused products that can be attributed to the patented
3 technology.

4 To determine the full economic value to Apple's infringing multifinger input technology, it
5 is necessary to evaluate all revenues and profits Apple has earned from its incorporation of that
6 technology. While this will obviously include the sales of Apple accused devices themselves,
7 consideration must also be given to additional revenues generated as a result of or otherwise
8 dependent on the accused feature of the products. *Id.* at 1120. Therefore, the discovery of
9 financial data pertaining to the iOS apps is highly relevant and more than reasonably calculated to
10 lead to admissible evidence. *See Sun Microsystems, Inc. v. Network Appliance*, 2009 U.S. Dist.
11 LEXIS 122779 (N.D. Cal. Dec. 21, 2009) (granting deposition on financial information for
12 services not accused in the action but associated and sold in conjunction of the accused products);
13 *Beinin v. Ctr. for the Study of Popular Culture*, 2006 U.S. Dist. LEXIS 96088 at *8-9 (granting
14 motion to compel defendant to produce indirect profits from non-accused products because such
15 information is reasonably calculated to lead to the discovery of admissible evidence); *see also*,
16 *Biax Corp.*, 271 F.R.D. at 206-207 (granting plaintiff's motion to compel financial information
17 relating to games not accused for infringement but were developed for or capable of running on
18 any accused product)³.

19 Elan has clearly established that it can meet the threshold for proving relevance of the
20 requested discovery. Accordingly Elan requests that the Court grant Elan's motion and compel
21 Apple to immediately produce Apple iOS application financial information pursuant to the
22 disputed discovery requests.

23 Elan's discovery is narrowly tailored to seek only the information necessary to its damages
24 analysis. Indeed, Elan is not seeking discovery on the iOS apps themselves, or their technological
25 details. Elan requests only certain financial and marketing information regarding the apps to
26 conduct its damages analysis. Apple claims that it will be unduly burdened if it is ordered to

27 ³ The *Biax* court also found that revenue information from any particular licensee or
28 subcontractor that built the games for the defendant should be readily available, as related to
profits obtained by defendant through the sale of games for use by the accused products. *Id.*

1 produce the requested information. *See* Bu Decl. Exhs. A and B. Apple, however, has not offered
2 any factual justification for its alleged burden, nor has Apple suggested any narrowed scope it
3 would be willing to produce.

4 Moreover, the relevance of this data to the Elan’s damages analysis outweighs any
5 purported burden on Apple. The Federal Circuit has made clear in recent damages cases such as
6 *Lucent* and *Uniloc* that damages experts must try to apportion the accused products’ profit
7 between profit attributable to the patented feature against profit attributable to unpatented features.
8 *Lucent Techs.*, 580 F.3d at 1337; *Uniloc*, 632 F.3d at 1318. Comparing Apple’s financial gain
9 from iOS apps that use the multi-finger input feature versus ones without that feature is exactly the
10 type of comparison contemplated by the Federal Circuit. Therefore, the potential benefit of
11 conducting analysis on the financial data of Apple’s iOS app sales cannot be outweighed by any
12 unspecified burden Apple may claim. *See, e.g., SEC v. Berry*, No. C07-04431-RMW If(HRL)
13 (N.D. California April 1, 2011) (order granting motion to compel interrogatory) (rejecting
14 defendant’s “burdensome” argument in part based on the amount of time defendant was aware of
15 interrogatory request).

16 III. CONCLUSION

17 For the foregoing reasons, Elan respectfully requests that the Court grant Elan’s motion to
18 compel Apple to produce iOS app financial information, including without limitation:

- 19 1. The identity of the 100 top -selling iOS apps annually since 2007;
- 20 2. For each of those apps, by year, spreadsheet(s) in native format, detailing the title,
21 volume of sales (or numbers downloaded), unit price, Apple’s cost, Apples’ revenue or profit
22 made on these apps;
- 23 3. Underlying documentation that reflects the percentage of profit or revenue Apple is
24 entitled to obtain for the sale of any third party iOS apps;
- 25 4. Any marketing information or ads relating to the iOS apps that highlight the use of the
26 multi-finger input; and

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