

1 YITAI HU (SBN 248085)
 yitai.hu@alston.com
 2 SEAN P. DEBRUINE (SBN 168071)
 sean.debrune@alston.com
 3 ELIZABETH H. RADER (SBN 184963)
 elizabeth.rader@alston.com
 4 JANE HAN BU (SBN 240081)
 jane.bu@alston.com
 5 JENNIFER LIU (SBN 268990)
 celine.liu@alston.com
 6 PALANI P. RATHINASAMY (SBN 269852)
 palani.rathinasamy@alston.com
 7 **ALSTON & BIRD LLP**
 275 Middlefield Road, Suite 150
 8 Menlo Park, CA 94025-4008
 Telephone: 650-838-2000
 9 Facsimile: 650-838-2001

10 Attorneys for Plaintiff and Counterdefendant
 ELAN MICROELECTRONICS
 11 CORPORATION

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

17 ELAN MICROELECTRONICS
 CORPORATION,
 18
 Plaintiff and Counterdefendant,
 19
 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 ON VARIOUS ISSUES**

Date: August 30, 2011
 Time: 10:00 a.m.
 Courtroom 5
 Hon. Paul S. Grewal

23 AND RELATED COUNTERCLAIMS
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1 data, and tests generated or conducted by Apple’s own employees relating to a certain testing tool
2 Apple had developed to test the accused functionality of Elan’s asserted U.S. Patent No.
3 5,875,352, (the “352 patent”). The Court had previously determined that the tool itself is
4 discoverable, yet Apple has refused to produce the requested data on the basis of alleged burden.

5 This discovery is relevant to Elan’s case and its requests are narrowly tailored to obtain
6 only the information necessary for Elan’s damages and infringement analysis. And Apple has not
7 offered any showing that production of such information would be unduly burdensome.

8 Accordingly, Elan respectfully requests that the Court compel Apple to produce the requested
9 documents and other information pursuant to Elan RFPs 29, 79-81 and 101-104.

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

13 14 **MEMORANDUM OF POINTS AND AUTHORITIES**

15 **I. MOTION TO COMPEL SALES DATA FOR APPLE’S OLDER VERSIONS** 16 **OF THE ACCUSED PRODUCTS**

17 **A. Facts**

18 In this case Elan asserts, *inter alia*, that Apple infringes the 352 patent, which covers
19 touchpads and touchscreens capable of detecting the simultaneous use of two or more fingers on
20 the touch input device, and the correlation of multi-finger contacts into user input commands.
21 Some of the Apple products accused of infringement include the MacBook, iPhone, iPod Touch
22 and iPad products. Since the time Apple released its first iPhone, Apple has touted the importance
23 to these products of what it calls its “Multi-Touch” interface technology, which allows a user to
24 operate the products’ touchscreens or touchpads using multiple finger inputs. Therefore, in order
25 to obtain discovery relating to the benefit and value of Apple’s Multi-Touch technology, which is
26 the accused functionality covered by the 352 patent, Elan requested that Apple produce:

27
28 **RFP 79:** All documents relating to any internal analysis or study of anticipated and realized changes in profit price, profits per units and sales volumes due to the

1 incorporation of the Accused Instrumentality and/or Multi-Touch technology into the
2 Accused Products.

3 **RFP 80:** All documents related to customer acceptance of the iPod Touch compared
4 to the iPod without the Multi-Touch technology.

5 **RFP 81:** All documents related to customer acceptance of MacBooks with Multi-
6 Touch technology compared to those without.

7 Bu Decl., Exh. A. Apple initially agreed to produce documents responsive to these requests. *Id.*
8 However, Apple narrowly interpreted these requests as seeking only customer surveys and
9 marketing documents and pointed Elan to general marketing and survey documents that Apple had
10 previously produced in response to Elan's other document requests. Bu Decl., Exhs. A and B at 6,
11 12. The documents Apple referenced are not entirely responsive to these requests; indeed, many
12 of them relate to foreign buyer studies or general marketing materials that were not called for by
13 these very specific requests. Bu Decl., Exh. B at 8-9. In subsequent meet and confers, in order
14 to conduct the comparative analysis called for in RFPs 79-81, Elan requested that Apple provide,
15 in native spreadsheet format, sales, pricing, profit and cost information for the older versions of
16 the accused products that do not support the accused multiple-finger input feature. *Id.* While Elan
17 does not intend to rely upon financial data for unaccused products for its base royalty rate,
18 comparison of the sales and profits for prior versions of the accused products against the
19 subsequent version with the patented feature may provide insight into the value of the patented
20 feature added to the accused products. *Id.* However, Apple has refused to produce the requested
21 sales information on the basis that this discovery seeks financial data for products not accused of
22 infringement, and because Apple contends this information is not requested by any of Elan's
23 discovery requests. Bu Decl., Exh. B at 1, 6. Elan disagrees on both counts, and Apple's refusal
24 to produce the financial data for the previous generations of the accused products leaves Elan no
25 choice but to seek Court assistance on this issue.

25 **B. Financial Information for the Prior Versions of Accused Products
26 Provides Insight to the Value of the Patented Feature, Which is Found in
27 the Accused Products**

27 The financial information for Apple's previous generations of the accused products is
28 relevant to Elan's damages case, even though the older products themselves are not accused. Fed.

1 R. Civ. P. 26(b)(1) (“[p]arties may obtain discovery regarding any non-privileged matter that is
2 relevant to any party’s claim or defense” or that “appears reasonably calculated to lead to the
3 discovery of admissible evidence.”); *see also*, *Beinin v. Ctr. for the Study of Popular Culture*,
4 2006 U.S. Dist. LEXIS 96088, *8-9, NO. C 06-2298 JW, (N.D. Cal. Oct. 31, 2006) (ordering
5 defendant to produce profits from non-accused products because such information is reasonably
6 calculated to lead to the discovery of admissible evidence); *Uniloc USA, Inc. v. Microsoft Corp.*,
7 632 F.3d 1292, 1318 (Fed. Cir. 2011) (holding the damages expert must “give evidence tending to
8 separate or apportion the defendant’s profits and the patentee’s damages between the patented
9 feature and the unpatented features”); *Biax Corp. v. NVIDIA Corp.*, 271 F.R.D. 200, 215 (D. Colo.
10 2010) (finding reasonable royalty may be affected by the sales of related products that are not
11 covered by the Patents-in-Suit). In particular, comparison of the financial performance of the
12 older versions of the products that do not use the patented multi-finger input feature to those
13 products that do is relevant to Elan’s reasonable royalty analysis. Therefore, the discovery Elan
14 sought is relevant to determining the value to Apple of the patented features.

15 Further, to determine the incremental value of the Multi-Touch functionality, one possible
16 method is to compare the revenues and/or profits Apple earned from sales of the accused products
17 to those from the older versions of the same products that do not support the accused Multi-Touch
18 feature. Such comparative analysis was explicitly endorsed by the Federal Circuit in *Uniloc* and
19 *Lucent Techs.* *See Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d at 1318 (noting that one
20 accepted method of quantifying the profit premium attributed to patented features is to compare
21 the profits derived from accused products containing the features to those from similar products
22 without the features); *Lucent Techs. v. Gateway, Inc.*, 580 F.3d 1301, 1337 (Fed. Cir. 2009)
23 (same). Moreover, this type of comparison data is relevant to an evaluation of a reasonable
24 royalty because it speaks directly to the incremental value the consumers may have placed on the
25 accused products incorporating the accused Multi-Touch functionality. Therefore, the financial
26 data for previous generations of the accused products, such as Apple iPods and MacBooks, is
27 relevant and reasonably calculated to lead to admissible evidence. *See Sun Microsystems, Inc. v.*
28 *Network Appliance*, 2009 U.S. Dist. LEXIS 122779 (N.D. Cal. Dec. 21, 2009) (granting

1 deposition on financial information for services not accused in the action); *Beinin v. Ctr. for the*
2 *Study of Popular Culture*, 2006 U.S. Dist. LEXIS 96088 at *8-9 (granting motion to compel
3 defendant to produce financial information for non-accused products because such information is
4 reasonably calculated to lead to the discovery of admissible evidence).

5 **C. The Financial Information for the Prior Versions of Accused Products**
6 **Was Requested by Elan in its Discovery Requests**

7 Apple also refused to provide this discovery on the asserted basis that none of Elan's
8 document requests calls for such sales data. Bu Decl., Exh. B. Apple is wrong. Elan's discovery
9 requests clearly ask for, *inter alia*, documents relating to the anticipated and realized financial
10 benefits due to incorporation of the patented multiple-finger input feature, as well as documents
11 relating to "customer acceptance" of the accused versions of the products over the earlier non-
12 accused versions without the patented features. See Bu Decl., Exh. A, RFPs 79, 80, 81. Apple has
13 already produced the financial spreadsheets for the accused products. Permitting Elan access to the
14 financial data for the older (non-accused) generations of Apple's accused products will allow Elan
15 to conduct the comparative analysis called for by these requests and required by the recent Federal
16 Circuit cases. See *Lucent Techs. v. Gateway, Inc.*, 580 F.3d at 1337; *Uniloc USA, Inc. v. Microsoft*
17 *Corp.*, 632 F.3d at 1318. Therefore, Elan respectfully requests that Apple be compelled to produce
18 this information.

19 **D. Apple's Refusal to Produce the Requested Financial Information Due to**
20 **Its Claims That Elan's Damages Theory is Unsound is Not a Proper**
21 **Basis for Denying Discovery**

22 Apple also refused to produce this relevant data by arguing that Elan's damages theory is
23 unsound. Bu Decl., Exh. B at 1-2. Apple stated that "if Elan wants to compare completely
24 different Apple products (e.g., a classic iPod vs. an iPod Touch) as part of its damages analysis,
25 you are free to do so based on publicly available sales prices and we will respond as appropriate in
26 expert discovery, motions in limine and Daubert motions." *Id.* Apple misses the point again. The
27 issue for discovery is relevance, not the alleged strength or weakness of a party's ultimate position.
28 Apple will have an opportunity to rebut Elan's damages analysis during expert discovery, and
through any potential motions Apple expects to file. But the Federal Circuit has made clear in

1 recent cases that damages experts must provide “evidence tending to separate or apportion the
2 defendant’s profits and the patentee’s damages between the patented feature and the unpatented
3 features.” *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d at 1318. Therefore, Elan has clearly
4 demonstrated the relevance and need for such data, and Apple cannot be permitted to deny Elan
5 access to relevant discovery simply because Apple contends now that it may be able to rebut
6 Elan’s damages theory. *See, e.g., Micro Motion, Inc. v. Kane Steel Co.*, 894 F.2d 1318, 1326-
7 1327 (Fed. Cir. 1990) (“discovery rules are designed to assist a party to prove a claim it
8 reasonably believes to be viable without discovery, not to find out if it has any basis for a claim”).

9 **E. Apple Will Not Be Unduly Burdened By Production of Additional**
10 **Financial Data in Response to Elan’s Narrowly Tailored Requests**

11 Finally, Apple claims that it will be unduly burdened if ordered to produce the requested
12 financial data. *See* Bu Decl. Exh. B at 1-2. The discovery Elan seeks, however, is narrowly
13 tailored to obtain only the information necessary to its damages analysis. Both parties have
14 already agreed to produce native spreadsheets of accused products’ sales information. Elan is
15 merely requesting the same type of spreadsheets for a few additional previous generations of the
16 accused products. Therefore, generating a few more native spreadsheets is neither an undue
17 burden nor a justification for Apple’s refusal to produce this relevant data. Moreover, the
18 relevance of this data to Elan’s damages analysis, which is further supported by the Federal
19 Circuit’s damages cases, outweighs any purported burden claimed by Apple. *Lucent Techs. v.*
20 *Gateway, Inc.*, 580 F.3d at 1337; *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d at 1318; *see also,*
21 *e.g., SEC v. Berry*, No. C07-04431-RMW (N.D. Cal. April 1, 2011) (order granting motion to
22 compel interrogatory and rejecting defendant’s “burdensome” argument in part based on the
23 amount of time defendant was aware of interrogatory request).

24
25 **II. MOTION TO COMPEL APPLE COMMUNICATIONS WITH ELAN**
26 **CUSTOMERS CONCERNING THIS LAWSUIT PURSUANT TO RFP 29**

27 During May 2011, Apple’s counsel served third party subpoenas to certain entities who are
28 Elan’s customers or potential customers. The subpoenaed parties included Dell, Sony and Lenovo.
The subpoenas call for these companies to produce sales information for their products that

1 incorporate Elan components. Apple never notified Elan of these subpoenas prior to serving them
2 as mandated under Fed. R. Civ. P. 45(b)(1), nor did Apple serve Elan copies of these subpoenas
3 when they were served on the third parties. Bu Decl., Exh. C. Due to the lack of service of these
4 third party subpoenas, Elan is concerned that Apple may be directly communicating with Elan
5 customers concerning this lawsuit. On July 13, 2011, after Apple provided copies of documents
6 produced by certain of the third parties, Elan promptly requested Apple to produce copies of all
7 the third party subpoenas, copies of all documents produced by the third parties, and all of Apple's
8 communications with these entities concerning this case or Apple's patents-in-suit. *Id.* Elan
9 pointed out to Apple that Elan had expressly requested this type of third party communications in
10 its document requests. *Id.* Particularly, RFP 29 seeks "[a]ll documents and things relating to or
11 comprising Apple's communications with Elan's customers or potential customers concerning the
12 Apple Patents, Elan's Product(s), or products that incorporate Elan's Product(s)." Bu Decl., Exhs.
13 C and D. Apple agreed produce such documents in its discovery responses. Bu Decl., Exh. D. To
14 date, Apple has provided copies of the subpoenas and has agreed to produce communications with
15 Elan's customers concerning the compliance with the subpoenas. However, Apple has ignored
16 Elan's repeated requests for production of all of its communications with Elan customers
17 concerning this lawsuit or Apple's patents regardless whether it relates to the subpoena or not. Bu
18 Decl., Exh. E. Accordingly, Elan respectfully requests that the Court compel Apple to produce
19 any and all of the communications it has had with Elan customers or potential customers regarding
20 this lawsuit or Apple patents pursuant to Elan RFP 29.

21 **III. MOTION TO COMPEL DOCUMENTS RESPONSIVE TO ELAN RFPS 101- 22 104**

23 Elan had previously filed a motion to compel Apple's testing tool that Apple had developed
24 to specifically analyze the accused functionalities of the accused products. *See* Dkt. No. 266. The
25 Court has already found the tool itself discoverable and partially granted Elan's motion for
26 inspection of this tool. *Id.* at 4. As discussed in that motion, Apple's own witness in the parallel
27 International Trade Commission ("ITC") hearing had described the capabilities of and data captured
28 by the tool. *Id.* at 2. On June 14, 2011, after the Court granted Elan's motion to inspect the tool,
Elan issued document requests expressly requesting documents relating to these type of tools,

1 Apple's screenshots and data obtained from these tools, and the tests and data captured by Apple
2 when using the tools. Bu Decl., Exh. G (RFPs 101-103). Elan also requested documents relating to
3 the source code algorithm of the key accused feature of the 352 patent. *Id.* at 104. In assisting
4 Apple to locate relevant documents, Elan identified exemplary documents already produced by
5 Apple in this matter. *Id.* Apple, however, refused to produce any additional documents or data
6 responsive to these requests on the grounds that the requests are "overbroad, unduly burdensome
7 and not reasonably calculated to lead to the discovery of admissible evidence." *Id.*; Bu Decl., Exh.
8 F. Apple further objected to the production of this test data on the basis that the information is
9 "available to Elan through other sources, including through the inspection or testing of the accused
10 products and/or [Apple tool] made available by Apple...." *Id.* Neither of these reasons has merit.

11 First, the Court has already determined that Apple's test tool is relevant in this matter, and
12 the data and documents produced through use of that tool would also clearly be relevant. At a
13 minimum, this information is relevant to show that Apple's employees use the accused products in
14 this country in an infringing manner. The importance of this data is highlighted by Apple's own
15 arguments made in the ITC Investigation and before this Court that Elan has allegedly provided no
16 evidence that Apple employees use the accused products in an infringing manner. *See* Dkt. 238
17 [June 2, 2011 Apple's Opp'n to Elan's Motion for Partial Summary Judgment filed under seal] at 15)
18 (alleging "[h]owever, for the reasons stated above, the fact that multi-finger gestures have been
19 performed does not establish that [any Apple employee] has performed the allegedly infringing
20 method."). Data generated using the testing tool on accused products is evidence of infringing
21 activity by Apple's own employees, and is therefore directly relevant to Elan's infringement case.
22 Bu Decl., Exh. G.

23 Furthermore, the documents requested by Elan are also relevant because Apple argues that
24 infringement can occur only if the underlying capacitance exceeds a threshold amount. *See* Dkt.
25 238 [June 2, 2011 Apple's Opp'n] at 14). Apple further argues that Elan has failed to present any
26 evidence that such a condition occurs. *Id.* at 15 ("Having failed to present any evidence on this
27 issue, Elan cannot meet its burden on summary judgment."). The types of discovery requested in
28 Elan's RFPs 101-104 precisely relate to the capacitance data that Apple claims Elan has allegedly

1 failed to present.¹ Bu Decl., Exh. G. Further, Apple's reliance on Elan's ability to inspect or test
2 Apple's tools is equally unavailing because Elan's inspection of the accused products and testing
3 tools would lead to data generated by Elan – not Apple employees. Bu Decl., Exh. G.

4 Finally, in reducing Apple's alleged burden, Elan has provided Apple significant guidance
5 as to these document requests. Bu Decl., Exhs. F and G. Elan has provided numerous examples of
6 the types of relevant documents Elan seeks by pointing Apple to specific documents in Apple's own
7 production, and simply requesting that all such documents and data be produced. *Id.* Thus, the
8 information requested by Elan is both relevant and its benefit far outweighs any boilerplate and
9 purported burden alleged by Apple. The parties last met and conferred by telephone and by email
10 correspondences on July 26, 2011 and Apple maintained its objection that Elan's request is unduly
11 burdensome and refused to produce the requested documents responsive to RFPs 101-104. Bu
12 Decl., Exh. F. Accordingly, Elan respectfully requests that the Court compel Apple to immediately
13 produce documents responsive to RFPs 101-104 relating to the accused functionality of the accused
14 products.

15 **IV. CONCLUSION**

16 For the foregoing reasons, Elan respectfully requests that the Court grant Elan's motion to
17 compel Apple to produce:

18 1. Sales, profit, cost information, in native spreadsheet format, for iPod and MacBook
19 products without the Multi-Touch feature since 2003;

20 2. All communications with third parties concerning Apple patents-in-suit, Elan, Elan
21 products, the issued subpoenas or any aspect of this lawsuit pursuant to RFP 29;

22 3. All documents responsive to RFPs 101-104 relating to the accused functionality of the
23 accused products.
24
25
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27 ¹ As Elan explained in its Reply Brief in Support of Motion for Partial Summary Judgment of
28 Infringement, it is Elan's position that infringement occurs regardless of whether the capacitance
data is above, equal to, or below the threshold.

