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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

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10   PRINCETON DIGITAL IMAGE
      CORPORATION,

11   Petitioner,

12   v.

13   MICROSOFT CORPORATION,

14   Respondent.

15

16

17

NO.

[Original action pending in U.S. District
Court for the Eastern District of Texas,
PDIC v. Canon, Case No. 2:10-cv-29 JRG]

**PRINCETON DIGITAL IMAGE
CORPORATION'S MOTION
TO COMPEL MICROSOFT
CORPORATION TO RESPOND
TO SUBPOENA**

**NOTE ON CALENDAR:
January 13, 2012**

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TO COMPEL MICROSOFT CORPORATION TO RESPOND
TO SUBPOENA
No.

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I.   INTRODUCTION

Princeton Digital Image Corporation ("PDIC") moves to compel Microsoft Corporation ("Microsoft") to respond to PDIC's subpoena issued in connection with the litigation captioned *Princeton Digital Image Corporation v. Canon, Inc., et al.*, No. 10-00029, currently pending in the Eastern District of Texas (the "Underlying Litigation").

PDIC has made every effort to address and resolve Microsoft's objections to the subpoena, and certifies that it has complied with Fed. R. Civ. P. 37(a)(1) and CR 37(a)(1)(A). After meeting with Microsoft on November 7, 2011, PDIC drafted and sent Microsoft a proposed Protective Order to address any confidentiality concerns Microsoft might have regarding the documents and information sought by PDIC. PDIC also offered to withdraw various document requests and modify others to address Microsoft's objections based upon alleged burden.

For its part, Microsoft has not addressed any of PDIC's concessions or offers to compromise. Instead, several weeks after meeting with PDIC, Microsoft reversed course and stated, for the first time, that it would not even consider producing documents or testifying in response to PDIC's subpoena because the Underlying Litigation was purportedly stayed by an Order entered in that case on October 13, 2011 – weeks before the parties initially met and conferred.

Microsoft's belated argument that the Underlying Litigation was stayed is incorrect. The October 13, 2011 Order merely suspended selected court-ordered deadlines in the Underlying Litigation (*e.g.*, the filing of claim construction briefs) while the court considered the defendants' motion to transfer venue. Thus, the parties in the Underlying Litigation have continued to engage in discovery, including the taking of depositions months after the October 13, 2011 Order was entered.

Microsoft's shifting tactics show that its only interest is to delay its response to PDIC's subpoena and obstruct PDIC's ability to discover relevant information to support its claims against Microsoft's customer, Hewlett-Packard Company ("HP"), a defendant in the

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Underlying Litigation. This is plainly improper. Left with no valid objection to PDIC's subpoena, Microsoft should be compelled to produce documents and testify in response to the subpoena.

II.   BACKGROUND

A.   The Underlying Litigation

On September 27, 2011, PDIC served Microsoft with a subpoena seeking to discover information relevant to its claims against HP in the Underlying Litigation. (*See* the Declaration of Jeffrey S. Pollack (the "Pollack Decl.") ¶ 3, and Subpoena, a copy of which is attached to the Pollack Decl. as Exhibit "A.") At issue is whether HP infringes the following patents owned by PDIC: U.S. Patent No. 4,813,056 ("the '056 Patent"), which teaches a method and apparatus of encoding image data into a JPEG file, and U.S. Patent No. 4,860,103 ("the '103 Patent"), which teaches a method and apparatus for automatic gain control and/or exposure control for digital image processing.

There is no dispute that HP sells computers to consumers that come pre-packaged with software programs that encode image data into a JPEG file, and thus potentially infringe the '056 Patent. Those programs are sold or provided to HP by various software manufacturers, including Microsoft.

The functionality incorporated into this software is relevant to PDIC's claims against HP. However, HP has referred PDIC to Microsoft to obtain the relevant source code and technical documents, such as schematics and flowcharts, for that software. PDIC must therefore seek this information from Microsoft.

B.   Microsoft's Refusal To Produce Documents Or Testify In Response To PDIC's Subpoena Despite PDIC's Efforts To Address Microsoft's Objections

Microsoft served its objections to PDIC's subpoena on October 11, 2011, refusing to produce any of the documents requested by PDIC and refusing to testify regarding any of the

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topics noticed by PDIC. (*See* Pollack Decl. ¶ 4, and Objections to Subpoena, a copy of which is attached to the Pollack Decl. as Exhibit "B.")

On October 31, 2011, PDIC requested a meet-and-confer with Microsoft to address and resolve Microsoft's objections. (*See* Pollack Decl. ¶ 5, and Letter from Jeffrey S. Pollack to Jesse J. Camacho dated October 31, 2011, a copy of which is attached to the Pollack Decl. as Exhibit "C.") The parties subsequently met and conferred via telephone on November 7, 2011 and discussed Microsoft's objections. (*See* Pollack Decl. ¶¶ 6-7, and Letter from Jeffrey S. Pollack to Jesse J. Camacho dated November 14, 2011, a copy of which is attached to the Pollack Decl. as Exhibit "D.") Following this meet-and-confer, PDIC made a good faith effort to address Microsoft's objections, making numerous concessions and offers to compromise. (*Id.* ¶¶ 7-10 and Exh. "D.")

To address any confidentiality concerns Microsoft might have, PDIC sent Microsoft a proposed Protective Order. (*Id.* ¶¶ 7-8 and Exh. "D.") And, to address Microsoft's objections related to burden, PDIC agreed to withdraw three document requests – Requests 2, 5, and 8 – and to narrow others.[1] (*Id.* ¶ 9.) Specifically, PDIC agreed to narrow the timeframe set forth in its Document Requests. (*Id.*) And where PDIC's document requests sought "all documents" or "any and all documents," PDIC agreed to limit its requests to "documents sufficient to identify" or "documents sufficient to refer to or reflect" the information sought. (*Id.*)

Microsoft has not addressed any of PDIC's concessions or offers to compromise. Instead, several weeks after meeting with PDIC, Microsoft reversed course, stating, for the first time, ***that it would not even consider responding to PDIC's subpoena***. (*See* Pollack Decl. ¶ 11 and Email dated December 7, 2011 from Jesse J. Camacho to Jeffrey S. Pollack, a copy of

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[1] These concessions and compromises were made by PDIC with the expectation that Microsoft would produce documents responsive to PDIC's document requests. Although PDIC reserved the right to seek full compliance with its subpoena should Microsoft refuse to produce documents, PDIC stands by its original concessions and offers to compromise in this motion, except as otherwise stated herein. In moving to compel Microsoft to produce documents responsive to only certain of the requests contained in PDIC's subpoena and to testify at deposition regarding only certain of the topics listed in the subpoena, PDIC does not waive the right to seek, at a later date, Microsoft's full compliance with the subpoena.

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which is attached to the Pollack Decl. as Exhibit "E.") Microsoft did so on the purported basis that an order entered in the Underlying Litigation on October 13, 2011 – weeks before the parties' initially met and conferred – had stayed the Underlying Litigation. (*Id.*)

As discussed above and as set forth below in greater detail, the Underlying Litigation is not stayed. (*Id.*) This is merely a tactic by Microsoft to delay its obligation to produce documents and be deposed. Accordingly, for these and the reasons that follow, Microsoft should be compelled to produce documents and testify in response to PDIC's subpoena.

III.   ARGUMENT

A.   The Underlying Litigation Is Not Stayed; Microsoft Is Required To Respond To PDIC's Subpoena

Microsoft's assertion that the Underlying Litigation is stayed is demonstrably wrong. On October 13, 2011, the following order was entered in the Underlying Litigation:

> It is therefore ORDERED that in light of the Order granting Defendants' Motion to Transfer Venue [Dkt. No. 143], the Court hereby suspends any and all pending deadlines pursuant to the Local Patent Rules and the Court's Docket Control Order [Dkt. No. 69] and Discovery Order [Dkt. No. 70] until such time as the Court has ruled on PDIC's Motion for Reconsideration [Dkt. No. 146] of the Order granting Defendants' Motion to Transfer Venue.

(*See* October 13, 2011 Order, a copy of which is attached to the Pollack Decl. as Exhibit "F") (emphasis added). The effect of this order is that the parties do not have to comply with the deadlines previously set *by the Court* (e.g. the filing of claim construction briefs). As case law from the Eastern District of Texas – where the Underlying Litigation is pending – shows, the intent of this order *is not* to stay discovery. *Mass. Inst. of Tech. v. Abacus Software*, 2004 U.S. Dist. LEXIS 30049, at *9 (E.D. Tex. Sept. 29, 2004) (holding that order "suspending the then-current scheduling order . . . did not stay discovery."); *accord Tree of Life Distrib. Co. v. National Enters.*, 1998 U.S. Dist. LEXIS 17980, at *7 (D.V.I. Nov. 5, 1998) ("the mediation order did not 'stay' the case; it simply 'suspended' all deadlines pending mediation."). Accordingly, the parties in the Underlying Litigation continue to conduct discovery, as

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evidenced by the fact that PDIC conducted the deposition of Defendant Xerox International

Partners on December 1, 2011 – almost two months after the October 13, 2011 Order was

entered. (*See* Pollack Decl. ¶ 13.)

B. Microsoft Should Be Compelled To Produce Documents And Be Deposed In Response To PDIC's Subpoena

1. The Standard for Third Party Discovery

In determining whether to enforce a subpoena under Rule 45 of the Federal Rules of

Civil Procedure, "the Court needs to balance (1) the relevance of the information sought in the

underlying case, (2) the requestors' need for the information from the subpoenaed source, (3)

the burden on the source to produce the information, and (4) the harm, if any, that disclosure of

the requested information would have on the source." *Norex Petroleum Limited v. Chubb Ins.*

Co., No. 04-281, 2005 U.S. Dist. LEXIS 19127, at *3-4 (D.D.C. Mar. 9, 2005); *Gonzales v.*

Google, Inc., 234 F.R.D. 674, 680 (N.D. Cal. 2006) ("a court determining the propriety of a

subpoena balances the relevance of the discovery sought, the requesting party's need, and the

potential hardship to the party subject to the subpoena.").

"Relevancy for discovery purposes is construed broadly to encompass "any matter that

bears on, or that reasonably could lead to other matter that could bear on, any issue that is or

may be in a case." *EEOC v. Wal-Mart Stores, Inc.*, 2011 U.S. Dist. LEXIS 133051, at *11

(E.D. Wash. Sept. 21, 2011); *Florer v. Johnson-Bales*, 2009 U.S. Dist. LEXIS 104617, at *6

(W.D. Wash. Oct. 20, 2009) (same).

2. Microsoft Should Be Compelled To Produce Source Code Regarding Software That Microsoft Provided Or Sold To HP And That Practices The Claims Of PDIC's '056 Patent (Requests 1 and 3)

PDIC's claims against HP arise, at least in part, from PDIC's assertion that computers

sold by HP come pre-packaged with Microsoft software that generates JPEG image files in a

manner that infringes the claims of the '056 Patent. Because the JPEG encoding functionality

is embodied in the algorithms contained in the source code corresponding to the Microsoft

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software products, the source code will provide information that is relevant to PDIC's claims against HP in the Underlying Litigation.

Those trained in reading source code can learn from it exactly how a program operates and, therefore, whether it practices the claims of the patents in-suit. Courts have accordingly found, in patent infringement cases, that source code is highly relevant and discoverable. *Forterra Sys. v. Avatar Factory*, 2006 U.S. Dist. LEXIS 63100, at *3-5 (N.D. Cal. Aug. 22, 2006) (granting motion to compel source code in its entirety, finding source code to be relevant in patent infringement action); *In re Google Litig.*, 2011 U.S. Dist. LEXIS 9924, at *21 (N.D. Cal. Jan. 27, 2011) (holding that "there is no serious question" that source code for product accused of infringement is discoverable).

PDIC understands that at least one product that Microsoft provides or sells to HP that encodes data into a JPEG file in an infringing manner is the Microsoft Scanner and Camera Wizard. However, PDIC has imperfect knowledge regarding the identity and functionality of all of Microsoft's software products. There are likely other such products that PDIC is unaware of which incorporate the same (or substantially similar) JPEG encoding functionality as the Scanner and Camera Wizard. Thus, PDIC requested that Microsoft produce the following:

1. The source code (in a form readable by a source code editor tool) for all versions of the Microsoft Scanner and Camera Wizard that you sold or otherwise provided directly or indirectly to HP for use on computers offered for sale, sold or imported in the United States from 2004-2008.	**And**	3. All versions of all source code (in a form readable by a source code editor) for encoding data into a JPEG file format and/or decoding JPEG files for each JPEG Software Product[2] identified in response to Request No. 2.

(Exh. "A" to the Pollack Decl.)

Microsoft has no valid objections to producing this source code. Any such objections were addressed and resolved by PDIC following the parties' meet-and-confer. Specifically,

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[2] "JPEG Software Product" is defined as "any software product that incorporates the functionality to encode data into a JPEG file format and/or the functionality to decode JPEG files, including without limitation the Microsoft Scanner and Camera Wizard and any and all Microsoft software applications and Microsoft operating systems."

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1   Microsoft objected to producing documents responsive to Requests 1 and 3 beyond the '056

2   Patent's expiration date and without a protective order. (*See* Exh. "B" to the Pollack Decl.)

3   These objections were addressed and resolved by PDIC's agreement to limit the timeframe of

4   its document requests to January 1, 2004 – December 8, 2007, and by the Protective Order

5   PDIC drafted and offered to enter into with Microsoft. (*See* Pollack Decl. ¶¶ 8-9 and Exh.

6   "D.") Microsoft has raised no objection to the Protective Order drafted by PDIC. The Court

7   should therefore enter the Protective Order and compel Microsoft to produce source code.[3]

8   With respect to Request 3, Microsoft raised two additional objections: (1) that Request

9   3 was overly broad because PDIC did not identify the specific products for which it was

10 seeking source code; and (2) that PDIC's request for "source code . . . for encoding data into a

11 JPEG file format and/or decoding JPEG files" was overbroad because, as Microsoft interprets

12 it, the '056 Patent does not pertain to decoding JPEG files. (*See* Exhs. "B" and "D" to the

13 Pollack Decl.)

14   PDIC has satisfied its initial burden of identifying which of Microsoft's numerous

15 products encode JPEG files. PDIC has provided ample information regarding the relevant

16 JPEG encoding functionality to guide Microsoft's identification of products that include that

17 functionality. Certainly, Microsoft is familiar enough with ***its own*** products and their

18 functionality to be able to readily identify which of them encode JPEG files in a manner that is

19 the same as, or substantially similar to, how the Microsoft Scanner and Camera Wizard

20 implements JPEG image file encoding. Even so, in an effort to alleviate any undue burden on

21

22 [3] The objections referenced above are the only ones that Microsoft has raised to Request 1 in PDIC's subpoena.
    Accordingly, there should be no further obstacle to producing source code related to the Microsoft Scanner and
    Camera Wizard. In *Forterra Systems v. Avatar Factory*, *supra*, the producing party, like Microsoft, "claim[ed]

23 undue burden from the risk of inadvertent disclosure if the highly confidential and proprietary source code is
    produced." 2006 U.S. Dist. LEXIS 63100, at *4.   The court held that this did not constitute a valid ground on

24 which to resist discovery because "[a] court may order that 'confidential information not be revealed or be
    revealed only in a designated way.'" *Id.* (citing Fed. R. Civ. P. 26(c)(7)). Here, PDIC has drafted and presented
    Microsoft with a proposed Protective Order to which Microsoft has asserted no objection. (*See* Pollack Decl. ¶ 8

25 and Exh. "D.") PDIC requests that the Court enter that Protective Order and compel the production of source code
    responsive to PDIC's subpoena. In conjunction with this motion, PDIC is submitting a version of the proposed

26 Protective Order (1) that has been reformatted to comply with CR 10, and (2) the first paragraph and signature
    block of which have been modified to reflect the fact that Microsoft has not stipulated to the order's entry. The

27 proposed Protective Order being submitted today is otherwise identical to Exhibit D to the Pollack Declaration.

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Microsoft, PDIC identified the following Microsoft products for which it seeks source code based upon the ability of those products to incorporate, edit or save JPEG images: (i) Microsoft Word; (ii) Microsoft PowerPoint; (iii) Microsoft Paint; (iv) Windows Photo View; (v) Microsoft Office; (vi) Windows Media Center; and (vii) Microsoft Excel. (*See* Pollack Decl. ¶ 10 and Exh. "D.")

Not even this limitation on the scope of PDIC's subpoena prompted Microsoft to produce source code. Instead, having once again obtained the concessions it requested from PDIC, Microsoft argued that even this short list of products was overbroad.[4] (*See* Exh. "E" to the Pollack Decl.) Microsoft's position is untenable. Microsoft is best suited to know and, indeed, should know the functionality of its own products and be able to produce source code related thereto. Thus, having rejected PDIC's reasonable compromise on this issue, Microsoft should be compelled to produce source code for ***all*** of the products it provided or sold to HP during the relevant timeframe that can encode data into JPEG files.

3. <u>Microsoft Should Be Compelled To Produce The Revision History For Source Code Related To The Software Products Microsoft Provided Or Sold To HP, Which Practice The Claims Of PDIC's '056 Patent (Request 6)</u>

The revision history for source code also is discoverable. *Netbula, LLC v. Chordiant Software, Inc.*, 2009 U.S. Dist. LEXIS 131547, at *4 (N.D. Cal. Dec. 16, 2009); *see also LaserDynamics, Inc. v. Asus Computer Int'l*, 2009 U.S. Dist. LEXIS 3878, at *16 (E.D. Tex. Jan. 21, 2009) (ordering production of drafts or revisions to source code).

Revisions to Microsoft's source code will show whether and how Microsoft's products changed over time, including whether they may have practiced the claims of the '056 Patent at one point in time but not at another. Source code revisions can also show if Microsoft's

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[4] Microsoft complains that PDIC included Microsoft Office alongside products that are offered as part of Microsoft Office. (*See* Exh. "E" to the Pollack Decl.) This does not make PDIC's request overly broad. Instead, it highlights how Microsoft holds all of the cards in this action. Microsoft knows its products and what they do. Thus, its demand that PDIC identify which of its products encode JPEG files is absurd. Microsoft also complains that PDIC has not identified what version of software it is looking for. (*Id.*) But PDIC already informed Microsoft that the scope of its subpoena is from January 1, 2004 – December 8, 2007. Thus, PDIC seeks all versions of Microsoft's software that encode JPEG files provided or sold to HP during the relevant timeframe.

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products always possessed the ability to encode JPEG files or if that functionality was added by Microsoft later. Either way, source code revisions may constitute evidence of, among other things, the "utility and advantages of" PDIC's patents "over old modes and devices," and "the benefit of those who have used" PDIC's patented invention, all of which is relevant to PDIC's damages claim in the Underlying Litigation. *Georgia-Pacific Corp. v. United States Plywood Corp.*, 318 F. Supp. 1116, 1119-20 (S.D.N.Y. 1970). Accordingly, Microsoft should be compelled to produce documents responsive to the following:

> 6. Any and all documents which refer to or reflect any revisions or changes to the source code for the JPEG Software Products identified in response to Request No. 2 that were requested by HP.

(Exh. "A" to the Pollack Decl.)

Once again, Microsoft has no valid objections to producing the documents requested by PDIC. Any such objections were addressed and resolved by PDIC following the parties' meet-and-confer. Specifically, Microsoft objected to this request claiming that the phrase "any and all documents" was overbroad. (*See* Exh. "D" to the Pollack Decl.) In response, PDIC agreed to limit this request to "documents sufficient to refer to, reflect and identify all revisions or changes to source code" for the software products Microsoft provided or sold to HP during the relevant timeframe that can encode JPEG files. (*Id.*) This includes Microsoft's source code revision history. Accordingly, Microsoft should be compelled to produce documents and source code responsive to this request.

4. Microsoft Should Be Compelled To Produce Technical Documents Illustrating The Manner In Which Its Products Operate (Request 4)

In addition to source code, PDIC is entitled discover technical documents, such as schematics and flow charts, that illustrate or describe the manner in which Microsoft's products encode JPEG files. *See Automated Merch. Sys. v. Crane Co.*, 2011 U.S. Dist. LEXIS 122166, at *27-28 (N.D. W. Va. Oct. 21, 2011) (ordering production of schematics); *Implicit Networks, Inc. v. Microsoft Corp.*, 2009 U.S. Dist. LEXIS 115708, at *3 (N.D. Cal. Nov. 23, 2009)

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1 (ordering production of documents describing functionality of accused product);

2 *LaserDynamics, Inc.*, 2009 U.S. Dist. LEXIS 3878 at *16 (ordering production of schematics

3 describing functionality of accused process). Microsoft should, therefore, be compelled to

4 produce documents responsive to the following:

> 5 4. All documents that illustrate and/or describe the manner in
> 6 which each JPEG Software Product identified in response to
>   Request No. 2 encodes data into a JPEG file format and/or
> 7 decodes a JPEG file, including documents that identify the
>   codewords employed to encode data into a JPEG file format
> 8 and/or to decode a JPEG file.

9 (Exh. "A" to the Pollack Decl.)

10 As with the document requests discussed above, any objections Microsoft may have had

11 to producing documents responsive to this request were addressed and resolved by PDIC

12 following the parties' meet-and-confer. Similar to Request 6, discussed above, Microsoft

13 objected to Request 4 claiming that the request for "all documents" was overbroad. (*See* Exh.

14 "D" to the Pollack Decl.) PDIC addressed and resolved this objection, agreeing to limit its

15 request to "documents sufficient to identify the information requested." (*Id.*) This includes

16 technical documents, schematics, and flow charts. Accordingly, Microsoft should be

17 compelled to produce documents responsive to this request.

18 **5.   Microsoft Should Be Compelled To Produce Documents Related To
19   The Patents In Suit And The Underlying Litigation (Requests 7
         and 9)**

20 Microsoft should also be compelled to respond to the following document requests and

21 to produce documents that relate to the patents-in-suit and the Underlying Litigation:

22 | 7. All documents which refer or | | 9. Any and all documents which |
23 | relate to this lawsuit, the Patents- | | refer or relate to a request and/or |
    | in-Suit, Princeton Digital or | **And** | inquiry for documents made by |
24 | Princeton Digital Image | | HP, in the time period 2010 to |
    | Compression | | present relating to or for purposes |
25 | | | of this lawsuit. |

26 (Exh. "A" to the Pollack Decl.)

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1   Any documents Microsoft possesses regarding the Underlying Litigation or PDIC are

2 relevant and discoverable. Such documents may reflect, among other things, information

3 regarding the utility of the patents-in-suit, their profitability, and their ability to promote the

4 sale of other products. *Georgia-Pacific Corp.*, 318 F. Supp. at 1119-20.

5   Documents reflecting any inquiry from HP relating to the Underlying Litigation may

6 contain similar analyses. Moreover, they are relevant and discoverable to show what products

7 Microsoft and HP believe may encode JPEG files and practice the claims of the '056 Patent.

8 Accordingly, Microsoft should be compelled to produce documents responsive to these

9 requests.

10   **6.**   **<u>Microsoft Should Be Compelled To Be Deposed Regarding The</u>**
11   **<u>Topics Related To The Document Requests Set Forth Above</u>**

12   Because Microsoft refused to produce any documents responsive to PDIC's subpoena,

13 PDIC postponed Microsoft's subpoenaed deposition with the expectation that "once Microsoft

14 produces documents and makes source code available for inspection it will make a witness

15 available to be deposed on the deposition topics noticed." (*See* Exh. "D" to the Pollack Decl.)

16 Due to Microsoft's refusal to produce any documents, this issue was left unresolved.

17   To ensure that the parties are not back before the Court after Microsoft is compelled to

18 produce documents and source code to PDIC, PDIC requests at this time that Microsoft also be

19 compelled to testify regarding the following deposition topics, each of which relates to the

20 document requests discussed above: (1) Topic 1 (The identity and operation of each JPEG

21 Software Product sold or provided to HP); (2) Topic 2 (the individuals who designed and

22 programmed the JPEG Software Product sold or provided to HP); (3) Topic 3 (circumstances

23 surrounding any and all revisions or changes to each JPEG Software Product); (4) Topic 6 (the

24 circumstances surrounding any and all requests and/or inquiries for documents made by HP);

25 and (5) Topic 7 (the identity, source and authenticity of each document or thing (including

26 source code) produced in response to PDIC's document requests). (Subpoena at Deposition

27 Topics 1-3 & 6-7, Exh. "A" to the Pollack Decl.)

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IV. CONCLUSION

For each of the foregoing reasons, PDIC respectfully requests that the Court grant its Motion to Compel and order the relief requested herein and in the enclosed form of Order.

DATED: December 29, 2011.

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