

UNITED STATES DISTRICT COURT
DISTRICT OF NEW MEXICO

STC.UNM,

Plaintiff,

v.

INTEL CORPORATION,

Defendant.

Civil No. 10-CV-01077-RB-WDS

REPLY IN SUPPORT OF STC'S MOTION TO COMPEL

Intel does not dispute that research and development activities are properly discoverable for an infringement determination by the jury. Nor does Intel dispute that the public literature attached to STC's motion (Exhs. C-E) shows that Intel is developing double patterning techniques (the subject of the '998 patent) for use in its future 14 and 10nm technology nodes. Nor does Intel any longer dispute that its research and development activities for its still non-commercial 22nm process technology should be part of this case.

As explained herein, Intel's opposition obfuscates the scope of the sought-after discovery, misstates the law regarding the relevancy of the discovery *vis a vie* STC's damages case, and overstates any burden to Intel.

There is No Risk of “Grave Harm”

Intel’s first argument, and supposedly its most important, is that discovery related to the development of its 14 and 10nm technology processes would cause it “grave harm.” This is nonsense for a number of reasons.

First, this presupposes that the double patterning process associated with those products is somehow a secret. However, the fact that Intel is using double patterning in the development of its 14 and 10 nm is not secret. Indeed, as set forth in the exhibits to the instant motion Intel has already publically declared in its presentations that “pitch division [double patterning] is the only option available in 2009 and 2010 . . . to support patterning for 15nm logic.” *See* Exh. D, at p 9. Thus, the entire pretense for Intel's opposition, that the subject information is a highly-guarded secret, is simply untrue.

However, assuming the subject information is truly secret, Intel's argument necessarily presupposes that STC’s lawyers and its expert, who has previously consulted for Intel and makes a living by consulting throughout the semiconductor industry, would disclose the information received in the discovery process to third parties. This is the remotest of possibilities as any such disclosure would essentially end that person’s career.¹ Moreover, this is an argument that any litigant could make in an effort to avoid producing relevant, yet confidential, information. It is

¹ As specified in STC’s opposition to Intel’s motion to amend the protective order, STC’s expert, Dr. Mack, procured a safe in conjunction with his expert witness role in a prior litigation involving this patent to keep process flows and other highly technical documents secure and safe in his office.

also precisely the concern that any protective order, such as the one negotiated by the parties and entered by the Court in this case, is designed to address.

Intel argues that the Court's protective order is not "good enough" for its 14 and 10nm technology nodes. This argument is discredited by the simple fact that Intel is comfortable with producing documentation for its newest 22nm product technology under the protective order. Opposition, at 4. Moreover, STC has agreed to print and take from Intel's counsel's office only a reasonable amount of the technical documents that are relevant to STC's infringement charge. *See* Protective Order [Doc. 63], at ¶9(a). The same safeguards would apply to discovery related to the 14 and 10 nm products, and, presumably, should be equally agreeable to Intel.

Lastly, and perhaps most important for purposes of this reply brief, Intel grossly mischaracterizes the scope of the sought-after discovery. Intel's opposition suggests that it will have to turn over all of its trade secrets concerning its research and development. This is not true. STC is only requesting discovery into one discrete area of the manufacturing process, *i.e.*, the use of double patterning.

By no means is STC seeking access to *all* of Intel's trade secret information for its 14 and 10nm technologies. This is evidenced by the fact that the parties have already agreed to certain safeguards and limitations concerning Intel's production for its 45, 32 and 22nm technologies. For example, Intel has stated it will only produce relevant portions of its process flow documents to show where it utilizes double patterning. Exh. H, at 4-5 (Responses to RFPs 1 and 2); Protective Order

[Doc. 63], at ¶9(a). Further, STC has agreed to only print and take from Intel’s counsel’s office a reasonable amount of the technical documents that are necessary to its case. *See* Protective Order [Doc. 63], at ¶9(a). The limited amount of information that STC will access through discovery could not be used by a competitor to build semiconductors from the ground up, and is likely not all that more expansive than what Intel engineers are already disclosing to the public through their own presentations.

Thus, in the extremely unlikely event that STC should somehow lose control the information, Intel would not experience the “grave harm” that it describes.²

The Discovery is Relevant and Needed Now

Intel does not argue its R&D activities are immune from discovery; it argues that STC does not need such discovery “at this point.” While STC is not sure what “at this point” means, STC submits that piecemeal discovery is not an efficient method to ready any case for trial.

² Among the various arguments that Intel asserts in support of its opposition is that its products are subject to export controls. Opposition, at 3 fn 1. STC does not dispute this fact. But, it is worthwhile to point out to the Court that 15 CFR §§ 730.1-774.1 are not regulations from the Federal Government directed specifically to Intel. That portion of the CFR contains general directives concerning the export of, *inter alia*, software and computers that affect all U.S. citizens and corporations. In any event, STC is trying this case in the state of New Mexico, and has no intention of exporting any Intel documents to Burma, Cuba, Iran, Libya, North Korea, Sudan or Syria. This is just one example of Intel’s obfuscation of the realities before the Court.

Intel further argues that STC is limited to *de minimis* reasonable royalty damages for Intel's R&D activities because STC does not, itself, manufacture products. And, as such, Intel should not have to produce discovery on its 14 and 10nm R&D. Intel misstates the law. Contrary to Intel's assertion, STC is *not* seeking a reasonable royalty tied to Intel's current limited manufacture of prototype products. Instead, and as set forth in its initial brief, STC is entitled to damages for Intel's *accelerated market entry* into the 14 and 10nm marketplace that is resultant from its current infringement.

35 U.S.C. § 284 supplies the authority for an award of damages to a plaintiff which succeeds in proving infringement:

Upon finding for the claimant, the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer . . .

Further, the Federal Circuit has held that "[t]he methodology of assessing and computing damages under 35 U.S.C. § 284 is within the sound discretion of the district court." *TWM Mfg. Co., Inc. v. Dura Corp.*, 789 F.2d 895, 898 (Fed. Cir.), *cert. denied*, 479 U.S. 852 (1986). As explained in the cases cited in STC's motion, damages that are available to a patentee for an infringer's accelerated market entry are tied to the infringer's post-expiration sales.

Accelerated reentry damages of the type approved in *BIC Leisure* are not the equivalent of a royalty which extends beyond the expiration of the patent. . . . What *BIC Leisure* allows are damages based only upon those post-expiration sales which the defendant would not have made but for its wrongful conduct before the patent expired.

Amsted Indus. Inc. v. Nat'l Castings, Inc., 1990 U.S. Dist. LEXIS 8553, at *56-68 (N.D. Ill. 1990). Thus, STC is entitled to damages under the patent statute, and those damages are not limited to lost profits, or royalties tied to Intel's so called *de minimis* R&D activities, but are instead related to the value of Intel's accelerated entry into the 14 and 10nm markets.

Accordingly, should STC ultimately prevail on the issue of infringement, it will be entitled to damages for Intel's sale of 14 and 10nm devices made after the expiration of the patent that Intel could not have been made but for its infringing R&D activities that allowed for Intel's accelerated entry into those markets. As Intel argues (Opposition at 1-2) these processes are 18 months ahead of its competitors, and worth "literally *billions* of dollars." Thus, denial of this important discovery would not prevent STC from *de minimis* damages; it would deny STC the opportunity to prove up damages for billions of dollars of product sales. Accordingly, the sought-after discovery is highly relevant to infringement and damages.

Finally, this discovery is also relevant to the issues of the value of the patented technology and willful infringement, *e.g.*, a determination that Intel has continued to infringe in its research and development activities, even after it has been sued for infringement, is strong evidence of the paramount value that it has placed on the technology and that it has willfully infringed the patent.

The Discrete Discovery is Not Unduly Burdensome

Intel argues that producing the discovery would be unduly burdensome because its processes are not finalized, and would distract its engineers. STC has already identified two Intel engineers that have given public presentations on the use of the subject technology in R&D. Presumably, there are documents underlying those presentations that can be produced. It is also likely that those individuals have direct knowledge of Intel's current use of the technology in its research and development activities, and can provide documents and deposition testimony on the same. When the discrete scope of STC's inquiry is properly framed, the discovery obligation is not unduly burdensome to Intel.

Modifying the Protective Order Is Not Necessary

Intel suggests that an amendment to the protective order would be required if the Court grants the instant motion. Opposition, at 12. STC disagrees and addresses this issue in its opposition to Intel's motion (Doc. No. 67) on the same.

Conclusion

STC's motion should be granted, and Intel should be compelled to produce discovery on its 14 and 10nm processes.

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Respectfully submitted,

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Certificate of Service: I hereby certify that on April 18, 2011, I caused the foregoing to be electronically filed with the Clerk of the Court using the CM/ECF system which will send notification of such filing via electronic mail to all counsel of record.

/s/ Steven R. Pedersen