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13 UNITED STATES DISTRICT COURT
14 NORTHERN DISTRICT OF CALIFORNIA
15 OAKLAND DIVISION

16
17 HO KEUNG TSE,
18 Plaintiff,
19 v.
20 APPLE COMPUTER, INC., et al.,
21 Defendants.

Case No. C 06-06573 SBA
**DEFENDANT MUSICMATCH, INC.'S
MOTION FOR PROTECTIVE ORDER**

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NOTICE OF MOTION AND RELIEF SOUGHT

TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD:

PLEASE TAKE NOTICE THAT on May 6, 2008 at 1:00 p.m., or, upon granting of the concurrently-filed motion to shorten time, as soon as counsel may be heard by the above-entitled Court, Defendant Musicmatch, Inc. (“Musicmatch”), will and hereby does respectfully move for protective order allowing Musicmatch to decommission and discard its servers after backup and allowing Plaintiff a reasonable time for inspection. This motion is based upon the following Memorandum of Points and Authorities, the Declaration of Joseph H. Lee, and a Proposed Order, each of which are served and filed concurrently herewith, and the complete record of this action, evidence and argument that may be presented at a hearing on this motion, and all matters of which the Court may take judicial notice.

For the reasons set forth in greater detail in the Memorandum of Points and Authorities and related pleadings submitted herewith, Musicmatch respectfully requests that the Court issue a protective order allowing Musicmatch to decommission its servers after backup and after allowing Plaintiff a reasonable time for inspection.

MEMORANDUM OF POINTS AND AUTHORITIES

I.

ISSUE TO BE DECIDED

Whether Musicmatch, Inc. (“Musicmatch”) should be allowed to avoid unreasonable expense by decommissioning and discarding its computer servers after backup and after allowing Plaintiff Ho Keung Tse a reasonable time for inspection of the servers.

II.

INTRODUCTION

Musicmatch no longer provides the music download services accused of infringement in this action, and so seeks to shut down and dispose of the hundreds of servers that are used to provide those services and which are costing the company in excess of \$32,000 each month merely to maintain. This case has been stayed since October 4, 2007 to permit the reexamination of the sole patent-in-suit to proceed. Despite the fact that the Patent Office has

1 not yet issued an office action rejecting the patent's claims, Mr. Tse has already attempted to
2 amend those claims four times. As a result, this promises to be a complicated reexamination,
3 and so maintaining the Musicmatch servers through its pendency is likely to cost Musicmatch
4 millions of dollars.

5 By this motion, Musicmatch respectfully asks the Court to enter an order setting
6 forth a reasonable process for preserving the relevant information from the Musicmatch servers;
7 specifically (a) that Musicmatch shall preserve all of the software and data from the servers on
8 tape backups, (b) that plaintiff shall have an opportunity now to inspect the servers if he feels
9 there is a reason to do so, and (c) after a reasonable time for this inspection has passed,
10 Musicmatch shall be permitted to dispose of the server hardware. This process permits plaintiff
11 to obtain all of the discovery he needs from these servers and, because these servers are old and
12 failing, protects him from the potential loss of any relevant information that may occur if he does
13 not inspect now. This process also avoids imposing on Musicmatch hundreds of thousands or
14 millions of dollars in needless and avoidable expense.

15 Musicmatch proposed this approach to plaintiff but was rejected. Instead,
16 plaintiff has taken the extreme position that Musicmatch must indefinitely maintain all of the
17 server hardware. As is clear from his counsel's communication, plaintiff's aim is not to preserve
18 relevant discovery--if it was he would agree to inspect immediately to protect himself--but to use
19 this matter in a misplaced effort to undo the Court's Stay Order or to manufacture baseless
20 spoliation arguments. The Court should see this litigation-driven position for what it is and
21 reject it in favor of the reasonable process urged by Musicmatch.

22 III.

23 **MUSICMATCH SHOULD BE PERMITTED TO DISPOSE OF THE MUSICMATCH** 24 **SERVER HARDWARE AFTER AN OPPORTUNITY FOR MR. TSE TO INSPECT**

25 A. **Pertinent Background**

26 As the Court knows, this is a patent case brought by Mr. Ho Keung Tse, a citizen
27 of Hong Kong and the sole named inventor of the patent-in-suit. In his August 5, 2005
28 Complaint, Mr. Tse accuses Musicmatch Inc., Apple Inc. and the other named defendants, of

1 infringing U.S. Patent No. 6,665,797 entitled “Protection of Software Again [sic] Against
2 Unauthorized Use” (“the ‘797 patent”). The ‘797 patent—which Mr. Tse prosecuted on his own
3 without a patent attorney or a patent agent—is currently undergoing reexamination by the Patent
4 Office. On October 16, 2007, the Patent Office found a “substantial new question of
5 patentability” concerning the asserted claims of the ‘797 patent. Lee Decl.¹ Exh. A (Order
6 granting reexamination) at 2. Although no other office action has yet been received from the
7 Patent Office, Mr. Tse has already attempted to amend the claims at issue four times in order to
8 find a way around the invalidating prior art at issue in the reexamination. *Id.* Exhs. B (12/16/07
9 Pre-Examination Amendment), C (2/20/08 Pre-Examination Amendment), D (3/14/08 Pre-
10 Examination Amendment), & K (3/20/08 Pre-Examination Amendment). Given the uncertain
11 future of the only patent-in-suit, on October 4, 2007, the Court stayed this action pending the
12 reexamination. *Id.* Exh. E (10/4/07 Order).

13 Musicmatch is a wholly owned subsidiary of Yahoo! Inc. Cassereau Decl.² at
14 ¶ 2. As set forth in his preliminary infringement contentions, the only Musicmatch (or Yahoo!)
15 technologies accused of infringement by Mr. Tse are the Musicmatch Jukebox, Musicmatch
16 Store, and Musicmatch On Demand services which previously were available via the Musicmatch
17 website, www.Musicmatch.com. Lee Decl. Exh. F (“Resubmission” of Preliminary
18 Infringement Contentions) at 2. In September 2007, deciding to focus instead on its other music
19 services, Yahoo! shut down the Musicmatch service entirely, including ceasing distribution of
20 and support for the Musicmatch Jukebox client and ending the Musicmatch Store and
21 Musicmatch On Demand services specifically. Cassereau Decl. at ¶ 2.

22 Until it was shut down, the Musicmatch service was operated utilizing
23 approximately 300 different computer servers. *Id.* at ¶ 3. These servers are old and failing and
24 are housed in the original data center facility Musicmatch used, which needs to be leased from a
25 third party. *Id.* The Musicmatch personnel that maintained the Musicmatch service and its

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27 ¹ All references to the Lee Decl. are to the Declaration of Joseph H. Lee in Support of Defendant
Musicmatch, Inc.’s Motion for Protective Order.

28 ² All references to the Cassereau Decl. are to the Declaration of Philippe Cassereau in Support of
Defendant Musicmatch, Inc.’s Motion for Protective Order.

1 computer servers have largely left the company due to the shut-down of the service and other
2 recent layoffs at Yahoo! or have been redeployed to other company activities. *Id.* There is no
3 longer any active support or development for the Musicmatch service. *Id.* The current cost to
4 maintain these servers, which includes the cost to lease the facilities housing them, is
5 approximately \$32,000 per month through June 30, 2008, which is when the current lease ends.
6 *Id.* This cost will go up significantly if the lease needs to be extended to keep maintaining the
7 servers. *Id.* Some of these servers also contain information that is highly confidential to ex-
8 Musicmatch customers, including their names, credit card numbers, and billing addresses. *Id.*
9 Accordingly, since the majority of these servers have not been actively used since September of
10 2007, Musicmatch plans to begin decommissioning the servers and disposing of the hardware no
11 later than May 1, 2008, the last date by which notice can be given to terminate the lease and avoid
12 renewal. *Id.*

13 To avoid any dispute with Mr. Tse concerning this process, Musicmatch attempted
14 to meet and confer with his counsel, Joseph Zito. In particular, in February 2008, Musicmatch's
15 counsel called and emailed Mr. Zito to discuss the scope of materials that would need to be
16 preserved from the Musicmatch servers. Lee Decl. Exh. G (2/18/08 Lumish email). Mr. Zito
17 responded, stating that "[i]t is important to retain copies of all version [sic, versions] of the
18 software and all help files and development information. It is also important to retain summary
19 information on the nature and number of transactions and accounting information." *Id.* Exh. H
20 (2/21/08 Zito email). Mr. Zito also stated "[i]t is most likely not necessary to retain a record of
21 each individual transaction. If you can tell me the nature of the information and the volume we
22 can probably agree on a retention solution." *Id.*

23 On March 19, 2008, Musicmatch's counsel again wrote to Mr. Zito on this subject.
24 Instead of attempting to narrow the scope of the data preserved from the servers, however,
25 Musicmatch informed Mr. Zito that it would retain **all** of the data from the servers, including the
26 information Mr. Zito specified in his email if that information existed on the Musicmatch servers:

27 Although beyond the scope we believe is required by the law, to preserve
28 the underlying information and avoid any disputes about the scope of the
preservation, **all** of the software and data from the Musicmatch servers

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will be copied to backup tapes including, to the extent they exist on these servers, the information you mentioned in your 2/21/08 email (i.e., help files, development information, accounting information, and information related to the nature and number of transactions).

Id. Exh. I (3/19/08 Lumish Letter) at 1. Beyond this, noting that re-creation of a working system in the future would be very difficult and expensive due to the complexity of the system and the loss of Musicmatch personnel, Musicmatch also offered to permit Mr. Tse to inspect the servers now, despite the Court’s stay, if he believed an inspection was required. *Id.* at 1-2.

On Mr. Tse’s behalf, Mr. Zito rejected Musicmatch's offer for an inspection, reversed his prior position that Musicmatch did not have to preserve everything from these servers, and inexplicably accused Musicmatch of attempting to destroy evidence:

Yahoo has an obligation to maintain ALL material until the conclusion of this suit. If you are unwilling to confirm, we will file a motion with the Court to preserve evidence that you are clearly trying to improperly destroy.

Id. Exh. J (3/19/08 Zito email).

Given Mr. Zito’s response, Musicmatch was compelled to bring this motion and to seek the Court’s protection against Mr. Tse’s unreasonable demands and any spurious spoliation arguments he may hope to concoct in this case. The process Musicmatch proposed to Mr. Tse— i.e., that all of the data be preserved, but the hardware be discarded after Mr. Tse has had an opportunity to inspect it—is entirely reasonable and Musicmatch respectfully asks the Court to issue an order setting this as the discovery process to be followed for the Musicmatch servers in this action.

B. Musicmatch Should Be Permitted To Shut-down And Dispose Of The Musicmatch Servers

Like any other discovery, discovery of electronically stored information is subject to the limitations concerning burden and cost imposed by Federal Rule of Civil Procedure 26:

(B) Specific Limitations on Electronically Stored Information. A party need not provide discovery of electronically stored information from sources that the party identifies as not reasonably accessible because of **undue burden or cost**. . . . If that showing is made, the court may nonetheless order discovery from such sources if the requesting party

1 shows good cause, considering the limitations of Rule 26(b)(2)(C).
2 Fed. R. Civ. P. 26(b)(2)(B). The Advisory Committee Note on Federal Rule of Civil Procedure
3 26 points out that

4 [t]he parties' discussion [regarding preservation] should pay particular
5 attention to the balance between the competing needs to preserve relevant
6 evidence and to continue routine operations critical to ongoing activities.
7 . . . The parties should take account of these considerations in their
8 discussions, with the goal of agreeing on **reasonable preservation steps**.

9 Advisory Committee Note to 2006 Amendment of Fed. R. Civ. P. 26(f).

10 Rule 26(b)(2)(C) permits the Court to limit discovery where it "can be obtained
11 from some other source that is more convenient, less burdensome, or less expensive," or where
12 "the burden or expense of the proposed discovery outweighs its likely benefit, considering the
13 needs of the case, the amount in controversy, the parties' resources, the importance of the issues
14 at stake in the action, and the importance of the discovery in resolving the issues." Fed. R. Civ.
15 P. 26(b)(2)(c)(i) and (iii).

16 Here, the indefinite preservation of the Musicmatch servers imposes unreasonable
17 costs and risks on Musicmatch which cannot be justified. As mentioned above, Musicmatch
18 intends to preserve **all** of the software and data from these servers on backup tapes which Mr. Tse
19 can inspect or from which Musicmatch can produce relevant and responsive information at a later
20 time. Hence, all of the relevant information from these servers can be obtained from a source
21 that is more convenient, less burdensome and less expensive than keeping the software on 300
22 servers, potentially for years, and at a cost of over \$32,000 every month. Moreover, as noted
23 above, some of the information on these servers is highly confidential, such as credit card
24 numbers belonging to one-time Musicmatch customers. To minimize risk to this information,
25 Musicmatch would like to remove it from the servers, making it more difficult to be misused, lost,
26 or improperly disclosed.

27 The server hardware itself has no relevance to the case. As the Musicmatch
28 services have been ended, the servers no longer process any transactions to authorize the purchase
or download of music files, regardless of whether the servers are physically running or not.
Cassereau Decl. ¶ 4. The specific software routines and procedures that are used to authorize

1 the purchase or download of music files can only be discerned from a review of the source code,
2 and not by physically observing a running server. *Id.* There is also no legitimate need for
3 these servers at trial – the jury will gain nothing from seeing a computer in the courtroom with no
4 ability to perceive the processing.

5 Even if some relevance is assumed for the hardware *arguendo*, under the process
6 proposed by Musicmatch, Mr. Tse (via his counsel and/or expert) can inspect the servers fully
7 now, and videotape them if he believes there is any relevance to the physical configuration of the
8 hardware.

9 Ultimately, the only thing required of Mr. Tse under Musicmatch's proposal is to
10 inspect the servers now instead of at some uncertain time in the future should the '797 patent
11 survive reexamination with any claims that Mr. Tse will assert against Musicmatch. An
12 inspection now is far more convenient, less burdensome, and less expensive than requiring
13 Musicmatch to endure costs of over \$32,000 per month to keep and maintain servers that have no
14 business function. Inspecting now also benefits Mr. Tse: Given that the servers are old and
15 failing, Mr. Tse will ensure he has an opportunity to inspect the systems while they are still
16 operational. Over time, this may not be true regardless of whether Musicmatch decommissions
17 the servers as planned.

18 To the extent Mr. Tse argues—as his counsel did in meet and confer—that the
19 approach urged by Musicmatch in this motion somehow warrants lifting the stay of this case, that
20 argument should be seen for the opportunism it is and soundly rejected. All of the reasons for
21 staying this case pending reexamination apply as much now as they did when the Court issued its
22 Stay Order. Indeed, the wisdom of a stay in this case is confirmed by the fact that Mr. Tse has
23 already resorted to four separate attempts to amend his claims before a rejection has even been
24 issued by the Patent Office. A stay is necessary to avoid the exorbitant cost and expense to the
25 Court and all of the parties from litigating patent claims that are invalid or, at best, in flux.

26 In sum, Musicmatch respectfully asks the Court to enter an order that permits the
27 process proposed by Musicmatch to proceed; namely that Musicmatch copy all of the software
28 and data from the Musicmatch servers to tape for preservation, and that Mr. Tse's counsel and/or

1 expert be given a chance to inspect the server hardware after which Musicmatch would be
2 permitted to de-commission and dispose of the servers. This process is reasonable and protects
3 both parties' interests without imposing needless costs on Musicmatch due to maintaining server
4 hardware that has no meaningful relevance to this case. See, Advisory Committee Note to 2007
5 Amendment of Fed. R. Civ. P. 26(f) ("A preservation order entered over objections should be
6 narrowly tailored.").

7 **IV.**

8 **IN THE ALTERNATIVE, MR. TSE SHOULD PAY THE COSTS FOR MAINTAINING**
9 **OR RECREATING THE MUSICMATCH SERVERS**

10 Should the court be persuaded that there is some reason to maintain the
11 Musicmatch servers, then Mr. Tse should bear the costs. "If the demanding party seeks the
12 preservation of information that is likely to be of only marginal relevance but is costly to retain,
13 then rather than deny a preservation order altogether, a court may condition it upon the requesting
14 party assuming responsibility for part or all of the expense." *Treppel v. Biovail Corp.*, 233
15 F.R.D. 363, 373 (S.D.N.Y. 2006).

16 As detailed above, the servers themselves are of minimal, if any, relevance to this
17 case because the specific software routines and operations that relate to the authorization of music
18 downloads can only truly be determined by a review of the source code, and not by observing a
19 server running the software. More importantly, there is no relevant ground to forego an
20 inspection now that can justify the extreme preservation costs in this case.

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Thus, if Mr. Tse insists that Musicmatch maintain the Musicmatch servers, or if Mr. Tse refuses to inspect those servers now, then Mr. Tse should bear the costs that result from his own positions. Musicmatch has made every effort to accommodate any legitimate need Mr. Tse may have for discovery of the Musicmatch servers and should not be held to pay for Mr. Tse's tactical decisions.

Dated: March 27, 2008

Respectfully submitted,

WEIL, GOTSHAL & MANGES LLP

By: /s/ Douglas E. Lumish
Douglas E. Lumish
Attorneys for Defendant
MUSICMATCH, INC.

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13 UNITED STATES DISTRICT COURT
14 NORTHERN DISTRICT OF CALIFORNIA
15 OAKLAND DIVISION

16
17 HO KEUNG TSE,
18 Plaintiff,
19 v.
20 APPLE COMPUTER, INC., et al.,
21 Defendants.

Case No. C 06-06573 SBA
**[PROPOSED] ORDER GRANTING
DEFENDANT MUSICMATCH, INC.'S
MOTION FOR PROTECTIVE ORDER**

BACKGROUND

1
2 This is a patent infringement action. The plaintiff, Ho Keung Tse, alleges that
3 defendants (Apple, Inc., Musicmatch, Inc. (“Musicmatch”), and others) infringed U.S. Patent No.
4 6,665,797 by providing music download services. Musicmatch no longer provides the music
5 download services accused of infringement, and thus proposes to decommission and dispose of
6 the hundreds of computer servers located at leased facilities that held the pertinent software and
7 data files – but, before doing so: (1) give plaintiff a reasonable time to inspect the servers, and
8 (2) to maintain, for purposes of this litigation, copies of that software and data files in machine-
9 readable fashion, whether or not plaintiff chooses to exercise its right to inspect. If Musicmatch
10 cannot decommission the hundreds of servers, it will have to extend a lease on the facilities
11 holding the servers, and continue to pay at least \$32,000 per month in costs to maintain the
12 servers and the facilities. Musicmatch moves for a Protective Order allowing it to
13 decommission and dispose of the servers, after backing up the software and pertinent data files.
14 Music contends that this is sufficient to satisfy the need to preserve potential evidence, while not
15 unreasonably burdening it. Plaintiff opposes, insisting that Musicmatch be required to maintain
16 the servers and, thus, continue to pay costs to maintain the servers, including paying rent on the
17 facilities.

18 As the proposed protective order Musicmatch requests will allow Musicmatch to
19 avoid an unreasonable burden without unfairly prejudicing Plaintiff, Musicmatch’s request is
20 GRANTED.

LEGAL STANDARD

21
22 Like any other discovery, discovery of electronically stored information is subject
23 to the limitations concerning burden and cost imposed by Federal Rule of Civil Procedure 26:

24 (B) Specific Limitations on Electronically Stored Information. A party
25 need not provide discovery of electronically stored information from
26 sources that the party identifies as not reasonably accessible because of
27 **undue burden or cost**. . . . If that showing is made, the court may
28 nonetheless order discovery from such sources if the requesting party
shows good cause, considering the limitations of Rule 26(b)(2)(C).

1 Fed. R. Civ. P. 26(b)(2)(B). The Advisory Committee Note on Federal Rule of Civil Procedure
2 26 points out that

3 [t]he parties' discussion [regarding preservation] should pay particular
4 attention to the balance between the competing needs to preserve relevant
5 . . . The parties should take account of these considerations in their
6 discussions, with the goal of agreeing on **reasonable preservation steps**.

6 Advisory Committee Note to 2006 Amendment of Fed. R. Civ. P. 26(f).

7 Rule 26(b)(2)(C) permits the Court to limit discovery where it "can be obtained
8 from some other source that is more convenient, less burdensome, or less expensive," or where
9 "the burden or expense of the proposed discovery outweighs its likely benefit, considering the
10 needs of the case, the amount in controversy, the parties' resources, the importance of the issues
11 at stake in the action, and the importance of the discovery in resolving the issues." Fed. R. Civ.
12 P. 26(b)(2)(c)(i) and (iii).

13 ANALYSIS

14 Musicmatch has shown that the information relevant to the issues in this case that
15 can be obtained from the servers is available from a more convenient, less burdensome, and less
16 expensive source--the backups of the servers it will maintain during the pendency of this
17 litigation. Plaintiff is unable to suggest why the backups, in combination with the opportunity to
18 inspect the servers prior to their being shutdown, is insufficient to preserve all the data necessary
19 to pursue this case. Furthermore, while there is no significant prejudice to Plaintiff if he were to
20 inspect the servers now instead of when the stay in this case might be lifted, there is a significant
21 prejudice to Musicmatch, due to the cost of maintain the servers. Allowing Musicmatch to
22 shutdown its servers while compelling it to allow for an inspection of them by Plaintiff prior to
23 the shutdown, along with maintaining a backup of the servers, is reasonable and protects both
24 parties' interests.

25 CONCLUSION

26 As Musicmatch has shown that the protective order it requests is necessary in
27 order to avoid an unreasonable burden on it and as Plaintiff will not be significantly prejudiced by
28 the protective order, the court hereby **ORDERS** that:

1 1. MusicMatch shall permit Plaintiff's counsel and/or experts to physically
2 examine, photograph, and videotape the Servers by May 1, 2008. MusicMatch's counsel may
3 be present for such examination.

4 2. After May 1, 2008, MusicMatch shall not have any obligation in this
5 litigation further to maintain the servers for purposes of this litigation. Accordingly – subject to
6 the conditions noted below – for purposes of this litigation MusicMatch may dispose of the
7 servers after May 1, 2008.

8 3. Before disposing of the Servers, and irrespective of whether Plaintiff
9 timely exercises his right to inspect, MusicMatch shall back up a complete, correct, and accurate
10 copy of the software and all data files on those servers in read-only fashion (i.e., in such a manner
11 that the software and data files cannot thereafter be changed). Once so downloaded,
12 MusicMatch shall maintain a copy of such software and data files for the pendency of this
13 litigation.

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16 IT IS SO ORDERED.

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18 Date: _____

Hon. Sandra Brown Armstrong
United States District Court

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