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Apple Inc.

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN JOSE DIVISION

ELAN MICROELECTRONICS CORPORATION,

Plaintiff and Counterclaim Defendant,

v.

APPLE INC.,

Defendant and Counterclaim Plaintiff.

Case No. C-09-01531 RS (PSG)

APPLE'S OPPOSITION TO ELAN MICROELECTRONICS CORPORATION'S MOTION TO COMPEL DISCOVERY RELATED TO APPLE iOS APPLICATIONS FOR THE ACCUSED PRODUCTS

DATE: August 23, 2011
TIME: 10:00 a.m.
JUDGE: Hon. Paul S. Grewal
CTRM: 5

I.

INTRODUCTION

By its motion, Elan asks the Court to compel Apple to provide extensive discovery related to Apple's iOS apps,[1] including *inter alia* detailed financial information for hundreds of apps, marketing information for those apps, and even a 30(b)(6) witness. Yet, iOS apps are not even accused of infringement in this case, and they undisputedly do not carry out the accused functionality. Elan has even confirmed in meet and confer that it has no intention of accusing iOS apps of infringement or adding them to the case as accused products. *See* Declaration of Derek C. Walter In Support of Apple's Opposition to Motion to Compel Discovery Related to Apple iOS Applications ("Walter Decl.") ¶ 1.

Why then, at this very late stage in the discovery process is Elan suddenly seeking extensive discovery on iOS apps? Allegedly, Elan seeks discovery related to hundreds of iOS apps—each of which include scores of features—so that it can, first, somehow determine the economic value of ***one feature*** (*i.e.*, multiple-finger input) that some apps allegedly utilize. Then, based on the results with iOS apps, Elan will supposedly extrapolate to determine the contribution of multiple-finger input to the overall economic value of the accused products themselves. Elan reveals little about what its attenuated analysis will entail, except to say that it will involve some sort of comparison of the "financial gain" from apps that include multiple-finger input to the "financial gain" from apps that do not include multiple-finger input. However, as set forth herein, the requested discovery is irrelevant, as there is no way for Elan to use such information to disentangle the economic value of multiple-finger input from the hundreds of other features present in both the iOS apps and the accused products. At best, Elan's discovery request reflects a frivolous and speculative fishing expedition. At worst, it reflects an attempt to put before the jury prejudicially large sales figures for hundreds of non-accused iOS apps, which Elan will contend are representative of the value of a single allegedly infringing feature. Moreover, such

[1] The term "iOS apps" refers to applications or programs that run on Apple handheld products, including the accused iPhone and iPad products. There are hundreds of thousands of available iOS apps, including, for instance, games, multimedia, informational, and shopping apps, to name just a few.

discovery is entirely unnecessary because Elan is already in possession of detailed financial information for not just the accused products themselves, but also the specific components they contain that are responsible for multiple-finger input. In particular, Elan is already in possession of detailed financial information regarding the volume and costs of the specific computer chips Apple purchases that carry out multiple-finger input in the accused products. Such discovery will allow Elan to prepare a properly apportioned damages theory focused on the accused feature, as the law requires. Where, as here, the requested discovery is extensive and burdensome, incapable of shedding any light on an issue in the case, potentially highly prejudicial, and unnecessary in light of other available discovery, the Court should exercise its discretion pursuant to Rule 26 to limit further discovery. Elan's motion should be denied.

II.

THE DISCOVERY ELAN SEEKS WILL YIELD NO RELEVANT INFORMATION REGARDING THE VALUE OF MULTITOUCH OR ANY OTHER DAMAGES ISSUE

Elan presents two reasons for why financial data related to iOS apps is supposedly relevant to its damages case. First, Elan claims that apps financial data will provide it with "evidence tending to separate or apportion the defendant's profits and the patentee's damages between the patented features and the unpatented features." Mot. at 4 (citing *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1318 (Fed. Cir. 2011)). Second, Elan argues that apps financial data will provide evidence of "convoyed sales," which will supposedly be relevant to a reasonable royalty analysis under *Georgia-Pacific*. Mot. at 5. Neither of these two closely-related theories is laid out with any precision in Elan's brief. This is not surprising. Indeed, as set forth below, when Elan's theories are examined, it becomes clear that they have no merit and that the discovery Elan seeks will ultimately be irrelevant.

As to Elan's first theory, Elan has indicated in meet and confer that it intends to make some sort of comparison between a subset of the 100 top-selling apps that use multi-finger gestures to a corresponding subset of those apps that do not use multi-finger gestures. Mot. at 4-5. Ostensibly, Elan contends that any difference in revenue, number of sales, etc. between such sets of the best-selling iOS apps may be attributed to multiple-finger input, which will then

supposedly allow Elan to "evaluate whether the effect of the accused patented feature has promoted the sales of the iOS apps[.]" Mot. at 4. This makes no sense. There are over 350,000 apps available for iOS devices. Each of these apps contains a wide range of features, including, but not limited to, the ***content*** of the app itself, plus program or gameplay options, advanced graphics, sound effects, music, design, updates, camera integration, voice or data network connectivity, GPS integration, and user interface controls (including single-finger gestures, multiple-finger gestures, accelerometer-based control, etc.), to name just a few. *See generally* Walter Decl., Exh. A [iOS Developer Library] (homepage for iOS App development software, listing instructional material for a range of iOS features, including graphics, animation, networking, mathematical computation, etc.).[2] In other words, multi-finger touch is, at best, a small part of a large package of features that contribute to the functionality and user experience provided by apps.

Given the extensive feature set available to app developers, even if Elan's conjecture that apps with multiple-finger input have higher revenues than those without multiple-finger input were correct, it simply does not follow that those revenue differences can be attributed or even correlated to multiple-finger input. Indeed, Elan has never suggested any manner of disentangling economic information related to multiple-finger input from the bulk economic information related to the multiplicity of features in iOS apps that Elan now seeks. Likewise, Elan has also failed to provide anything to suggest that an attempt to do so would pass muster as sound economic analysis. *Cf. Cable Electric Products, Inc. v. Genmark, Inc.*, 770 F.2d 1015, 1027 (Fed. Cir. 1985) (evidence of commercial success must be shown "to have in some way been due to the nature of the claimed invention, as opposed to other economic and commercial factors unrelated to the technical quality of the patented subject matter.").

To illustrate the issues more concretely, consider the "Angry Birds" app, which is currently the top paid iPhone App in many countries, including the United States. *See* Exh. B

[2] Unless otherwise stated, all exhibit cites are to exhibits attached to the Declaration of Derek C. Walter In Support of Apple's Opposition to Motion to Compel Discovery Related to Apple iOS Applications.

[iTunes Store Top 10 Apps – Paid]. "Angry Birds" is a game in which the player uses a single finger to launch a bird-like projectile from a slingshot to try and topple a series of structures, in the process smashing green pigs within the structure. While the game includes multiple-finger input, it is used mainly, if not exclusively, to zoom-in and out. Of course, the game includes an enormous array of additional features, all of which simply cannot be enumerated here. The game includes over 270 levels, each of which requires a different strategy to pass, and which provide hours of gameplay. *See generally* Exh. C [Angry Birds Wikipedia]; Exh. D [Angry Birds by Clickgamer.com]. From the main menu screen, the user can keep track of all the levels that have been passed, and replay those levels at will. The game includes different types of birds, each of which have different projectile behavior, and which make noises and facial expressions when shot at a target. The target structures themselves are made of a range of different materials, and include pigs of various sizes, which again are characterized by sounds and facial expressions as well as varying target behaviors. The game has its own soundtrack and artwork, and further includes content that can be downloaded from within the game itself (*e.g.*, tools to help a player pass a level he or she is stuck on). When the player achieves certain milestones, the player may synchronize those game achievements with an external server. Likewise, the game has options for interactivity with the social networking sites Facebook and Twitter. Through the range of included features, the game embodies its own unique personality, and the user establishes an emotional connection with the game and its characters. Indeed, the game has spawned specific promotional and holiday versions, such as a Halloween edition and an edition to go with a recently released animated movie from 20th Century Fox. *See generally* Exh. C [Angry Birds Wikipedia]. In fact, a stand-alone movie based on the game Angry Birds is even being planned. *See* Exh. E [July 8, 2011 article entitled "Weekly Ketchup: Angry Birds Movie In The Works"].

Of course, this range of attributes taken collectively creates the overall value of the "Angry Birds" App, and there is no reasonable way for Elan to extract the specific contribution of multiple-finger input, if any. Nor is there any reasonable way for Elan to compare "Angry Birds"—with its unique combination of features and attributes—to any other app or collection of apps. Of course, "Angry Birds" is just one of hundreds of apps that Elan seeks discovery on, each

of which has its own unique combination of features and attributes and cannot be reasonably compared to any other app or collection of apps. Simply put, it does not take a damages expert to see that the vague apples-to-oranges comparisons Elan is proposing reflect not sound economic analysis, but conjecture.

Yet, with just a few weeks left in discovery, Elan asserts that we should trust it that there is a reasonable basis for the burdensome discovery related to iOS apps that it now requests. Notably, Elan does not even purport to seek information that would allow it to make a controlled comparison of pairs of apps that differ only by their use of multiple-finger input, but that are otherwise identical (*i.e.*, a comparison of a multiple-finger input version of "Angry Birds" to a single finger input version of "Angry Birds"), a fact that provides further confirmation of the purely speculative nature of the requested discovery. Regardless, Apple is unaware of any such app where a developer has actually considered multiple-finger input unique and important enough to prepare distinct and separate app versions that differ in just this one feature, and Elan has never identified any such apps.

Elan's second relevance theory appears to pertain to the concept of "convoyed sales" or the sales of non-patented items. Although unclear, it appears that Elan is suggesting that Apple's ability to sell iOS apps that use multiple-finger input should influence the royalty rate for the accused products themselves. Compared to Elan's first relevance theory, there is even less explanation in Elan's brief as to how discovery related to iOS apps will help it propose an apportioned royalty rate directed to multiple-finger input. This is again unsurprising because this relevance theory is even more attenuated and flawed than Elan's first theory. At the outset, this theory suffers from the same problems as Elan's first theory. Indeed, as noted above, iOS apps themselves include hundreds of features and can further take advantage of hundreds of features in iOS. Elan presents no suggestion as to how it can disentangle the economic value of multiple-finger input from this extensive range of features. To the contrary, Elan's attempt to inject into the case hundreds of stand alone products made by hundreds of third parties that include hundreds of features completely distinct from multiple-finger input takes the focus away from the single feature in Apple products that is actually accused of infringing.

Likewise, Elan never explains how sales data for apps—most of which were created long after the accused products were introduced—is relevant to the hypothetical negotiation that would have taken place when the accused products were released. *Rite-Hite Corp. v. Kelley Co., Inc.*, 56 F.3d 1538, 1554 (Fed. Cir. 1995) (hypothetical negotiation takes place "at the time infringement began"). Finally, there is no dispute that the iOS apps do not carry out the accused functionality. At most, some iOS apps use multiple touch input features present in iOS. Even if one assumes that the Apple products infringe Elan's '352 patent, there has been no showing whatsoever from Elan that iOS apps require the particular method of detecting multiple fingers set forth in the '352 patent. Indeed, it cannot be disputed that there are other methods for detecting multiple fingers ***other*** than the method set forth in the '352 patent.

Given the foregoing, it is unsurprising that Elan fails to cite a single case that is truly applicable to the case at bar and that would support its position. For example, Elan relies upon the *Beinin* case for the proposition that "revenue information from non-accused products" is discoverable. Mot. at 5. However, *Beinin* has nothing to do with (1) comparing non-patented products to patented products to estimate the value of an accused feature, or (2) the convoyed sales doctrine of patent law and whether such sales are relevant to the determination of a royalty rate. *Beinin* did not even have anything to do with patents—it was a copyright case involving unauthorized use of a photograph. *Beinen v. Ctr. for the Study of Popular Culture*, 2006 U.S. Dist. LEXIS 96088, *1-2, No. C06-2298 JW (N.D. Cal. Oct. 31, 2006) (Exh. F). In *Beinin*, the plaintiff sought damages not just for sales of a pamphlet containing the copyrighted material, but also for publication of the pamphlet with the copyrighted photograph on a website. *Beinin* is irrelevant to the instant case. Similarly, in the *Biax* case relied upon by Elan, the Court expressly limited any discovery of convoyed sales "to the time frame applicable to a reasonable royalty analysis under *Georgia-Pacific*, that is, as stated by BIAX, '***the beginning of the infringement period***.'" *Biax Corp. v. Nvidia Corp.*, 271 F.R.D. 200, 216 (D. Colo. 2010). In this regard, *Biax* confirms that Elan's motion should be denied, as the overwhelming bulk of the sales information Elan seeks took place long after the beginning of the alleged infringement period in 2006. Indeed, the app store where users purchase most apps did not even open until summer of 2008.

See Exh. G [Apple Introduces the New iPhone 3G] (June 2008 article explaining "iPhone 3G includes the new App Store, providing iPhone users with native applications in a variety of categories including games, business, news, sports, health, reference and travel."). Finally, in the *Sun Microsystems* case, the issue before the court was whether a deposition topic on financial information for support services for the accused products was duplicative of prior discovery; the Court did not discuss the relevance of the disputed discovery, as it was not even in dispute. *See Sun Microsystems, Inc. v. Network Appliance*, 2009 U.S. Dist. LEXIS 122779, *10-12 (N.D. Cal. Dec. 21, 2009) (Exh. H). *Sun Microsystems, Inc.* sheds no light whatsoever on the issues now presented. Thus, the cases that Elan relies upon either provide no support for Elan's position or affirmatively support a denial of Elan's motion.

"While the standard of relevancy is a liberal one, it is not so liberal as to allow a party to roam in shadow zones of relevancy and to explore matter which does not presently appear germane on the theory that it might conceivably become so." *In re Fontaine*, 402 F. Supp. 1219, 1221 (E.D.N.Y. 1975). As such, absent a more concrete justification from Elan as to why discovery related to iOS apps is relevant, the Court should not even open the door to such discovery.

III.

THE BURDEN OF COLLECTING THE REQUESTED INFORMATION OUTWEIGHS ANY MINIMAL RELEVANCE ELAN ALLEGES

As set forth above, the discovery Elan seeks does not pass even a threshold relevancy test. However, even if one assumes that the discovery Elan seeks offers a sliver of insight into an issue in this case, Elan's motion should still be denied. Indeed, the Federal Rules of Civil Procedure embody a rule of proportionality, providing that even if requested discovery is relevant, it should nonetheless be denied if the Court determines that "the burden or expense of the proposed discovery outweighs its likely benefit, considering the needs of the case, the amount in controversy, the parties' resources, the importance of the issues at stake in the action, and the importance of the discovery in resolving the issues." Fed. R. Civ. P. 26(b)(2)(c)(iii).

The totality of these factors weighs against additional discovery. First, for the range of

reasons noted above, the requested discovery will shed no light on Elan's case. *See supra* Part II. In fact, to the extent Elan uses this discovery to make a speculative determination as to the value of multiple-finger input, it will likely do so in a fashion that will have the jury confronted with massive figures that in no way reflect the value of multiple-finger input. Indeed, in its motion, Elan demands the "identity of the 100 ***top-selling*** iOS apps annually since 2007." Mot. at 7. Thus, Elan does not merely seek generic information on any group of iOS apps for the purposes of assessing the value of multiple-finger input, but information on the iOS apps that make the most money. This will undoubtedly reflect an enormous dollar figure. For instance, with respect to the "Angry Birds" app discussed above, which is currently the top paid iPhone app in many countries, including the United States, publicly available articles indicate that it has been downloaded roughly 250 million times across all platforms. *See* Exh. I ['Angry Birds' Reaches 250 Million Downloads]. This figure, if true, would reflect millions of dollars of worth of sales. *See id.*; Exh. B [iTunes Store Top 10 Apps – Paid]. Sales figures for the aggregate of the 100 top-selling iOS apps since 2007 could thus reflect a colossal dollar figure. Of course, such figures have no place before the jury where, as here, they relate to products that are ***not accused***. That Elan is seeking this discovery when it has no legitimate damages theory to which it is relevant raises significant concerns that Elan will attempt to place such figures before the jury under the guise of its comparative analysis to determine the value of two finger input or as support for the notion that Apple should pay an inordinately high royalty rate. Thus, in addition to being irrelevant, Elan's alleged iOS apps discovery theory has the potential to be highly prejudicial.

As to the benefit of the requested discovery given the needs of the case, Apple has already expended significant resources to provide Elan with extensive damages-related discovery, including detailed financial information for the accused products and their components that actually embody the accused functionality, in addition to extensive licensing, marketing, and technical information that sheds light on the *Georgia-Pacific* factors. Most notably, the accused Apple products include specific chips—apart from their main microprocessor—associated with their respective touch input devices that have built-in programming for carrying out the accused

two finger input functionality. Apple has already provided Elan with detailed financial spreadsheets containing information regarding (1) the identities and suppliers of the chipsets Apple purchases, (2) the volume of chipsets Apple purchases, and (3) the costs of those chipsets. Apple has provided this information for the chipsets used in nearly all of the accused products, and continues to collect and produce any such additional information. Beyond this, Apple has endeavored to provide Elan with any financial information regarding the components that make up the rest of the touchpad or touchscreen assembly beyond the individual microchip. In light of this discovery that Elan already has at its disposal, any additional discovery regarding iOS apps, would not only be irrelevant and prejudicial, but also unnecessary.

Finally, as to the burdens involved, Elan's motion seeks five different items related to iOS apps, including native format spreadsheets detailing costs, profits, and revenues for the 100 top-selling apps over the last five years. Likewise, Elan asks that Apple review all marketing information related to iOS apps so that it can collect material that "highlights" multi-finger input. Elan then asks that Apple identify, prepare, and present a 30(b)(6) witness on this information. Putting aside the irrelevance of the requested discovery, the burden associated with the requested discovery is undue. This burden is exacerbated by the tardiness with which Elan has sought discovery related to iOS apps. Indeed, this action has been pending since April 2009, yet Elan waited until April 12, 2011 to propound any discovery requests whatsoever related to iOS apps. After Apple first objected and declined to provide discovery into this topic based on its objections on May 12, 2011, Elan then waited until June 10, 2011—roughly one month later—to make even an initial follow up. Now, with only a few weeks in the discovery period, and with the parties extremely busy trying to complete discovery efforts, Elan demands that Apple provide extensive unnecessary discovery on a topic that will yield no meaningful information.

Plainly, any reasonable balancing of the burdens and benefits of the requested discovery weighs in favor of precluding any discovery into iOS apps.

IV.

CONCLUSION

For the foregoing reasons, Apple respectfully requests that Elan's motion to compel be denied.

Dated: August 2, 2011

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