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11 Apple Inc.

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

15 ELAN MICROELECTRONICS
16 CORPORATION,

17 Plaintiff and Counterclaim
18 Defendant,

19 v.

20 APPLE INC.,

21 Defendant and Counterclaim
22 Plaintiff.

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

**APPLE INC.'S THIRD AMENDED
ANSWER, AFFIRMATIVE
DEFENSES, AND COUNTERCLAIMS
TO ELAN MICROELECTRONICS
CORPORATION'S COMPLAINT FOR
PATENT INFRINGEMENT**

Hon. Richard Seeborg

Demand for Jury Trial

1 Defendant Apple Inc. ("Apple") by and through its undersigned counsel, hereby
2 responds to Plaintiff Elan Microelectronics Corporation's ("Elan") Complaint for Patent
3 Infringement ("Complaint") as follows:

4 **I.**

5 **ANSWER**

6 **PARTIES**

7 1. Apple is without knowledge or information sufficient to form a belief as to
8 the truth of the statements in Paragraph 1 of the Complaint, and, on that basis, denies those
9 allegations.

10 2. Apple admits that U.S. Patent No. 5,825,352 ("the '352 patent") states on
11 its face that it is entitled "Multiple Finger Contact Sending Method for Emulating Mouse Buttons
12 and Mouse Operations on a Touch Sensor Pad." Apple is without knowledge or information
13 sufficient to form a belief as to the truth of the allegations concerning Elan's purported ownership
14 of all right and title to the '352 patent and, therefore, denies those allegations. Except as so
15 expressly admitted herein, Apple denies the allegations in Paragraph 2 of the Complaint.

16 3. Apple admits that U.S. Patent No. 7,274,353 ("the '353 patent") states on
17 its face that it is entitled "Capacitive Touchpad Integrated with Key and Handwriting Functions."
18 Apple is without knowledge or information sufficient to form a belief as to the truth of the
19 allegations concerning Elan's purported ownership of all right and title to the '353 patent and,
20 therefore, denies those allegations. Except as so expressly admitted herein, Apple denies the
21 allegations in Paragraph 3 of the Complaint.

22 4. Apple admits the allegations in Paragraph 4 of the Complaint.

23 **JURISDICTION AND VENUE**

24 5. Apple admits that Elan's Complaint purports to be an action that arises
25 under the patent laws of the United States, 35 U.S.C. § 1 *et seq.*, but denies any wrongdoing or
26 liability on its own behalf for the reasons stated herein. Apple admits that this Court has subject
27 matter jurisdiction under 28 U.S.C. §§ 1331 and 1338(a). Except as so expressly admitted herein,
28 Apple denies the allegations in Paragraph 5 of the Complaint.

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- 19. Apple denies the allegations in Paragraph 19 of the Complaint.
- 20. Apple denies the allegations in Paragraph 20 of the Complaint.
- 21. Apple denies the allegations in Paragraph 21 of the Complaint.

PRAYER FOR RELIEF

22. Apple denies that Elan is entitled to any of the relief sought in its prayer for relief. Apple has not directly or indirectly infringed the '352 and '353 patents, either literally or by the doctrine of equivalents, willfully or otherwise. Elan is not entitled to recover statutory damages, compensatory damages, enhanced damages, an accounting, injunctive relief, costs, fees, interest, or any other type of recovery from Apple. Elan's prayer should, therefore, be denied in its entirety and with prejudice, and Elan should take nothing.

DEMAND FOR JURY TRIAL

23. Apple does not object to a trial by jury on all issues so triable.

II.

DEFENSES

As and for its affirmative defenses, Apple alleges as follows:

FIRST DEFENSE – NON-INFRINGEMENT

24. Apple does not infringe and has not directly or indirectly infringed any claims of the '352 and '353 patents, either literally or under the doctrine of equivalents, willfully or otherwise.

SECOND DEFENSE – INVALIDITY

25. Elan's alleged claims for infringement of the '352 and '353 patents are barred because each and every claim of the '352 and '353 patents is invalid for failure to comply with the requirements of Title 35 of the United States Code, including but not limited to Sections 101, 102, 103, and/or 112.

THIRD DEFENSE – LACHES

26. Elan's claims for relief are barred in whole or in part by the doctrine of laches.

FOURTH DEFENSE – ESTOPPEL

1 27. Elan's claims for relief are barred in whole or in part by the doctrine of
2 equitable estoppel.

3 **FIFTH DEFENSE – STATUTE OF LIMITATIONS**

4 28. To the extent Elan seeks damages for alleged infringement more than six
5 years prior to filing of this action, the relief sought by Elan is barred by 35 U.S.C. § 286.

6 **SIXTH DEFENSE – NOTICE**

7 29. To the extent Elan seeks damages for alleged infringement prior to its
8 giving actual or constructive notice of the '352 and '353 patents to Apple, the relief sought by
9 Elan is barred by 35 U.S.C. § 287.

10 **SEVENTH DEFENSE – NO INJUNCTIVE RELIEF**

11 30. To the extent Elan seeks injunctive relief for alleged infringement, the
12 relief sought by Elan is unavailable because any alleged injury to Elan is not immediate or
13 irreparable and because Elan has an adequate remedy at law for any alleged injury.

14 **III.**

15 **COUNTERCLAIMS**

16 Counterclaim-Plaintiff Apple counterclaims against Counterclaim-Defendant Elan
17 as follows:

18 **PARTIES**

19 31. Apple is a corporation organized under the laws of the State of California
20 and having a principal place of business at 1 Infinite Loop, Cupertino, CA 95014.

21 32. Elan alleges that it is a corporation organized under the laws of Taiwan
22 R.O.C. with a principal place of business at No. 12, Innovation 1st Road, Science Based
23 Industrial Park, Hsinchu Taiwan R.O.C.

24 **JURISDICTION AND VENUE**

25 33. These counterclaims arise under Title 35 of the United States Code. The
26 Court has subject matter jurisdiction over these counterclaims pursuant to 28 U.S.C. §§ 1331,
27 1338(a), 2201, and 2202.

1 34. Elan is subject to personal jurisdiction in this district arising out of its
2 systematic and continuous contacts with this district and its purposeful acts and/or transactions
3 directed toward this district. Such contacts include without limitation Elan's past and ongoing
4 infringing conduct in this district, Elan's bringing of this lawsuit in this district, and, on
5 information and belief, Elan's presence and conduct of business in this district through ELAN
6 Information Technology Group, operating in Cupertino, California 95015.

7 35. Venue is proper in this judicial district under 28 U.S.C. § 1391.

8 **THE DISPUTE**

9 36. Elan designs, markets, manufactures and sells touch-sensitive input devices
10 or touchpads and related components, including but not limited to the Smart-Pad product. These
11 products are incorporated into products that are sold in the United States and are used by
12 consumers in the United States, including for example, as part of laptop computers.

13 37. Laptop computers including Elan touchpads and related components are
14 available for purchase throughout the United States, including in this judicial district. These
15 products are available for purchase in this judicial district from retailers, distributors and middle-
16 men, including for example, at retail outlets (e.g., Best Buy) and on the internet (e.g.,
17 www.amazon.com).

18 38. Upon information and belief, Elan touchpads and related components are
19 used by consumers and users of the laptop computers including such touchpads and components
20 throughout the United States, including in this judicial district.

21 39. Upon information and belief, Elan markets, sells and supports its touch-
22 sensitive input devices or touchpads and related components in the United States directly and
23 through its agent Elan Information Technology Group ("EITG"). EITG is Elan's wholly-owned
24 subsidiary, with its principal place of business in this judicial district. *See Order Denying*
25 *Defendant Elan Microelectronics' Motion to Dismiss in Agilent Technologies, Inc. v. Elan*
26 *Microelectronics Corp.*, Case No. 04-5385-JW (N.D. Cal. Nov. 29, 2005). Elan maintains a
27 "worldwide network of sales channels and technical support," including in North America. *Id.*
28 EITG is the North American hub for that network. *Id.* Elan's co-founder, chief-engineer and

1 head of R&D served as President and registered agent of EITG. *Id.* EITG directly purchases
2 products from Elan and turns around to sell them to California companies. *Id.* Elan has caused
3 its products to be imported into the United States, specifically to the Northern District of
4 California. *Id.* Elan maintains a continuous business relationship with the United States through
5 its EITG office. *Id.* Elan directs its customers in North America to contact EITG for products
6 and services. *Id.*

7 **FIRST COUNTERCLAIM – DECLARATORY JUDGMENT**

8 **'352 PATENT**

9 40. Apple incorporates herein by reference the allegations of paragraphs 1 - 39
10 of this Answer, Affirmative Defenses and Counterclaims (“Answer”).

11 41. Apple counterclaims against Elan pursuant to the patent laws of the United
12 States, Title 35 of the United States Code, and the Declaratory Judgments Act, 28 U.S.C. §§ 2201
13 and 2202.

14 42. In its Complaint, Elan alleges that Apple is now and has been directly
15 and/or indirectly infringing the '352 patent by the sale of at least its iBook, PowerBook,
16 MacBook, iPhone and iPod Touch products.

17 43. An actual controversy exists between Elan and Apple by virtue of the
18 allegations of Elan’s Complaint and Apple’s Answer as to the validity and infringement of the
19 '352 patent.

20 44. The '352 patent is invalid and not infringed, as set forth in paragraphs 24
21 through 30 above.

22 45. Apple is entitled to judgment that the '352 patent is invalid and not
23 infringed.

24 **SECOND COUNTERCLAIM – DECLARATORY JUDGMENT**

25 **'353 PATENT**

26 46. Apple incorporates herein by reference the allegations of paragraphs 1 - 45
27 of this Answer.

1 47. Apple counterclaims against Elan pursuant to the patent laws of the United
2 States, Title 35 of the United States Code, and the Declaratory Judgments Act, 28 U.S.C. §§ 2201
3 and 2202.

4 48. In its Complaint, Elan alleges that Apple is now and has been directly
5 and/or indirectly infringing the '353 patent by the sale of its iPhone and iPod Touch products.

6 49. An actual controversy exists between Elan and Apple by virtue of the
7 allegations of Elan's Complaint and Apple's Answer as to the validity and infringement of the
8 '353 patent.

9 50. The '353 patent is invalid and not infringed, as set forth in paragraphs 24
10 through 30 above.

11 51. Apple is entitled to judgment that the '353 patent is invalid and not
12 infringed.

13 **THIRD COUNTERCLAIM – PATENT INFRINGEMENT**

14 **'218 PATENT**

15 52. Apple incorporates herein by reference the allegations of paragraphs 1 - 51
16 of this Answer.

17 53. Apple is the owner of the entire right, title and interest in and to U.S. Patent
18 No. 5,764,218 (“the '218 patent”) entitled “Method And Apparatus For Contacting A Touch-
19 Sensitive Cursor-Controlling Input Device To Generate Button Values,” which was duly and
20 legally issued on June 9, 1998 in the name of inventors Mark A. Della Bona, Jonathan Dorfman
21 and Jay F. Hamlin. A copy of the '218 patent is attached as Exhibit A hereto.

22 54. The '218 patent claims methods and apparatuses for a touch-sensitive
23 cursor-controlling input device that detects contact intervals when the user contacts the touch-
24 sensitive input device, detects gap intervals between subsequent contact intervals, and moves the
25 cursor on the display screen and enables an operator to perform with a single touch-sensitive
26 input device numerous control operations, such as cursor manipulation, click, multi-click, drag,
27 click-and-drag, and multi-click-and-drag operations based on the duration of the contact and gap
28 intervals.

1 55. Upon information and belief, Elan's touch-sensitive input devices or
2 touchpads and related components employ the methods and/or apparatuses claimed in the '218
3 patent, including but not limited to the Smart-Pad product, employ the methods and/or
4 apparatuses claimed in the '218 patent by detecting contact intervals for touches on the touchpad,
5 detecting gap intervals between such contact intervals, and based on the duration of those
6 intervals, distinguishing between three or more gestures (e.g., "vertical scroll," "tapping,"
7 "magnifier") and reporting the gesture that has been identified to the host device (e.g., laptop
8 computer). In addition, driver software for Elan's touch-sensitive input devices such as the
9 Smart-Pad allows a user to enable one-finger, two-finger, and three-finger tapping and to select
10 which laptop control operations correlate to different gestures.

11 56. Laptop computers employing Elan's touch-sensitive input devices or
12 touchpads and related components employing the methods and/or apparatuses claimed in the '218
13 patent, including but not limited to the Smart-Pad product, are imported into, offered for sale, sold
14 and used in the United States.

15 57. Upon information and belief, Elan has been and is currently directly
16 infringing, in violation of 35 U.S.C. § 271, the '218 patent through its use, importation, offer for
17 sale and/or sale of touch-sensitive input devices or touchpads and related components employing
18 the methods and/or apparatuses claimed in the '218 patent, including but not limited to the Smart-
19 Pad product, in the United States, including through its agent EITG.

20 58. Elan has had actual knowledge of the '218 patent since at least September
21 24, 2008, when an Elan patent engineer prepared a summary of the '218 patent and uploaded it
22 onto Elan's document management system.

23 59. Upon information and belief, Elan has been and is currently indirectly
24 infringing, in violation of 35 U.S.C. § 271, the '218 patent. Upon information and belief, the
25 '218 patent is directly infringed by, without limitation, manufacturers and others in the
26 distribution channel of laptop computers, using, selling, offering for sale and/or importing in the
27 United States, Elan's touch-sensitive input devices or touchpads employing the methods and
28 apparatuses claimed in the '218 patent through their processing of gestures, including but not

1 limited to the Smart-Pad product. Upon information and belief, Elan induces that infringement
2 through its intentional marketing, sale and/or support, including technical support, of such devices
3 in the United States, including through EITG, and through the intentional design, marketing,
4 manufacture, sale and/or support, including technical support, of such devices abroad to induce
5 direct infringement in the United States. Upon information and belief, Elan's inducement
6 includes, without limitation, active encouragement of the use, sale, offer for sale and/or
7 importation in the United States, of such devices to enable gestures that infringe the '218 patent
8 on such devices, including through the promotion and provision of software drivers and
9 marketing literature that induces direct infringement. Upon information and belief, Elan has
10 known or should have known that these actions would cause direct infringement of the '218
11 patent and did so with specific intent to encourage direct infringement.

12 60. Apple has suffered, and will continue to suffer, irreparable injury as a
13 result of Elan's infringement. Pursuant to 35 U.S.C. §§ 283 and 284, Apple is entitled to
14 damages for infringement and to a permanent injunction against further infringement.

15 61. Elan's infringement of the '218 patent is and has been willful. Upon
16 information and belief, notwithstanding its knowledge of Apple's patent rights and Elan's
17 infringement of those rights, Elan continues to use the patented technology with existing and new
18 products. Elan has acted and is acting despite an objectively high likelihood that its actions
19 constituted infringement, and Elan knew or should have known that its actions constituted
20 infringement of a valid and enforceable patent.

21 62. This case is exceptional, and therefore, Apple is entitled to attorneys' fees
22 pursuant to 35 U.S.C. § 285.

23 **FOURTH COUNTERCLAIM – PATENT INFRINGEMENT**

24 **'659 PATENT**

25 63. Apple incorporates herein by reference the allegations of paragraphs 1 - 61
26 of this Answer.

27 64. Apple is the owner of the entire right, title and interest in and to U.S. Patent
28 No. 7,495,659 ("the '659 patent") entitled "Touch Pad For Handheld Device," which was duly

1 and legally issued on February 24, 2009 in the name of inventors Greg Marriott, Guy Bar-Nahum,
2 and Steven Bollinger. A copy of the '659 patent is attached as Exhibit B hereto.

3 65. The '659 patent claims methods and apparatuses for a touchpad system that
4 maps the touchpad into native sensor coordinates and produces native values of the native sensor
5 coordinates when events occur on the touchpad. The system further includes filtering the native
6 values of the native sensor coordinates based on the type of events that occur on the touchpad.
7 The system additionally includes generating a control signal based on the native values of the
8 native sensor coordinates when a desired event occurs on the touch pad.

9 66. Upon information and belief, Elan's touch-sensitive input devices or
10 touchpads and related components employ the methods and/or apparatuses claimed in the '659
11 patent, including but not limited to the Smart-Pad product, employ the methods and/or
12 apparatuses claimed in the '659 patent by including a touchpad and controller that defines a
13 logical device unit associated with the surface of a touchpad, receives native values associated
14 with native sensor coordinates based on touches to the touchpad, filters those values, adjusts the
15 native values to a new value associated with the logical device unit, and reports the new, filtered
16 values to the host processor on the laptop such that the amount of data sent based on values
17 associated with the logical device unit is less than the native values associated with sensor
18 coordinates on the touchpad.

19 67. Laptop computers employing Elan's touch-sensitive input devices or
20 touchpads and related components employing the methods and/or apparatuses claimed in the '218
21 patent, including but not limited to the Smart-Pad product, are imported into, offered for sale, sold
22 and used in the United States.

23 68. Upon information and belief, Elan has been and is currently directly
24 infringing, in violation of 35 U.S.C. § 271, the '659 patent through its use, importation, offer for
25 sale and/or sale of touch-sensitive input devices or touchpads employing the methods and/or
26 apparatuses claimed in the '659 patent, including but not limited to the Smart-Pad product, in the
27 United States, including through its agent EITG.
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1 69. Elan has had actual knowledge of the '659 patent since at least February
2 25, 2009, when an Elan patent engineer prepared a summary of the '659 patent, uploaded it onto
3 Elan's document management system, and circulated it.

4 70. Upon information and belief, Elan has been and is currently indirectly
5 infringing, in violation of 35 U.S.C. § 271, the '659 patent. Upon information and belief, the
6 '659 patent is directly infringed by, without limitation, manufacturers and others in the
7 distribution channel of laptop computers, using, selling, offering for sale and/or importing in the
8 United States, Elan's touch-sensitive input devices or touchpads employing the methods and
9 apparatuses claimed in the '659 patent through their processing of touches, including but not
10 limited to the Smart-Pad product. Upon information and belief, Elan induces that infringement
11 through its intentional marketing, sale and/or support, including technical support, of such devices
12 in the United States, including through EITG, and through the intentional design, marketing,
13 manufacture, sale and/or support, including technical support, of such devices abroad to induce
14 direct infringement in the United States. Upon information and belief, Elan's inducement
15 includes, without limitation, active encouragement of the use, sale, offer for sale and/or
16 importation in the United States of such devices to enable processing of touches that infringe the
17 '659 patent on such devices, including through the promotion and provision of touchpads and
18 related controllers and marketing literature that induces direct infringement. Upon information
19 and belief, Elan has known or should have known that these actions would cause direct
20 infringement of the '659 patent and did so with specific intent to encourage direct infringement.

21 71. Elan's infringement of the '659 patent is and has been willful. Upon
22 information and belief, notwithstanding its knowledge of Apple's patent rights and Elan's
23 infringement of those rights, Elan continues to use the patented technology with existing and new
24 products. Elan has acted and is acting despite an objectively high likelihood that its actions
25 constituted infringement, and Elan knew or should have known that its actions constituted
26 infringement of a valid and enforceable patent.

1 72. Apple has suffered, and will continue to suffer, irreparable injury as a
2 result of Elan's infringement. Pursuant to 35 U.S.C. §§ 283 and 284, Apple is entitled to
3 damages for infringement and to a permanent injunction against further infringement.

4 73. This case is exceptional, and therefore, Apple is entitled to attorneys' fees
5 pursuant to 35 U.S.C. § 285.

6 **DEMAND FOR JURY TRIAL**

7 74. Pursuant to Rule 38 of the Federal Rules of Civil Procedure, Apple hereby
8 demands a trial by jury on all issues so triable.

9 **PRAYER FOR RELIEF**

10 WHEREFORE, Apple prays for judgment as follows on Elan's Complaint and on
11 Apple's Answer, Affirmative Defenses and Counterclaims:

- 12 A. That Elan's Complaint be dismissed with prejudice and that Elan take
13 nothing;
- 14 B. That judgment be entered in favor of Apple against Elan on Elan's
15 Complaint;
- 16 C. For entry of an Order declaring each and every claim of the '352 and '353
17 patents invalid and not infringed by Apple;
- 18 D. For entry of an Order declaring that Elan has willfully infringed, directly or
19 indirectly, the '218 and '659 patents under 35 U.S.C. § 271;
- 20 E. That Elan, its officers, agents, servants, employees, attorneys and those
21 persons in active concert or participation with any of them, be preliminarily
22 and permanently restrained and enjoined from directly and indirectly
23 infringing the '218 and '659 patents;
- 24 F. That Elan be required to pay damages to compensate Apple for Elan's
25 willful infringement pursuant to 35 U.S.C. § 284;
- 26 G. An assessment of pre-judgment and post-judgment interest and costs
27 against Elan, together with an award of such interest and costs;
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- H. That pursuant to 35 U.S.C. § 285 and/or other applicable laws, Elan's conduct be found to render this an exceptional case and that Apple be awarded its attorneys' fees incurred in connection with this action;
- I. That Elan be required to pay Apple's costs of suit;
- J. That Apple be awarded such other and further relief as the court may deem just and proper.

Dated: May 7, 2010

WEIL, GOTSHAL & MANGES LLP

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