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ELAN MICROELECTRONICS
CORPORATION

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

ELAN MICROELECTRONICS CORPORATION,

Plaintiff and Counterdefendant,

v.

APPLE, INC.,

Defendant and Counterplaintiff.

AND RELATED COUNTERCLAIMS

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

ELAN MICROELECTRONICS CORPORATION'S REPLY IN SUPPORT OF MOTION TO COMPEL DISCOVERY ON VARIOUS ISSUES

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

INTRODUCTION

In its Opposition, Apple offers no valid justification for its refusal to produce any of Elan's requested documents and data at issue in this Motion.

First, Apple does little in its Opposition to deny the relevance of the requested financial data for the older versions of the accused products that do not incorporate the accused feature, pursuant to RFPs 79-81. It instead focuses on the other differences between the products in furtherance of its attacks on Elan's damages theory. As discussed below and in Elan's Motion, each party will have an opportunity to evaluate the methodologies and the data relied upon 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.

Second, Apple, although it made a last-minute promise to produce the third-party communication documents late in the evening on which Elan filed the instant motion, it has not yet completed that production or confirmed when it would do so. In fact, it appears that some items are still missing from the production. For example, Apple has issued subpoenas to 37 parties that Elan is aware of. Apple's production to date does not include responses or objections to each of those 37 subpoenas (at least 19 seem to be missing). Nor does Apple's production include a production of documents from each subpoenaed party. Finally, Apple has not produced communications between Apple and most of these third parties. Since Apple initiated this third party discovery on its own, and initially without notice to Elan, Elan is in no position to evaluate the completeness of the production. Moreover, Elan does not even know when this third party production is expected to be complete. Therefore, Elan maintains its Motion to Compel Third Party documents until Apple has confirmed that it has produced all relevant documents and other communications with third parties, or provides a date certain by which it expects to do so.

Finally, Apple own employees' internal test data for the accused products is clearly relevant, and Apple has made no attempt to suggest otherwise. Instead Apple relies entirely upon unsubstantiated claims of burden and purported delay. Particularly in light of the fact Apple takes the position in this case that Elan has not satisfied its burden to show Apple's own employees used

the accused devices in an infringing manner, Apple simply cannot now refuse to produce its' own employee's test data, which will amply demonstrate the extent to which Apple's employees have committed acts of direct infringement. Accordingly, Elan respectively requests that the Court compel Apple to produce the discovery at issue in this motion.

I. THE COURT SHOULD GRANT ELAN'S MOTION TO COMPEL SALES DATA FOR APPLE'S OLDER VERSIONS OF THE ACCUSED PRODUCTS

A. Apple's Reasoning for Refusing to Produce Sales Data Lacks Merit

In Apple's Opposition, it spent little effort rebutting the relevance of the finance data Elan seeks. First, Apple argues that the requested sales data for the older versions of the accused products is not covered by Elan's document requests. As explained in detail in Elan's Motion, Apple is wrong. Indeed, Elan's document request 79 requests "documents relating to any internal analysis or study of anticipated and realized changes in product price, profits per units and sales volumes due to the incorporation of the Accused Instrumentality and/or the Multi-Touch technology into the Accused Products." Bu MTC Decl., Exh. A. During meet and confers on disputed topics 79-81, Apple indicated that it may not have such comparison studies. Bu MTC Decl., Exh. B, pg 7-9, 11-12. Therefore, to assist Apple to narrow the search for documents relating to "anticipated and realized changes in profit . . . due to the incorporation of the accused Instrumentality" or "customer acceptance" of iPod and MacBook products with and without the accused feature, Elan requested that Apple produce limited sales information for non-accused older versions of the accused products, so that Elan can conduct the comparison analysis on its own. *Id*. at 2-3, 8-9.

Furthermore, these narrowed requests do not prejudice Apple in any way. The discovery was requested timely, within the initial discovery period. Moreover, now that the discovery cut-off has been moved to October 2, 2011 and trial has been moved to after October 2012, Apple has ample time to collect and produce the information requested.

Apple also in its Opposition states for the very first time that its objection is also based upon the fact that all versions of the MacBook product were accused. Had Apple raised that

concern during the meet and confer, Elan could have responded at that time. Based on public information, the MacBook is the successor or replacement product for older Apple laptops such as the iBook and PowerBook line of products. The relevant discovery requests, particularly request 79 similarly cover these older predecessor products. Thus, in light of Apple's complaint that the MacBooks are all accused, Elan requests that Apple produce the sales data for the previous generations of PowerBook and iBook products that do not incorporate the accused Multi-Touch feature. Some of the later versions of the PowerBooks and iBooks contain the accused feature. Therefore, comparison analysis can be performed on the closest versions of the PowerBooks and iBooks with and without the accused multi-finger feature from the time frame of 2003 to 2006.[1]

B. The Requested Financial Data Is Relevant

The requested data is relevant to compare the revenues and/or profits Apple earns from the sales of the accused products with the Multi-Touch feature from the revenues derived from the older version of the same type of products that do not incorporate the accused feature. Through analysis of this financial information, along with other relevant data, Elan's damages expert expects to be able to distinguish the value Apple derives from the accused Multi-Touch feature, from the value of other non-accused features. As explained in Elan's Motion to Compel, this analysis may be used to quantify the price and profit premium Apple has earned by offering the accused multi-finger functionality in the accused products. *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1332 (Fed. Cir. 2009), cert. denied, 130 S. Ct. 3324 (2010). The Federal Circuit has made clear that the patentee must separate the value of the accused functionality from other unpatented features. *Id.*

Apple in its Opposition mainly argues that due to the many different non-accused features in the iPod Touch that there is no reasonable way to compare the iPod Touch with its predecessors, like the iPod classic. Elan does not deny that there are other features in the iPod Touch not found in the iPod classic, and it is not Elan's intention to ignore the potential value of those other features. But that doesn't vitiate the relevance of the simple financial information

[1] Based on public information, 2006 is roughly the year Apple discontinued the PowerBooks and iBooks and began the sales of the MacBooks.

requested by Elan. It is well-settled that requested discovery is relevant if it is reasonably calculated to lead to admissible evidence at trial. Fed. R. Civ. P. 26(b)(1). As discussed above and in Elan's opening motion, Elan's requests for financial information regarding predecessors of Apple accused products is relevant to Elan's analysis of the incremental value of the Multi-Touch function, even though the older versions of the products themselves do not include that feature. *In re Google Litig.*, 2011 U.S. Dist. LEXIS 9924, 18-20 (N.D. Cal. Jan. 27, 2011); *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1318 (Fed. Cir. 2011). Apple's suggestion that Elan must meet a higher threshold to clearly prove its damages case in order to justify this discovery is simply incorrect. It is the market reality that in most patent cases, the accused products have many patented and unpatented features and that a simple product comparison with only one variable is rare. But the difficulty of the intended analysis doesn't make the requested discovery irrelevant. Indeed, it is precisely because of this market reality that the federal courts in *Lucent* and *Uniloc* mandated that damages experts compare patented and non-patented features to determine the incremental value of the patented feature. Elan is not asking for detailed technical information, source code, or anything else related to the unaccused products. Elan simply requests that Apple provide spreadsheets similar to those already provided for some (but not yet all) of the accused instrumentalities. Because the discovery of financial data pertaining to the older versions of the accused products is likely to lead to admissible evidence, Elan has met the ***threshold*** required to find this discovery relevant.

C. Apple Failed to Identify Any Demonstrable Burden of Producing the Data That Would Outweigh the Benefit of Its Production

Apple further notes that "Elan makes no effort to try to narrow its request to iPod products that it could reasonably compare to the iPod touch." Opp. at 9. Apple is mischaracterizing the record. Elan would have been happy to meet and confer with Apple to narrow the requests to minimize Apple's alleged burden. Apple, however, never meaningfully met and conferred about the scope of the requested information. Apple simply maintained its blanket refusal to produce any older generation products' financial data. Elan has requested this information solely so that its damages expert may conduct a reasonable comparative analysis suggested by the Federal Circuit

in its recent cases. Accordingly, Elan requests that Apple produce financial information only for the released versions of the iPod Classic line of products, which should entail relatively little burden to locate and produce.

Furthermore, Apple also fails to offer any credible argument that it will be unfairly prejudiced by the requested production, such that the prejudice outweighs the obvious relevance and benefit to Elan of the requested discovery. In general, Apple has offered no concrete, particularized evidence regarding the purported undue burden of production of the requested discovery. Indeed, Apple does not allege that it is no longer in control or possession of the requested discovery, nor does Apple detail the alleged difficulty in generating the additional spreadsheets requested. Accordingly, the production is warranted in light of the relevance of this data discussed above. *In re Google Litig*., 2011 U.S. Dist. LEXIS 9924 at *18-20 (rejecting unparticularized attorney arguments regarding production undue burden).

Finally, Apple argues that it has already expended significant resources to provide Elan with extensive damages-related discovery, so any additional discovery would be unnecessary. Opp. at 11. While the parties disagree about the scope of completeness of Apple's production to date, (for example, Apple actually has failed to even produce the financial data for accused versions of the iBook and PowerBook), the other materials Apple claims to already have produced are not the subject of this motion. It is obviously irrelevant how many pages of information Apple has produced – it would be odd indeed if a party could simply produce millions of pages of documents without regard to whether they respond fully to the actual discovery requests, but then claim completeness based entirely on volume, with no consideration of substance. The mere fact that Apple has produced other financial data does not excuse its failure to produce this particular relevant financial data. Accordingly, Elan respectfully requests the Court compel Apple to produce financial spreadsheets for the older, non-accused versions of iPod Classic, PowerBook and iBook products introduced since 2003 that do not contain the accused multi-finger feature.

II. THE COURT SHOULD GRANT ELAN'S MOTION TO COMPEL APPLE'S COMMUNICATIONS WITH THIRD PARTIES

In Apple's Opposition it states that Apple unambiguously agreed "to produce the

correspondence [Elan sought] this week, along with any formal responses you have not already received. " Opp at 11. Apple, however, failed to disclose to the Court that the referenced communication was sent on July 26, at 7:43 p.m., on the evening Elan filed the instant motion, leaving Elan little time to consider Apple's eleventh hour promise to produce without seeing any actual production.[2] Furthermore, to date, Apple's actual production is fragmented at best despite its alleged "unambiguous" promise. Out of the 37 parties Apple subpoenaed, Elan has not received responses or objections, formal or informal, to Apple's subpoenas from 19 of these parties. Nor has Elan received actual production of documents from at least 17 of these third parties. Furthermore, Elan has not seen any communication between Apple and 29 of these subpoenaed parties. Bu Reply Decl., Exh. 4. Apple initiated this third-party discovery on its own, initially without any notice to Elan. Apple is the only party communicating with the third parties regarding their responses to the subpoenas. Therefore, Elan has no way to ascertain the completeness of the information Apple has produced to date.

Moreover, Apple has never confirmed that it has produced all of its communications with third parties regarding this lawsuit or Apple's patents, which is requested by RFP 29. Nor has Apple confirmed that it has produced all communications and documents related to the subpoenas. Apple's promises to produce all such information at some unknown point in the future are not sufficient. Therefore, Elan is not in a position to withdraw its motion to compel, until Apple has (1) confirmed the status of its subpoenas with all third parties, including whether responses (and objections) and document productions are forthcoming, and a date certain for completion of this discovery; and (2) confirmed that it has produce d all communications Apple has had with third parties regarding this lawsuit, Apple's patents, and/or the subpoenas, or a date certain by which all that information will be produced. Accordingly, Elan requests that the Court compel Apple to produce the complete set of discovery requested, as well as all relevant communications and

[2] Indeed, this is a favorite tactic of Apple's counsel, to bombard Elan with last minute emails late in the evening when Elan has indicated it will file a motion (or must file a responsive pleading), leaving Elan little or no time to respond, and creating the illusion of a robust meet and confer process. Elan has not filed this motion precipitously, and there were many opportunities for Apple to respond appropriately during the meet and confer process. Apple's last minute maneuvers do not substitute for timely meet and confer. *See* Bu Reply Decl., Exhs. 3 and 4.

documents regarding the third party subpoenas, and confirm when such production is complete.

III. THE COURT SHOULD GRANT ELAN'S MOTION TO COMPEL DOCUMENTS RELATED TO APPLE'S TESTING OF THE ACCUSED PRODUCTS

Apple's concedes that the testing data Elan seeks is relevant. Indeed, Apple's former engineer, Ms. Stephanie Cinereski, explained that Apple's test tool could display the raw capacitance data from the trackpad when tested by Apple's own employees. Bu Reply Decl., Exh. 1 (Cinereski Depo. Tr. 109:9 – 110:12). Instead, Apple's excuse for refusing to produce this relevant data hinges on the theory that it is overly burdensome to locate and produce such data. Apple also claims that, even though Elan requested this information in discovery requests prior to the original close of discovery, Elan did not ask soon enough, so should be denied the discovery on that basis too. Elan disagrees with both of these assertions, and neither justifies Apple's refusal to at least conduct a reasonable search and to produce such relevant data.

A. Apple's Own Extreme Positions Taken In The Case Necessitate Elan's Discovery Of Apple's Internal Test Documents

First, discovery of Apple's internal testing documents is necessary because of the extreme position Apple has taken in this litigation and in the parallel ITC investigation. In opposing Elan's partial summary judgment motion, Apple argued that Elan failed to provide evidence that Apple employees test or use its accused products in an infringing manner. *See, e.g.*, Dkt. 238 [June 2, 2011 Apple's Opp'n to Elan's Motion for Partial Summary Judgment] at 15-16. Since infringement occurs when the touchpad is operated with multi-finger touches or gestures, documents reflecting the results of use of these testing tools by Apple's employees may be clear evidence of direct infringement by Apple's employees. However, Apple claims that Elan has not met its burden to prove that Apple has in fact conducted these tests. *Id*.

Apple further confirmed that it is relying on this position during the hearing on Elan's partial summary judgment motion on August 4, 2011. While seemingly agreeing with the Court that Elan does not have to prove the elementary point that a company tests the advertised features of the products it sells, Apple maintained that Elan has not satisfied its burden to show that Apple's own employees use the accused devices in an infringing manner.

THE COURT: Although it -- doesn't it, using the old adage, "straining

> credulity," to suggest whether or not, right or wrong with respect to the rest of their argument, that there really cannot be any serious question that, using your term, the "legacy products" were not in some fashion utilized by Apple's own employees in the testing process?
>
> MR. POWERS: That is not the position we are talking.
>
> THE COURT: It's not in the record, but it's such an elemental proposition that should a party even be required to establish that particular issue?
>
> MR. POWERS: I take Your Honor's point, but there is two problems with that. One is, it is their burden, and they have not met it. Two, it's not just their burden to show we used their equipment; it's their burden to show we used it in an infringing way.

Bu Reply Decl., Exh. 2 (8/4/11 Hearing Tr. at 35:2-17). Accordingly, Elan's discovery is precisely tailored to seek evidence of Apple's own infringing use of the accused device. Apple cannot on one hand refuse to produce any of its internal use and testing data for the accused products, while on the other hand claiming Elan's lack of such data defeats Elan's summary judgment motion.

B. Elan Timely Sought this Data and Is Entitled to Its Production

Apple's arguments regarding timeliness are misleading and irrelevant. First, these relevant documents were first requested by Elan's Request for Production Nos. 20-21 issued on August 6, 2009 ("All documents and things concerning the design, research, development, and/or testing of Apple's Products."; "Documents concerning or relating to the structure, function, or operation of the Apple Product(s), including, but not limited to . . . test plans, test results, ..."). After discovering some of Apple's test data in its production, Elan issued subsequent discovery requests, RFP 101-104, which were explicitly directed to the very documents requested by this motion, and which gave Apple considerable guidance regarding the specific discovery sought.

Second, Elan's RFPs 101- 104, were served well before the fact discovery cutoff in effect at that time. Apple cites no case to support its argument that a party is precluded from obtaining certain discovery requested later in the discovery process, even though the discovery requests were served within the time limits allowed by the Federal Rules of Civil Procedure and case schedule. Furthermore, as discussed above, Elan requested this discovery years before, and its subsequent requests were served later after learning of Apple's outlandish position that Elan has failed to prove that Apple employees test the advertised features of its products.

Further, Apple bears the burden of showing specific prejudice or harm that will result if it complies with Elan's discovery request. *Phillips v. Gen. Motors Corp*., 307 F.3d 1206, 1210-11 (9th Cir. 2002). Broad allegations of harm without specific examples do not satisfy the burden. *Beckman Indus. Inc. v. Int'l Ins.* Co., 966 F.2d 470, 476 (9th Cir. 1992) ("broad allegations of harm, unsubstantiated by specific examples or articulated reasoning, do not satisfy the Rule 26(c) test"). In its Opposition, Apple has not provided any specific examples of prejudice or harm. Instead, Apple states that Elan's request would require that Apple interview its "many engineers". This is far from the specific prejudice required by Rule 26(c). Apple does not quantify the number of employees it would have to interview or whether the inquiry would be anything beyond simply asking within the relevant business units "have you ever used the testing tool to generate data and if so where is the data stored?" Instead, Apple implies that Elan's request would require that Apple interview every engineer in the company. Bu Decl., Exh. 3. Elan has made no such request. Elan asks only that Apple satisfy its burden under the Federal Rules of Civil Procedure to conduct a reasonable investigation to locate the information requested. Elan acknowledges that Apple has offered to request the relevant data from two of its current or former engineers, Ms. Cinereski and Mr. Westerman, again at 8:00pm on the evening, Elan filed this motion. *Id*. at 3. However, Elan has also requested that Apple conduct a reasonable inquiry of others within the company who designed and tested Apple's touch-input devices. Surely not every engineer in Apple worked on these particular product components or the accused feature, and Apple is clearly in a far superior position to Elan to determine who should be asked for such relevant information. Under Apple's strained theory of "undue burden," any request for production would cause an undue burden on the producing party if it involved any kind of inquiry. However, Rule 26(g)(1) requires the producing party to perform a "reasonable inquiry" – something that Apple steadfastly refuses to do.

Finally, Apple states that Elan has not responded to its request to narrow the scope of the discovery request. Bu Reply Decl., Exh. 3. Elan acknowledges that Apple has offered to search the electronic files of two relevant engineers, and Elan expects that Apple will conduct that search

and produce the relevant data. Elan does not, however, agree that such a limited search and an unsubstantiated promise to provide the data if it was found fully satisfies Apple's discovery obligations. The Apple employees' computers that Apple offers to search are individuals that Elan already identified on the telephonic meet and confer. Elan's concern, which led to this motion, is that Apple refuses to perform a reasonable inquiry with any other Apple employees and instead repeatedly demands that Elan provide a list of additional employees beyond the two individuals that Elan already identified. This is nonsensical. Apple's employees are not under Elan's control and thus, Elan has no way to determine which employees would have used the testing tool to generate data or whom Apple should interview to locate the relevant information. Bu Reply Decl., Exh. 3. Accordingly, Elan respectfully requests that the Court compel Apple to conduct a reasonable investigation, and to produce documents and test data responsive to RPFs 101-104.

CONCLUSION

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

1. Sales, revenue, profit, and cost information, in native spreadsheet format, for classic iPod, iBook, and PowerBook products without the Multi-Touch feature since 2003;

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

3. All documents responsive to RFPs 101-104 relating to the accused functionality of the accused products.

DATED: August 16, 2011

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