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

17 ELAN MICROELECTRONICS
CORPORATION,
18
19 Plaintiff and Counterdefendant,
20 v.
21 APPLE, INC.,
22 Defendant and Counterplaintiff.

23 AND RELATED COUNTERCLAIMS
24

Case No. 5:09-cv-01531 RS (PSG)

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

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

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I. INTRODUCTION

Apple’s Opposition to Elan’s straightforward motion to compel discovery of financial information for iOS apps is, in effect, nothing more than a premature rebuttal to Elan’s proposed damages theory and damages analysis. One of the accused features in this case is Apple’s Multi-Touch technology, which allows the use of multiple-fingers to interact with the accused Apple iOS products through their touchscreens. The iOS Apps run on these accused iOS products. Some of these apps require or incorporate the use of multiple-finger touch technology and others don’t. Elan, therefore, seeks narrowly defined financial information for the iOS Apps so that its damages expert can further analyze the economic benefit Apple may have derived from offering the accused Multi-Touch feature on the accused iOS devices.

Apple does little in its opposition to deny the relevance of the requested information, and it instead focuses on attacking Elan’s damages theory. That is simply a premature Daubert motion, which is better addressed *after* Elan serves its expert report and Apple reviews it. Each party will have an opportunity to evaluate methodologies and the data used by the other side’s expert, and it is for the trier-of-fact, not Apple, to decide the strength or weakness of Elan’s damages theory based on the supporting evidence provided.

Elan has established incontrovertibly that the discovery it seeks is relevant, and is narrowly tailored to meet the objective for which it is sought. There is little or no burden to Apple to collect and produce this additional data and a Rule 30(b)(6) witness to explain the data. Indeed, Apple has done nothing to support its claim that Elan’s requests are unduly burdensome or unfairly prejudicial. Thus, Elan respectfully requests that the Court grant Elan’s motion to compel Apple to produce data responsive to Elan’s Document Request Nos. 82-85, Interrogatory Nos. 20-21 and its Rule 30(b)(6) deposition notice Topic Nos. 17-21 (collectively, the “iOS App Discovery”)

II. ARGUMENTS

A. The iOS App Discovery Elan Seeks Is Clearly Relevant And Should Be Produced

1. The Discovery Elan Seeks is Relevant And Necessary for Elan to Conduct the Damages Analysis the Federal Circuit Requires

Apple in its Opposition has unilaterally determined that neither the iOS App data itself nor

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2 any expert analysis of it will be informative to the trier-of-fact in a determination of damages.
3 This is not true, and it is not the proper analysis at the discovery stage. Apple's sole arguments for
4 denying production of this information are that it is not relevant to any claim or defense—which
5 Elan has established is incorrect—and that Apple will suffer some undisclosed burden to have to
6 produce it. In the face of a request for clearly relevant discovery, vague assertions of burden do
7 not warrant withholding such important data.

8 Elan established in its Motion to Compel that the requested iOS App Discovery is
9 relevant for two reasons. First, iOS Apps that specifically require or support the use of the
10 accused multi-finger functionality to perform essential app tasks may ultimately be considered
11 convoyed sales that are driven, at least in part, by use of the patented functionality. Therefore,
12 financial data related to these iOS Apps may be properly evaluated as part of a *Georgia Pacific*
13 Factor analysis or reasonable royalty. *Georgia-Pacific Corp. v. United States Plywood Corp.*, 318
14 F. Supp. 1116, 1120 (S.D.N.Y. 1970).

15 Second, to determine the incremental value to the Apple iOS products of multi-finger
16 functionality, one accepted method is to compare the revenues and/or profits Apple earns from the
17 sales of Multi-Touch Apps (that are specially designed to run on the accused products) to those
18 derived from Apps that do not support or require the accused feature. This analysis may be used
19 to quantify the price and profit premium Apple has earned by offering the accused multi-finger
20 functionality. *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1332 (Fed. Cir. 2009). The
21 Federal Circuit has made clear that the patentee must separate the value of the accused
22 functionality from other unpatented features, since most accused products are complicated and
23 contain many different features, and one way to accomplish that here is to analyze the price and
24 profit differences between different Apps. *Id.*

25 Elan has narrowly tailored its requests to seek only (1) iOS App financial data, which
26 Apple does not deny is in its possession, custody or control; (2) other market related information
27 showing whether and when Apple touts this patented feature in its advertising and marketing of
28 the iOS Apps, which is clearly relevant to any patent case damages theory; and (3) a Rule 30(b)(6)

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2 witness who can assist in understanding the information provided. Elan does not seek broad or
3 technical discovery about the iOS Apps, but only a limited set of financial and marketing data.
4 Indeed, Apple never identifies any specific burden it would suffer if it were to produce this
5 information.

6 Elan explained these theories to Apple both during the meet and confers prior to filing its
7 motion and in its Opening papers. Apple continues to argue, however, that Elan has not stated its
8 theories precisely enough, seeking somehow to have Apple lay out its full analysis of the iOS App
9 data before actually obtaining any of the data. Apple Opp. at 2. This turns the relevance standard
10 on its head. It is well-settled that requested discovery is relevant if it is reasonably calculated to
11 lead to admissible evidence at trial. Fed. R. Civ. P. 26(b)(1). As discussed above and in Elan's
12 opening motion, Elan's requests for financial information regarding Apple iOS Apps are relevant
13 to Elan's damages case and will provide needed data to further analyze the incremental value of
14 the Multi-Touch function, even though the iOS Apps themselves are not accused products. *In re*
15 *Google Litig.*, 2011 U.S. Dist. LEXIS 9924, 18-20 (N.D. Cal. Jan. 27, 2011) (finding even if the
16 Court establishes that certain requested analyses in discovery do not practice any asserted claim
17 the operation of such analyses may nevertheless be material for purposes of comparing the relative
18 value of infringing and non-infringing analyses within the accused functionality under a Georgia-
19 Pacific reasonable royalty analysis) (citing *Lucent Techs.*, 580 F.3d at 1332); *Uniloc USA, Inc. v.*
20 *Microsoft Corp.*, 632 F.3d 1292, 1318 (Fed. Cir. 2011). Therefore, the discovery of financial data
21 pertaining to the iOS Apps is highly likely to lead to admissible evidence, and that is the **threshold**
22 to find this discovery relevant. Apple's suggestion that Elan must meet a higher threshold to
23 justify this discovery is simply incorrect.

24 **2. Apple's Own Documents Evidence The Impact of Multi-Touch**
25 **Technology on Apple's Accused Products and on Design and**
26 **Development of iOS Apps**

27 Apple's advertising, marketing and instructional documents clearly evidence the
28 importance of the accused multi-finger technology and the development and design of the iOS
Apps, and therefore further highlight the clear relevance of the requested discovery. Apple
consistently showcases the contribution of Multi-Touch technology to its iOS products and Apps.

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2 See, e.g., <http://www.apple.com/ipad/ios4/> (“You know how to use iPad from the first time you
3 pick it up. That’s because the revolutionary Multi-Touch interface in iOS was designed for your
4 finger... Nobody does Multi-Touch better than Apple...). Apple further touts that it is the
5 combination of the “power of the Internet with the simplicity of Multi-Touch technology” that
6 makes it Apps “fun and functional.” See <http://www.apple.com/webapps/whatarewebapps.html>.
7 Most importantly, the documentation Apple provides to app developers highlights the need to
8 leverage features such as Multi-Touch into the design and implementation of the apps. Bu Reply
9 Decl., Exh. 1, APEL20040-46 (Apple engineers encouraging developers to improve their iPhone
10 apps by adding multi-touch functionality). Similarly, in other instructional presentations, Apple
11 has expressly emphasized that one of the essential steps to successfully develop an iPhone app is
12 to understand the “revolutionary” features of the iPhone, and Multi-Touch was the very first
13 revolutionary feature Apple listed. Bu Reply Decl, Exh. 2 at APEL 22351-22354, 22359 and Exh.
14 3 APEL22304 (a presentation on developing apps with Multi-Touch function).

15 Accordingly the relationship between the patented multiple-finger functionality and the
16 iOS Apps is apparent and Elan respectfully requests that the Court grant Elan’s motion and
17 compel to permit Elan to determine the value Apple has gained from its Multi-Touch feature
18 through the financial performances of the iOS Apps.

19 **3. Apple’s Attack On Elan’s Damages Theory Is Premature and
20 Irrelevant To This Motion to Compel**

21 Apple’s attack on Elan’s damages theory—before Elan has had an opportunity to evaluate
22 the requested data—is premature. Apple claims that “given the extensive feature set available to
23 app developers, even if Elan’s conjecture that apps with multiple-finger input have higher
24 revenues than those without multiple-finger input were correct, it simply does not follow that
25 those revenue differences can be attributed or even correlated to multiple-finger input.” Opp. at 3.
26 But Apple’s conclusion that there is no correlation between higher revenue and the patented
27 feature clearly does not follow. Without access to the requested data, Elan cannot further evaluate
28 this correlation. Elan’s narrowly tailored discovery requests, seeking just the underlying financial
and marketing data relating to the iOS Apps is precisely for the purpose of conducting its own

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2 controlled analyses to reasonably determine “the portion of the realizable profit that should be
3 credited to the invention as distinguished from non-patented elements.” See *In re Google Litig.*,
4 2011 U.S. Dist. at *18-20.

5 It is simple market reality that in most patent cases, the accused products have many
6 patented and unpatented features. Apple seems to contend that unless it is possible to control
7 perfectly all variables so that the only differences between two products are attributable 100% to
8 patented features, that no comparison of the financial impact of patented versus unpatented
9 features can ever be conducted. But the reality is that a simple product comparison with only one
10 variable is rare indeed. This is a challenge all damages experts face in patent cases where some
11 features of the accused products infringe and others do not. But the difficulty of the analysis
12 sought doesn’t make the requested discovery irrelevant. Indeed, it is precisely because of this
13 market reality that the federal courts in *Lucent* and *Uniloc* mandated that damages experts
14 compare patented and non-patented features to determine the incremental value of the patented
15 feature. Apple’s argument for refusing to even provide the underlying raw data to permit Elan’s
16 analysis is its mere conjecture that Elan will use the information improperly. But Apple will have
17 the opportunity to rebut Elan’s damages expert report, or to file a Daubert motion challenging its
18 methodology. It is premature to do so now without permitting Elan the opportunity to review the
19 data, and without access to the final completed expert analysis. This is simply not a proper
20 response to a motion to compel.

21 Apple also argues that Elan “does not even purport to seek information that would allow it
22 to make a controlled comparison of pairs of apps that differ only by their use of multiple finger
23 input, but are otherwise identical.” Opp at 5. Apple is wrong, and it mischaracterizes the
24 discovery requests and the meet and confer process. For example, Elan’s Request No. 82 seeks
25 “[a]ll documents reflecting the number of units purchased, percentage purchased of total Apps
26 downloaded or otherwise obtained and usage rates of Apple Apps that require the use of multiple
27 fingers and/or the Multi-Touch technology;” Request 85 asks for “[a]ll documents and things
28 evidencing the market demand, including demand from individual consumers, corporate entities

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2 and software or program developers, for Apps for the Accused Products that require the use of
3 multiple fingers and/or the Multi-Touch technology; and Elan’s Interrogatory No. 20 requests
4 Apple to “[i]dentify all Apps and indicate those that require or include features that utilize the use
5 of multiple fingers or the Multi-Touch technology.” Elan Opening Mot., Bu Decl., Exhs. A and B.
6 Elan’s discovery requests are narrowly crafted to obtain the information needed for its
7 comparative analysis. Nonetheless, in the spirit of cooperation, during the parties’ June 25, 2011
8 telephonic meet and confer, Elan further narrowed its request to ask that Apple produce sales data
9 (in aggregated native spreadsheet form), and identify the apps with Multi-Touch functionality and
10 the apps without Multi-Touch functionality, so that Elan can conduct the comparative analyses
11 called for in its discovery requests. Apple stated that it would consider Elan’s request.

12 Subsequently, however, during the July 12, 2011 meet and confer, Apple stated that it does
13 not have a list identifying all apps with and without Multi-Touch functionality, and told Elan to go
14 learn the information itself from publicly available sources. Elan now has further narrowed its
15 request to ask for just the financial data for the top-selling 100 Apps, in an attempt to reduce the
16 purported burden of production. Apple’s characterization that “Elan does not merely seek generic
17 information on any group of iOS apps for purposes of assessing the value of multiple-finger input,
18 but information on the iOS apps that make the most money” is incorrect and misleading. Opp. at
19 8. Elan narrowed its request to the top 100 Apps to reduce the alleged burden Apple claims this
20 production will cause—even though Elan does not believe that any such burden exists. To the
21 extent Apple now contends that its top selling 100 apps are not adequate for Elan to conduct its
22 comparative analysis, Elan requests that Apple produce sales data for all of its iOS Apps.

23 **4. The Georgia-Pacific Hypothetical Negotiation and Related**
24 **Factors Allow Analysis of Actual Sales Data and Information**
25 **Developed After the Date of First Infringement**

26 Apple in its Opposition also argues that the sales data for the iOS Apps is irrelevant since
27 the hypothetical negotiation would have taken place when the accused products were first released.
28 Opp. at 6. While the construct of the hypothetical negotiating date is set at the time infringement
begins, neither case precedent nor economic logic requires a party to ignore data *after* the date of
the hypothetical negotiation, particularly the information about how a patented invention has been

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2 used by infringers. *See Lucent Techs. v. Gateway, Inc.*, 580 F.3d 1301, 1333 (Fed. Cir. 2009) (“the
3 use that has been made of the patented device is a *legitimate aid* to the appraisal of the value of
4 the patent at the time of the breach”). Indeed, the Supreme Court long ago recognized that “there
5 can be no contemporaneous sales to express the market value of an invention that derives from its
6 novelty its patentable quality” and therefore factual developments after the infringement date or
7 the “later-occurring events” are informative to damages calculation to “correct uncertainties
8 present at the time of negotiation.” *Sinclair Refining Co. v. Jenkins Petroleum Process Co.*, 289
9 U.S. 689, 697-698 (1933) (holding that later “[e]xperience is then available to correct uncertain
10 prophecy [at the time of the hypothetical negotiation]. Here is a book of wisdom that courts may
11 not neglect. We find no rule of law that sets a clasp upon its pages, and forbids us to look within”).
12 Therefore, contrary to Apple’s arguments, consideration of evidence of usage of the accused
13 features on the iOS Apps after infringement started can be helpful to the trier-of-fact in assessing
14 whether a royalty is reasonable. *Lucent Techs. v. Gateway, Inc.*, 580 F.3d at 1333 (citing *Sinclair*
15 *Ref.*, 289 U.S. at 697). Accordingly, contrary to Apple’s assertion, Elan’s analytical approach
16 involving discovery of financial data regarding Apple’s iOS Apps, even if it is from after the time
17 infringement began, is entirely within the methods endorsed and recognized by the federal courts.

18 **B. Apple Has Presented No Justifiable Burden to Outweigh The Benefit of
19 Providing This Relevant Discovery**

20 As to the burden of the iOS App production, Apple offers no concrete, particularized
21 evidence regarding the purported undue burden of production of the requested iOS App discovery.
22 The discovery requests at issue are directed toward the revenues Apple receives from iOS App
23 sales.¹ Indeed, Apple does not allege that it is not in control or possession of the requested
24 discovery, nor does Apple detail the alleged difficulty in generating the additional spreadsheets
25 requests. In short, Apple has offered no credible evidence that it faces undue burden to further
26 generate a few spreadsheets relating to its top selling apps. Accordingly, the production is
27 warranted in light of the relevance of this data discussed above. *In re Google Litig.*, 2011 U.S.
28 Dist. at *18-20 (rejecting unparticularized attorney arguments regarding production undue burden).

¹ Based on public sources, Apple receives 30% of the sales of the apps developed by third parties.

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2 Apple also fails to offer any credible argument that it will be unfairly prejudiced such that
3 the prejudice outweighs the obvious relevance and benefit to Elan of the requested discovery.
4 Apple argues that “to the extent Elan uses this discovery to make a speculative determination as to
5 the value of multiple-finger input, it will likely do so in a fashion that will have the jury
6 confronted with massive figures that in no way reflect the value of multiple-finger input.” Opp. at
7 8. Apple has no basis to make such a statement, but even assuming Apple is correct, this in no
8 way unfairly prejudiced Apple, and it certainly does not outweigh the benefits of producing the
9 discovery. Apple will have the opportunity later to file Daubert motions or motions in limine to
10 limit any purported unfair burden to the jury. Relevant damages-related discovery is not typically
11 denied simply because it evidences a large revenue stream, and Apple has cited no cases
12 supporting that argument.

13 Apple next argues that it has already expended significant resources to provide Elan with
14 extensive damages-related discovery, including detailed financial and cost information for the
15 accused chipsets that actually embody the accused functionality. Opp. at 8-9. Based on what
16 Apple alleges that it has already produced, Apple claims that “any additional discovery regarding
17 iOS apps, would not only be irrelevant and prejudicial but also unnecessary.” *Id.* at 9. While the
18 parties disagree about the scope of completeness of Apple’s production to date, the other materials
19 Apple claims to already have produced are not the subject of this motion. Apple has not produced
20 a single document reflecting the revenue it receives from iOS Apps that make use of the patented
21 multi-finger functionality. Revenues generated by the sales of the iOS Apps that can be
22 attributable to Elan’s patented functionality differ dramatically from the other sales or cost data
23 Apple has already produced. The mere fact that Apple has produced other financial data does not
24 excuse its failure to produce this particular relevant financial data.

25 **C. Elan’s Discovery Requests Are Timely**

26 In Apple’s Opposition, it repeatedly emphasized the late stage of discovery as a purported
27 reason to avoid this relevant discovery. Apple Opp. at 1 and 9. Apple’s argument is baseless and
28 highly misleading. Elan requested the iOS App related discovery well within the discovery period,
and over three months before the then discovery cut-off date, July 15, 2011. Now the discovery

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deadline has been moved to October, and trial will not occur until more than a year later. *See* Dkt. 380.

Since Elan first served its iOS App discovery, Apple has failed to produce any of the requested materials, while Elan, pursuant to the local rule requirement, repeatedly met and conferred in an attempt, unsuccessful, to avoid burdening the Court with further motion practice. *See* Opening Motion, Bu Decl. Exhs. A, B, D & E. For its part, Apple repeatedly stated that it would consider Elan's requests, and it only conveyed its final position denying the discovery completely two days before Elan filed this Motion. Opening Motion, Bu Decl. Exh. D. Therefore, Elan's discovery requests and its Motion to Compel are timely and Apple has no reasonable basis to avoid producing relevant this discovery.

III. CONCLUSION

For the foregoing reasons, Elan respectfully requests that the Court grant Elan's motion to compel Apple to produce the iOS App Discovery.

DATED: August 9, 2011

Respectfully submitted,
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