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

16 ELAN MICROELECTRONICS CORPORATION,
 17 Plaintiff,
 18 v.
 19 APPLE, INC.,
 20 Defendant.

Case No. 09-cv-01531 RS
ELAN MICROELECTRONICS CORPORATION'S REPLY BRIEF IN SUPPORT OF ITS MOTION TO STAY PENDING FINAL DETERMINATION BY THE ITC OF INVESTIGATION NO. 337-TA-714

Date: June 3, 2010
 Time: 1:30 p.m.
 Dept.: Courtroom 3, 17th Floor
 Judge: Richard Seeborg

22 AND RELATED COUNTERCLAIMS
 23

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I. INTRODUCTION

It makes little sense for this Court to devote its resources to resolving infringement and validity issues with respect to Elan’s ’352 patent and Apple’s accused products when the ITC is will be devoting its resources to the same issues at the same time and capable of resolving those issues much more quickly. The ’352 patent is at the center of the parties’ dispute, as the Court can see from the claim construction briefing. While the ITC’s decision will not be binding on this Court, there is no doubt that the proceedings in the ITC will narrow the issues and create a factual record which can assist this Court. In the meantime, this Court can devote its resources to construing Apple’s asserted patent claims and resolving infringement and validity issues with respect to those claims. Apple is the larger company by far, and can afford to litigate the same issues simultaneously on two coasts although it is inefficient for the parties and the tribunals. Apple’s argument that it would be harmed by a stay because the uncertainty created by Elan’s infringement claims does not ring true. This Court has discretion to grant the requested stay and should do so.

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II. ARGUMENT

A. Nothing In Federal ITC Legislation Deprives The District Court of the Power to Stay An Action or Claim On Its Docket

Apple argues that statutory provision that give Apple the right to stay district court proceedings somehow weighs against Elan’s request that the Court use its discretion to stay. Docket No. 91 at 2:2-3:14. Whether deliberately or inadvertently, Apple’s Opposition misses the point, which is that no matter which party files the ITC action, litigating the same infringement and validity issues in two fora on opposite sides of the country is wasteful of both parties’ resources and the Court’s resources. By providing that defendants charged with patent infringement in both in the ITC and in district court are entitled to a stay, Congress did not silently divest the District Court of its inherent power to control its docket. If Congress intended to prohibit a stay sought by the patentee where the accused infringer opposes it, Congress would have written and enacted just such language. It did not. Nothing in 19 U.S.C. § 1337 says that granting a stay requested by a patentee that has sued in the ITC after suing in the district court is

1 “inappropriate.” As such, this Court should consider whether or not a stay is warranted based on
2 the *Landis* factors discussed in Elan’s opening brief and below.

3 **B. Apple’s Analysis of The Factors To Be Weighed Cannot Survive Scrutiny**

4 **1. Apple’s Argument That It Would Be Prejudiced By A Stay Because Its**
5 **Sales Could Suffer As A Result of Accusations of Infringement Asks the**
6 **Court To Accept Conjecture over Reality.**

7 Apple argues that a stay should be denied, especially as to Elan’s ’353 patent, because
8 “Apple is entitled to a prompt adjudication that its accused products—the iPhone and the iPod
9 Touch—do not infringe the ’353 patent.” Docket 91 at 4:19-22, citing *Cheng v. Sighting Sys.*
10 *Instruments, LLC*, No. 106-cv-2326, 2007 U.S. Dist. LEXIS 33118 (N.D. Ga. May 3, 2007), a
11 case in which a district court denied the patentee plaintiff’s motion to stay its infringement action
12 defendant’s declaratory judgment claims pending the USPTO’s disposition of the patentee’s
13 request for reissuance of the patent in suit to add new claims. The court reasoned that while a stay
14 might eliminate the need for a second lawsuit (to assert the new claims if the PTO allowed them)
15 the *potential* for a later suit did not eliminate what the court found was “real prejudice” defendants
16 were suffering from the uncertainty. *Id.* at * 7. Apple asks this Court to assume, with no
17 evidence, that sales of the Apple iPhone and iPod will suffer from the cloud of the accusation of
18 infringing Elan’s ’353 patent. First, Apple has not even alleged that its sales of these devices have
19 suffered. On the contrary, the Court can take judicial notice that the iPhone and iPad are
20 extremely successful products. Second, other patent holders have accused the same products of
21 infringing many, many other patents in other lawsuits. For example, Nokia has sued Apple in
22 three different forums alleging that the Apple iPhone infringes as many as twenty-one different
23 Nokia patents. *See* Declaration of T. Hunter Jefferson in Support of Elan’s Motion to Stay
24 (“Jefferson Decl.”) at ¶ 2. Kodak and HTC have also sued Apple alleging that the iPhone
25 infringes their patents. *Id.* at ¶ 3. If there were any evidence that Apple’s sales have “suffered”—
26 which there is not--- such losses cannot logically be blamed on Elan’s patent infringement claims
27 alone when there is so much other patent litigation involving Apple’s iPhone and iPod products.
28 Third, Apple sells its products to end-user consumers, not as parts for incorporation into other
products. While companies might refrain from purchasing components accused of infringement

1 out of concern that they also might be sued by the patentee, Apple provides no basis to conclude
2 that the same is true of consumers who buy electronic devices for their own personal use. Apple
3 cannot seriously contend that even one consumer has chosen a competing phone or device out of
4 fear that Elan will accuse him or her of infringing the '353 patent. Fourth, the *Festo* decision,
5 inexplicably cited for Apple's "prejudice" factor, is a case about how competitors should be able
6 to rely upon a patent and its prosecution history when designing their own products to avoid
7 infringement. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 732 (2002).
8 It does not stand for the proposition that the district court should avoid staying an infringement
9 case so that accused infringers will not have to wait to learn whether their noninfringement
10 theories will be vindicated or rejected. Fifth, Apple has offered no evidence that it has been
11 "deterred" from engaging in manufacture by the allegation that it infringes Elan's '353 patent. On
12 the contrary, Apple appears to be manufacturing and importing the accused products as fast as it
13 can.

14 Apple next argues, with respect to Elan's 352 patent, that "this action is already a year
15 ahead of the ITC action and claim construction is well underway." Docket. 91, at 5:8. Apple is
16 correct insofar as Elan filed its complaint on April 7, 2009. Because of various delays and
17 extensions, however, the district court case is still in its early stages. The parties have filed
18 opening claim construction briefs but the *Markman* hearing will not take place until June 23, 2010.
19 Due to Apple's continued delay in providing discovery, no fact depositions have taken place. *See*
20 *Jefferson Decl.* at ¶ 4. In other words, the opportunity still exists to avoid significant duplicative
21 discovery with respect to the '352 patent, and to conserve this Court's judicial resources by letting
22 the ITC investigation go forward first. Apple predicts that "[t]his case should be well past claim
23 construction and even summary judgment by that time, and may in fact be at or close to a jury
24 trial." Docket. 91, at 5:12-14. But Apple's position, again, is nothing more than speculation as to
25 when the Court will issue its claim construction orders. Such orders often do not issue for many
26 months after a *Markman* hearing, even where only a few patents and claim terms are at issue.
27 Here, the parties have briefed disputes about the meanings of (or corresponding structure for) ten
28 claim terms in four patents. Similarly, there is no schedule for the remaining discovery or trial

1 date. Similarly, a motion for summary judgment takes at least six weeks to brief and argue and
2 frequently, because of the press of civil and criminal actions in this district, it can take six months
3 or more for the Court to rule on a dispositive motion. The Court's trial calendar may well not
4 allow for a trial for another year or more. The ITC, however, must reach an Initial Determination
5 within a specified time. Indeed, the parties and the staff are discussing target dates between
6 twelve and fourteen months away. *See* Jefferson Decl. at ¶ 5.

7 Apple's final argument that it would be prejudiced by the stay Elan proposes is that the
8 ITC's decisions are not binding on this Court, additional Apple products are accused in this Court
9 and the ITC will not decide issues relating to damages. All these points are true. Yet, as a
10 practical matter, an ITC determination that Apple's products at issue in the ITC case infringe the
11 '352 patent and an exclusion order barring import of the products would have a huge impact on
12 the posture of this action. Similarly, if the ITC were to accept Apple's defenses, or any one of
13 them, this Court might find this action distilled to its essence and susceptible to resolution on
14 motions.

15 Apple's prejudice argument tails off into grumbling that Elan has offered no explanation
16 for initiating an ITC action a year after filing in district court and baseless accusations that Elan's
17 motivation in seeking a stay to avoid claim construction in this court. In fact, both parties revised
18 their claim construction positions with respect to individual words and phrases between initially
19 exchanging claim constructions and the final filing of an amended joint claim construction
20 statement on the same day as the opening briefs. It is not clear how Apple believes Elan's actions
21 in 2010 are the reasons that the ITC statutes entitle an accused infringer to stay a district court
22 action when there is a parallel ITC investigation- an entitlement of which Apple chooses not to
23 avail itself. As Apple notes, the ITC offers relief that is not available in the district court- an
24 exclusion order barring import of the products at issue into the United States. Elan hardly needs to
25 justify invoking the ITC's jurisdiction to enforce its '352 patent against an infringer that scoffs at
26 smaller companies' patent rights and uses its substantial resources to delay discovery in the district
27 court as much as possible, while simultaneously manufacturing the accused products abroad and
28 importing infringing products on a massive scale.

1 **2. Proceeding on the '352 Issues In Two Tribunals at Opposite Ends of**
2 **the Country When The ITC Can Resolve These Issues Much More**
3 **Expediently is Substantial Hardship That Justifies A Stay**

4 Apple asserts that because Elan filed this action, it has no basis to claim hardship or
5 inequity from proceeding in two cases at once in the same dispute. Again, Apple asks this court
6 to find lack of hardship on Elan's part by conjecture based on a single fact and ignoring everything
7 that has happened since Elan filed its complaint. Since Elan filed its complaint, Apple has taken
8 every opportunity to delay, both by seeking extensions from the Court and by helping itself to an
9 extension of the cut-off of claim construction discovery by not producing documents and then
10 pointing out that its inventors should not be deposed until all the documents were produced. Elan
11 noticed the depositions of Apple inventors Messrs. Hamlin, Bollinger, Della Bona, Novak and
12 Marriott on February 8 and 10, 2010. *See* Jefferson Decl. at ¶ 6. Apple promised to identify the
13 inventors' availability by February 24, but failed to do so. As for inventor-related documents,
14 Apple represented that it would substantially complete its document production relating to the
15 inventors by the end of March. By March 23, however, Apple would only commit to product
16 documents on a rolling basis so that most of them would be produced by the end of April. When
17 Elan asked Apple on March 24 to confirm that Elan could take the depositions of four Apple
18 inventors sometime in April, Apple's agreed only to aim to make the subpoenaed inventors
19 available for depositions in May and June. To date, Apple has produced only a handful of
20 inventor-related documents. The first inventor depositions will finally take place the week of May
21 24, 2010. *Id.*

22 Meanwhile, as discussed above, Apple has continued to import and sell infringing products
23 in large numbers. Apple uses the "multi-touch" feature of its products, and applications that make
24 full use of that feature, to differentiate its products from the competition, in its advertising and in
25 other Apple marketing. Rather than being chilled by the "uncertainty associated with Elan's
26 claims" Apple has expanded its infringing activity, launching new multi-touch capable products
27 since this suit was filed. In short, Apple, while it tries to paint Elan as a patent troll, has used its
28 vast resources to scoff at Elan's patent rights. In light of the delays Apple has succeeded in
causing in this forum, it is not surprising that Elan went to a forum known for speed and for the

1 unique remedy of the exclusion order barring infringing products from the United States.¹

2 Apple cites several district court cases from the districts of Nebraska, Pennsylvania and
3 Virginia, as well as one from this district, denying plaintiff's motions for stays. A motion for a
4 stay is a fact-specific motion, and the cases Apple has found are readily distinguishable. In
5 *Baisden v. Bourne*, No. 8:06-cv-517, 2006 U.S. Dist. LEXIS 88114 at *11 (D. Neb. Dec. 5, 2006)
6 the plaintiff was seeking to stay its own case alleging various business torts pending resolution of
7 a civil fraud case filed against it in the Eastern District of California by the United States. The
8 same parties were not involved in both cases. An ITC investigation moves faster and requires
9 more resources during its pendency than almost any district court action. *Legal Asset Funding,*
10 *LLC v. Venenski*, 358 F. Supp. 2d 425, 427 (M.D. Pa. 2005), involved a motion to stay pending a
11 related action in a state court which also involved different parties and disputes. Because the other
12 forum was a state court, the district court considered the six factors from *Moses H. Cone Mem'l*
13 *Hosp. v. Mercury Constr. Corp.*, 460 U.S. 1 (1983), not the factors for evaluating a discretionary
14 stay set forth in *Landis v. North America*, 299 U.S. 248, 255 (1936), which both parties agree is
15 the test applicable to Elan's motion. In *Aventis Pharma Deutschland GMBH v. Lupin Ltd.*, 403 F.
16 Supp. 2d 484, 491 (E.D. Va. 2005), a pharmaceutical company filed two identical patent
17 infringement suits in Maryland and then two days later in Virginia against the same generic drug
18 manufacturer defendant to eliminate the risk that the Maryland district court might conclude that it
19 lacked personal jurisdiction over one of the defendants, which had consented to jurisdiction in
20 Virginia. The court noted that patent actions alleging infringement based on abbreviated new drug
21 applications are to be expedited, pursuant to 21 U.S.C § 355 (c) (3)(C) and opined that plaintiffs
22 could remedy the burden of proceeding in two districts at once by voluntarily dismissing one

23
24 ¹ *Beijing Tong Ren Tang (USA) Corp. v. TRT USA Corp.*, No. 5:09-cv-882, 2009 U.S. Dist.
25 LEXIS 123128 (N.D. Cal. Dec. 18, 2009), cited by Apple for the statement "being required to
26 defend a suit, without more, does not constitute a 'clear case of hardship or inequity,'" is different
27 from this case. In that case, the plaintiff sued the defendant in federal court for trademark
28 infringement, invoking federal question subject matter jurisdiction, after the defendant sued it in
state court for breach of contract, fraud and other state court causes of action. The district court
denied the stay because the state court action could not resolve the trademark issues that were
central in the federal case, and because it found that coordinating discovery would eliminate the
danger of duplicative discovery. Here, the ITC will resolve the issues of infringement and validity
of the '352 patent.

1 action. *Id.* at 491. *Bechhold v. Bogner* involved a motion filed by a *pro se* plaintiff to stay his
2 action in California on the grounds that he had filed a motion for sanctions for defendant's
3 contempt of a consent order issued in the Western District of Michigan in 2003. *See* No. C-07-
4 0870 SBA, 2008 U.S. Dist. LEXIS 6824 at *8 (N.D. Cal. Jan. 16, 2008). There were no
5 counterclaims, so the court found that the plaintiff could obtain the benefit of a stay by moving to
6 voluntarily dismiss his action without prejudice and so he was not "forced to pursue multiple
7 actions" as plaintiff phrased his "hardship." *Id.* at *7. Here, Elan cannot obtain the effect of a
8 stay by voluntarily dismissing its action because Apple has counterclaimed on Elan's patents and
9 asserted its own patents and takes the position that this Court should resolve all the issues raised in
10 its counterclaims.

11 **3. The Requested Stay Would Serve Judicial Efficiency and That, In**
12 **Combination With Preventing Hardship to Elan, the Smaller Party,**
13 **Justifies a Stay**

14 Apple contends that a stay will lead to inefficiency (Docket 91 at 8) but its only arguments
15 are that 1) this case has advanced further than the ITC action and 2) that the scope of the ITC
16 investigation is narrower. Neither of these facts leads to the conclusion that a stay would
17 undermine the goal of efficiency. As discussed above, this case had a one year head start, but it
18 has languished for much of that year and the ITC action can quickly catch up using the ITC's
19 streamlined procedures. On April 30, 2010, Apple served its first set of interrogatories which
20 covered a wide range of issues, including Elan's infringement theories. Elan has already
21 responded to these interrogatories, as the ITC's rules require responses within ten days. Apple
22 has likewise already responded to Elan's interrogatories and document requests. Fact and expert
23 discovery in the ITC will be completed in a matter of months, while no discovery cut-off has yet
24 been scheduled in this suit. If Judge Luckern sets a target date twelve months away, the ITC's
25 hearing will take place in September of this year. Even if a fourteen month schedule is entered,
26 the hearing will be in November of this year. *See* Jefferson Decl. at ¶ 5.

27 Apple cites two cases for the proposition, which is not disputed, that the ITC's decisions
28 are not binding on a district court, and one decision from this district in which a stay was denied
on the grounds that, on the specific facts presented in that case, a stay would not narrow the issues.

1 In that case, a defendant in the district court case moved to stay the district court case pending an
2 ITC investigation initiated by the plaintiff against the defendant's supplier, a third party.
3 *American Honda Motor Co. v. Coast Distrib. Sys.*, No. C-06-04752 JSW, 2007 Dist. LEXIS
4 19981 * 2 (N.D. Cal. Feb. 26, 2007). The district court reasoned that a stay would not narrow the
5 issues because "while the ITC proceeding will potentially involve the same products as the current
6 suit, the patents relate to different portions and pieces of the engine in the allegedly infringing
7 products." *Id.* at *6.

8 This case is different. In Elan's ITC complaint, Elan has accused the same Apple products
9 of infringing the '352 patent, the pioneering patent that covers the multi-touch technology that
10 Apple's iPhone and iPod touch products have implemented and marketed so successfully. In the
11 May 7, 2010 exchange of opening claim construction briefs, both parties devoted the largest part
12 of their briefs to the disputed claim terms of Elan's '352 patent. *See* Docket No. 87 (Elan's
13 Opening Br.) and No. 85 (Apple's). Elan is the first to admit that the '353 patent, although valid
14 and infringed, covers a more narrow set of features and is infringed by fewer Apple products:
15 iPhone and iPod but not computers. Apple, for its part, asserted three patents against Elan only
16 after Elan sued Apple. After taking discovery from Elan for the better part of a year with respect
17 to Apple's '929 patent, which claims as new and nonobvious a touch pad assembly that rests on
18 the recessed edge of a hole in hand-rest portion of the computer housing, on May 7, 2010 (check
19 please), on the Court granted Apple's motion to amend its counterclaims to drop the '929 patent
20 without Elan's even needing to bring a motion. *See* Docket No. 90. Elan anticipates disposing of
21 Apple's counterclaims for infringement of its '659 and '218 patents by motion for summary
22 judgment soon after the Court issues its claim construction. At any rate, Elan has not moved for a
23 stay with respect to Apple's remaining patents. Thus, it would be efficient for this Court to focus
24 its resources on resolving the claims and counterclaims based on Apple's asserted patents while
25 the ITC takes the first crack at the issues of the infringement and validity of the '352 patent.

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