No. 2020-1413

United States Court of Appeals for the Federal Circuit

MLC INTELLECTUAL PROPERTY, LLC,
Plaintiff-Appellant,
v.

MICRON TECHNOLOGY, INC.,
Defendant-Appellee.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA IN CASE NO. 3:14-CV-03657-SI, JUDGE SUSAN ILLSTON

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CERTIFICATE OF INTEREST

Counsel for Appellee Micron Technology, Inc. certifies the following:

1. Full Name of Party represented by me is: Micron Technology, Inc.

2. Name of Real Party in interest represented by me, and not identified in response to Question 3, is: N/A

3. Parent corporations and any publicly held companies that own 10% or more of the stock of the party are: None.

4. The names of all law firms and the partners and associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear for the party in this court (and who have not or will not enter an appearance in this case) are:

   FISH & RICHARDSON P.C.: Michael R. Headley, Anthony Van Nguyen, Brian J. Livedalen, Jonathan B. Bright, Michael R. Ellis, Lauren A. Degnan, Tamara E. Fraizer*

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5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal are as follows: *MLC Intellectual Prop., LLC v. Micron Tech., Inc.*, No. 3:14-cv-03657 (N.D. Cal.); *MLC Intellectual Prop., LLC v. Micron Tech., Inc.*, No. 3:19-cv-03345 (N.D. Cal.); ex parte Reexamination Application No. 90/014,245 (U.S.P.T.O.); ex parte Reexamination Application No. 90/014,421 (U.S.P.T.O.).

Dated: May 26, 2020 /s/ *Ruffin B. Cordell*

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STATEMENT OF RELATED CASES

There are no other appeals from the proceedings below. This Court's decision may affect the following pending cases and proceedings: *MLC Intellectual Prop., LLC v. Micron Tech., Inc.*, No. 3:14-cv-03657 (N.D. Cal.); *MLC Intellectual Prop., LLC v. Micron Tech., Inc.*, No. 3:19-cv-03345 (N.D. Cal.); *ex parte* Reexamination Application No. 90/014,245 (U.S.P.T.O.); *ex parte* Reexamination Application No. 90/014,421 (U.S.P.T.O.).

Appellee Micron Technology, Inc. and its undersigned counsel are unaware of any other actions pending in this or any other court or agency that may directly affect or be directly affected by this Court's decision in the present appeal.

COUNTER-STATEMENT OF THE ISSUES

1. Did the district court abuse its discretion in excluding reasonable royalty opinions that did not apportion to account for non-infringing features and components of the accused products?

2. Did the district court abuse its discretion in precluding an expert from misrepresenting prior lump-sum licenses as reflecting a royalty rate far higher than what those licensees actually paid?

3. Did the district court abuse its discretion in striking expert testimony relying on evidence, facts, and legal theories not properly disclosed during fact discovery despite repeated requests seeking that information?

INTRODUCTION

The district court excluded the opinions of Michael Milani, a damages expert offered by appellant MLC Intellectual Property, LLC ("MLC"). Appx1-32. It did so both as a discovery sanction and because, for several independent reasons, it found his opinions inadmissible under Federal Rule of Evidence 702 and *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579 (1993). On appeal, MLC faces the burden of showing that every one of the district court's independent bases for excluding Milani's opinions was an abuse of its broad discretion in resolving discovery and evidentiary disputes. MLC cannot do that.

Milani focused on two lump-sum licenses MLC's predecessor granted to Hynix Semiconductor Inc. ("Hynix") and Toshiba Corporation ("Toshiba") for a large, international patent portfolio. Appx905-926. Improbably, Milani asserted that Micron Technology, Inc. ("Micron") would have paid approximately three times more than Hynix and Toshiba to license just ***one*** patent from that entire portfolio—even though Hynix and Toshiba had far larger market shares at the time. Appx868; Appx905-907; Appx926. He reached that puzzling conclusion through an equally confounding methodology. Ignoring what Hynix and Toshiba actually paid for their licenses, he instead derived a base royalty rate from an inapplicable most-favored customer provision, relying on sales forecasts for just a fraction of the licenses' duration. Appx905-926. He then ***tripled*** that rate, claiming that a much higher rate applied to U.S. sales, whereas the Hynix and Toshiba licenses covered worldwide sales. Appx913. Yet, directly contradicting that rationale, he applied the tripled rate to Micron's ***worldwide*** sales—not just U.S. sales. Appx1134 (105:2-5). He also never apportioned to account for myriad non-infringing features of Micron's products. Appx30.

Nor was Milani's methodology the only problem with his opinions. Throughout discovery, Micron repeatedly pressed MLC to provide its damages contentions and identify its evidence. Appx7-16. In response, MLC never claimed that any royalty rate could be divined from the Hynix and Toshiba lump-sum licenses. *Id.* During its corporate deposition, MLC specifically denied any knowledge of relevant facts surrounding the licenses' circumstances or of any basis to derive a royalty rate from them. *Id.* Then after fact discovery, MLC ambushed Micron—newly contending through Milani that these licenses "reflect" a royalty rate based on documents MLC had never identified as pertinent and on facts MLC had claimed not to have. Appx22-24.

The district court acted well within its discretion in excluding Milani's opinions, both based on his unsound methodology and because his opinions exceeded MLC's discovery responses. MLC does not identify any abuse of discretion. Its arguments instead rest largely on mischaracterizing the district court's analysis and rewriting this Court's apportionment case law. MLC also advances several new arguments on appeal, even after the district court rebuked it for trying "to improperly expand the record for appeal" by raising "several new arguments" after the court's rulings. Appx42-45.

The district court's evidentiary rulings were at a minimum within its sound discretion. Its orders should therefore be affirmed.

COUNTER-STATEMENT OF THE CASE AND FACTS

I. MLC Sues Micron for Alleged Patent Infringement

MLC sued Micron in August 2014, asserting U.S. Patent No. 5,764,571 (the "'571 patent"). The '571 patent, which expired on June 9, 2015, describes methods of programming multi-level memory cells. Appx34; Appx159; Appx2102.[1]

The '571 patent's invention—if any—is exceedingly narrow. As its inventor admits, programming non-volatile, multi-level memory cells was known even in the 1980's, long before the alleged invention. Appx2565 (63:4-64:2). Moreover, the patent's prior owner, BTG International Inc. ("BTG"), quickly settled litigation against Samsung after United States International Trade Commission Staff attorneys concluded that all asserted claims were invalid as anticipated. Appx909; Appx3180-3183. Further still, the asserted claims stand finally rejected in a co-

[1] In this context, "programming" refers to storing binary "0" bits in memory cells and storing binary "1" bits is called "eras[ing]." Appx2100.

pending *ex parte* reexamination. *Ex Parte* Reexamination Final Office Action, *In re Banks*, No. 90/014,245 (U.S.P.T.O. Jan. 14, 2020). The ’571 patent thus at most represents a small, incremental advance in technology for programming multi-level memory cells. Appx159-160; Appx2564 (59:3-19).

MLC acquired a large patent portfolio, including the ’571 patent, following litigation with BTG. Appx873-874. MLC then sued Micron, alleging that thousands of different Micron flash memory products infringed the ’571 patent. Appx33-34. The accused Micron products are extremely diverse, but even the simplest among them—those sold as bare dies or wafers—include numerous components that contribute value and do not even allegedly infringe the ’571 patent. Appx27-30. Such non-infringing components include “error correction hardware,” “data clocking hardware,” “addressing hardware,” “cache registers,” and “digital to analog converters,” among numerous others. *Id.*; Appx1242. These and other non-infringing technologies in Micron’s products, including the manufacturing technologies enabling the continued miniaturization of NAND flash memory, are the product of over $8 billion in Micron’s research and development. *Id.*; Appx1569; Appx1606.

II. MLC Refuses to Disclose Its Damages Theory and Its Factual Basis During Fact Discovery

MLC's alleged damages were a major focus of Micron's discovery efforts. For example, Micron served several interrogatories regarding damages contentions and evidence, including:

- Micron's Interrogatory No. 6, requiring MLC to describe "in complete detail the ***factual and legal basis and supporting evidence*** for the relief" sought in its complaint, including "reasonable royalty" damages, Appx2618;[2] and
- Micron's Interrogatory No. 22, requiring MLC to "[i]dentify ***all facts, evidence, and testimony regarding any applicable royalty rates*** that [it] intend[ed] to rely upon at trial and describe in complete detail ***why those royalty rates are applicable***," Appx1186.

MLC's responses identified neither any royalty rate allegedly associated with the Hynix or Toshiba licenses nor any pertinent evidence suggesting that these lump-sum portfolio licenses reflected a particular royalty rate for the '571 patent. Appx9-13; Appx22-24; Appx1186-1187; Appx2618-2623.

Micron also probed MLC's damages contentions and evidence during MLC's Rule 30(b)(6) deposition, seeking, *inter alia*,

[2] All emphasis herein is added unless otherwise noted.

(1) "information, facts, and documents relating to MLC's claim of damages . . . including any reasonable royalty[and] the royalty base and rate";

(2) the "facts and circumstances related to any license negotiations concerning the Asserted Patent," and any related documents; and

(3) any "[c]ommunications with each of the licensees" to the '571 patent. Appx14; Appx3386-3387.

Testifying on MLC's behalf, its chairman, Mr. Robert Hinckley did not identify any relevant facts, evidence, or theories about the Hynix or Toshiba licenses. Appx14-16; Appx22-24. Instead, he testified that he had not "read the licenses in a long time." Appx1250 (11:21-22). He flatly denied knowing how the agreements' lump sums were determined, what products they licensed, and "what facts, if any, . . . MLC will rely on at trial" regarding the licenses. Appx14-16; Appx1262-1263 (61:13-63:23); Appx1263-1264 (64:14-67:7); Appx1266 (77:1-18); Appx1267 (78:3-79:3). He also specifically denied any "knowledge with respect to a royalty rate that could be inferred from [the Hynix] agreement." Appx1263 (63:9-13); *see also* Appx1262-1263 (61:25-62:2).

In sum, Micron repeatedly asked MLC to disclose any reasonable royalty theory it had based on the Hynix and Toshiba licenses and to identify its evidence, and MLC repeatedly failed to do so. Appx7-16; Appx22-24.

III. Milani Applies an Untenable Methodology to Allege Damages Far Exceeding What Prior Licensees Paid to License a Much Larger Portfolio

Milani based his opinions on a hypothetical negotiation between BTG and Micron in the fourth quarter of 2006 for a license to only the ’571 patent. Appx888. He focused on the April 2007 BTG-Hynix license for a portfolio of forty-one patents, including the ’571 patent, as an allegedly comparable license. Appx909; Appx1081; Appx1091. Yet he concluded that Micron would have paid ***more than three times*** as much as Hynix to license just ***one*** of those forty-one patents—even though Hynix’s relevant market share at the time was more than ***six times*** Micron’s. Appx867-868; Appx905; Appx926.[3]

Milani reached that unlikely conclusion by: (1) including sales by Micron’s non-party subsidiaries and affiliates in his royalty base, Appx23 n.19; (2) foregoing apportionment to account for numerous non-infringing features of Micron’s products, Appx25-30; (3) ignoring what Hynix actually paid and instead conjuring a royalty rate from an inapplicable most-favored customer provision in the Hynix license, Appx906; and (4) inexplicably tripling that rate because BTG supposedly believed a higher rate should apply to ***U.S. sales***, but then applying the trebled U.S. rate to ***worldwide sales***, Appx913; Appx23 n.19.

[3] Milani’s opinions also did not account for Micron’s and Hynix’s total sales from 2007 through the ’571 patent’s 2015 expiration. *See* Appx888; Appx920.

A. Milani Fails to Apportion for Non-Infringing Technology and Includes Foreign Sales in his Royalty Base

Milani offered two alternative royalty base theories: (1) a "comparable licensing" approach applying his royalty rate to the entire market value of all Micron's accused products and (2) an "SSPPU approach" applying his royalty rate to 100% of the revenue for Micron's bare dies and to approximately 84.5% of the revenue for nearly 2,700 other "non-SSPPU products," such as flash memory packages and complex solid state drives. Appx25-26; Appx889-899; Appx926.[4]

Micron advanced undisputed evidence that its bare dies include a vast number of non-infringing features and components. Appx30; Appx1242; Appx2389-2400. Yet, neither of Milani's approaches performed ***any*** apportionment accounting for the dies' non-infringing features and components. Appx30; Appx894-899; Appx1135 (107:10-19); Appx1140 (128:3-129:6). The only apportionment Milani purportedly performed was for non-SSPPU products like solid state drives. Appx894-899. Even that apportionment was superficial at best. It indiscriminately lumped nearly 2,700 diverse products together even though Milani knew so little about them that he characterized many as "unidentifiable." Appx897-899. It assigned, on average, 84.5% of the products' value to the bare dies. Appx926. And even though data sheets for products like

[4] The parties agree that Micron's bare dies are the smallest saleable patent practicing unit ("SSPPU"). Appx25 n.1.

solid state drives touted numerous additional non-infringing features like "Power Loss Protection" and "Extreme Energy Efficient technology," Milani admitted that his alleged apportionment of those products was not done "specifically for these particular features." Appx1158-1160 (201:18-206:17).

Milani's royalty base also improperly included all Micron's worldwide sales, as well as both domestic and foreign sales by Micron's non-party subsidiaries and affiliates, including a non-party joint venture between Micron and Intel. Appx889-893; *see also* Appx875; Appx1134 (104:20-22) ("Q. And you include sales revenue of [Micron] attributed to sales overseas, correct? A. Yes, sir.").[5]

B. Milani Distorts the Hynix License Using Undisclosed Evidence to Derive an Inflated Royalty Rate

Milani's royalty rate opinions were also deeply flawed. He identified the Hynix license as particularly "relevant . . . to consider in a hypothetical negotiation." Appx899-909. Yet, he ignored the actual payment set forth in the Hynix license—a $21 million lump-sum paid in three installments—instead focusing on a most-favored customer provision. Appx905-906.

This most-favored customer provision would not have applied to the late-2006 hypothetical negotiation between Micron and Hynix. Appx888. It only

[5] In a separate order that MLC did not appeal, the district court precluded MLC from seeking damages on foreign sales and sales by non-parties. Appx3986-3992.

allowed Hynix to reduce future installment payments if BTG granted another portfolio license at a rate below 0.25% "***after*** the Effective Date." Appx1084 (§4.3). Because the Hynix license had an April 11, 2007, effective date and required Hynix's final payment by December 31, 2009, the provision applied only new licenses granted between those dates. *Id.*; *see also* Appx1081 (preamble, §1.1); Appx1083 (§4.1).

Milani claimed that the 0.25% rate from this provision was a "relevant consideration" in his royalty analysis because it "provides a quantitative metric allowing for the application of the terms of the Hynix Agreement to" the hypothetical negotiation with Micron. Appx906. But aside from this generic description of the 0.25% rate as a "relevant consideration," Milani performed no analysis accounting for the differences between Hynix's actual lump-sum payment and the royalty rate recited in this limited "most-favored customer" provision. *Id.* Nevertheless, he asserted that the BTG-Hynix lump-sum agreement "reflect[ed] 0.25% of Hynix's worldwide sales," without ever providing ***any*** analysis supporting that conclusion. Appx885; Appx906-907; Appx913; Appx921 ("[T]he Hynix Agreement reflects a 0.25% royalty applied to worldwide shipments.").

Milani also identified the BTG-Toshiba license as "relevant." Appx906-907. He again eschewed consideration of the actual lump-sum payment the license set forth. *Id.* Instead, he baldly asserted that it was "reasonable to presume" that the Toshiba license reflected a royalty rate at least equal the Hynix license's merely because the agreements were executed the same day. *Id.* Milani did not explain how this presumption followed from the agreements being executed the same day, *id.*, and his presumption is simply wrong. Toshiba and Hynix paid similar lump sums. Appx905-907. Yet, Milani's own market share analysis shows that Toshiba had a significantly higher market share, meaning that Toshiba paid less per unit. Appx868 (showing that Toshiba's 2006 NAND flash market share was about 50% larger than Hynix's).

Milani's conclusion that the Hynix and Toshiba licenses reflected a 0.25% royalty rate also relied extensively on evidence that MLC failed to identify during fact discovery—facts and documents concerning MLC's negotiations with Hynix, Toshiba, and other actual or potential licensees. Appx22-23; Appx43 & n.1; Appx899-926. For example, the primary document Milani relied upon for several key assumptions—including his claims that a 0.25% rate "was applied to Hynix worldwide sales," and that the Toshiba license "reflect[ed] a running royalty that is at least equal to the rate reflected by the Hynix agreement"—was a 2007 letter from BTG to Samsung (marked BTG_06398-BTG_06402 (Appx1394-1399)). Appx6 & n.6; Appx906-907 & nn.274, 288. Yet MLC omitted this letter from its responses to Micron's interrogatories regarding MLC's damages evidence. Appx22-24; Appx1186-1187; Appx2618-2623.

Milani's reliance on this undisclosed letter was not the exception—it was the rule. His opinions also hinged on other undisclosed evidence, including:

(1) The deposition testimony of BTG's Simon Fisher from a separate breach of contract lawsuit between BTG and MLC (marked BTG_02097-BTG-02142 (Appx1191-1199)), which was Milani's sole basis for tripling the 0.25% royalty rate he incorrectly divined from the Hynix and Toshiba licenses, Appx913 & n.335;

(2) A November 2007 internal BTG "briefing paper" regarding negotiations with Samsung (marked BTG_05660-5670 (Appx1403-1414)), Appx922 & n.377;

(3) E-mails between BTG and Samsung regarding licensing (marked MLC00056549-56551 and MLC00060545), Appx885 & nn.141-142, Appx922 & n.378;

(4) A licensing offer BTG sent to STMicroelectronics (marked MLC00054615-54616 (Appx1387-1389)), Appx922 & n.379; and

(5) Documents related to BTG's negotiations with Acacia (marked ACACIA00000228-229 (Appx1415-1417) and MLC00056617-56628 (Appx1418-1430)), Appx923 & nn.383-385.

MLC failed to disclose this evidence in its relevant interrogatory responses. Appx7-13; Appx22-24; Appx1186-1187; Appx2618-2623.

Not only did Milani rely heavily on evidence never properly identified during fact discovery, his core reasonable royalty theory flew directly in the face of MLC's corporate testimony. The lynchpin of Milani's opinions was that a royalty rate could be derived from the Hynix and Toshiba lump-sum licenses based on certain related documents and communications. Appx899-925. Yet MLC had adamantly denied knowing ***any*** facts pertaining to those agreements that would support MLC's damages claims, *e.g.*, Appx1263-1264 (65:7-67:7); Appx1267 (78:3-79:3), including any knowledge "with respect to a royalty rate that could be inferred" from the Hynix agreement. Appx1263 (63:9-13); *see also* Appx1262-1263 (61:25-62:2).

IV. The District Court Excludes MLC's Damages Evidence on Numerous Independent Grounds

Micron filed motions to exclude Milani's opinions under *Daubert*, Appx679-709, to strike his expert report in relevant part pursuant to Rule 37, Appx753-779, and to preclude him *in limine* from mischaracterizing the Hynix and Toshiba agreements as reflecting a 0.25% royalty rate. Appx818-830. The district court granted all three motions. Appx1-32.

In an order addressing Milani's royalty base opinions, the district court found that neither Milani's "comparative license" opinion nor his "SSPPU approach" was admissible under *Daubert*. Appx25-31. Regarding Milani's "comparative license" opinion, the district court held that using the entire market value of the accused products as the royalty base was inappropriate because Milani did not establish that "the patented feature is the sole driver of customer demand or substantially creates the value." *See Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, 904 F.3d 965, 979 (Fed. Cir. 2018); Appx26-30. It rejected MLC's argument that Milani's derivation of a royalty rate from the Hynix license "already addresses apportionment." Appx28. It emphasized that "Milani does not present any analysis that would support the conclusion" that his royalty rate "somehow already accounts for apportionment," that "no evidence" supported such an assertion, and that MLC's argument required "numerous unsupported inferential leaps." Appx28-30.

The district court likewise held Milani's "SSPPU approach" inadmissible for inadequate apportionment, emphasizing that MLC did "not dispute Micron's evidence that the bare die has non-infringing features." Appx30 (emphasis omitted). Because this Court's precedent requires apportionment "for these non-patented technologies" in all Micron's accused products, the district court excluded both Milani's royalty base approaches. Appx30-31.

The district court analyzed Micron's *Daubert* challenge to Milani's royalty rate opinions, together with Micron's related motion *in limine* and motion to strike in a separate order. Appx 1-24 & n.3. It excluded Milani's royalty rate opinions for several independent reasons. *Id.* First, it held that "Milani may not testify that the Hynix and Toshiba agreements contain or 'reflect' specific royalty rates because the documents speak for themselves and neither provides for an applicable royalty rate." Appx19. It explained Milani's opinions were "not based on the facts of the actual licenses," and that he would be "mischaracteriz[ing] those agreements" if he testified that that they "'reflect' specific royalty rates." *Id.*; *see also* Appx2, Appx24. It further noted that Milani's reliance on the Hynix license's most-favored customer provision was "contrary to the plain language of that provision." Appx20.

Second, the district court held that Milani's royalty rate opinions were "not 'based on sufficient facts or data'" and "not 'the product of reliable principles and methods'" as Rule 702 requires. Appx20-21. The court observed that Milani's cited evidence at most "suggests that BTG may have calculated lump sum amounts by applying 0.25% to forecasts of revenue ***from 2006-2011***"—just a fraction of the license terms. Appx20. As the court noted, applying a 0.25% rate to revenue for the entire life of the licenses would yield significantly greater lump-sum amounts. *Id.* Thus, the court held that Milani's 0.25% rate "is not based in fact, but instead upon a misinterpretation of an inapposite 'most favored customer' provision in the Hynix license and irrelevant extrinsic evidence." *Id.*

Third, the district court independently excluded Milani's opinions under Rule 37(c)(1) because "MLC never disclosed the factual underpinnings of its claim that the Hynix and Toshiba licenses 'reflect' a 0.25% royalty rate." Appx22-24. After thoroughly reviewing MLC's interrogatory responses and corporate testimony, Appx9-16, the court found that (1) MLC never disclosed its contention that the Hynix and Toshiba licenses reflect a specific royalty rate; (2) MLC instead denied knowledge of any such rate in its corporate deposition; and (3) MLC never disclosed the key evidence on which Milani's opinions depended. Appx22-23 ("[T]he record reflects that Micron repeatedly asked MLC . . . for the factual basis of its reasonable royalty claim and about its reliance on the Hynix license in particular – and MLC consistently failed to disclose its contention that the Hynix license 'reflected' a 0.25% royalty rate that should be applied to this case."). The court also observed that MLC's interrogatory responses consisted of "boilerplate objections" and "a generic statement of the law." Appx23. Finally, the court noted that MLC's discovery nondisclosures prejudiced Micron by "prevent[ing] it from conducting fact discovery regarding these issues," and that MLC could not refuse to "disclose the factual basis for its reasonable royalty claim" merely because patent damages are informed by expert opinion. Appx23-24.[6]

[6] Although this order formally ruled on only Micron's motion *in limine*, separate orders addressing Micron's *Daubert* motion and motion to strike incorporated this order's reasoning where necessary. Appx26 n.2; Appx30; Appx32.

The district court's third order granted Micron's motion to strike Milani's expert report under Rule 37 for the same failures to disclose contentions and evidence during fact discovery discussed in its royalty rate order. Appx32.

Following these and other evidentiary rulings, MLC "concede[d] that it has no damages case to present at trial." Appx40; *see also* MLC Pet. for Permission to Appeal at 9, No. 20-105 (Fed. Cir. Oct. 29, 2019). MLC sought leave to serve another damages report or "disclosure of a damages theory," which the district court denied in an oral ruling not before this Court on appeal. Appx35 (quotation marks omitted). To avoid an expensive trial solely on liability, the district court certified these three orders excluding Milani's opinions for interlocutory review, which this Court granted. Appx33-46.

SUMMARY OF THE ARGUMENT

The district court's evidentiary and discovery rulings were within its broad discretion. First, it properly excluded Milani's royalty base opinions for failing to apportion to account for undisputedly non-infringing technologies. Appx25-31. Second, it rightly excluded his royalty rate opinions both for mischaracterizing the Hynix and Toshiba licenses and because he wrongly relied on incomplete forecasts and an inapplicable most-favored customer provision while ignoring what those licensees paid. Appx1-24. Third, the district court's straightforward application of

Rule 37(c)(1) to independently exclude Milani's opinions because MLC did not follow basic discovery rules was not an abuse of discretion. *Id.*

To prevail here, MLC must show that each and every one of these rulings were abuses of discretion. None of MLC's arguments do that. On apportionment, MLC tries to dismiss this Court's many cases requiring apportionment for non-infringing technologies by drawing an unprecedented distinction between non-infringing "features" and non-infringing "components." This novel distinction does not square with this Court's decisions, and is futile in any event because undisputed evidence establishes that Micron's products include both non-infringing "features" and non-infringing "components."

Regarding Milani's royalty rate, MLC's lead argument—that the district court erred in applying the parol evidence rule—myopically focuses on one footnote to mischaracterize the district court's holding. The district court properly analyzed the sufficiency of Milani's data and methodology, setting forth its analysis in a set of thorough and careful opinions. At no time did the district court intrude upon the jury's role, as MLC suggests.

Seeking to evade the consequences of its failure to follow basic discovery rules, MLC takes the remarkable position that it was entirely excused from disclosing its legal contentions or their evidentiary foundations during fact discovery on issues where expert analysis synthesizes that evidence. If these unsupported arguments were adopted, they would upend well-established practices requiring early disclosure of contentions and evidence on issues like infringement and validity. MLC thus launches a direct assault on the basic discovery rules that permit the rational development of issues in civil litigation. There is simply no basis for deferring discovery until expert reports, and sound basis for ***requiring*** discovery before expert reports.

In short, MLC fails to identify any abuse of discretion in the district court's orders. Even if MLC had identified an error, it certainly has not shown that every independent basis the district court adopted for excluding Milani's opinions was an abuse of discretion. This Court should therefore affirm.

STANDARD OF REVIEW

The Ninth Circuit "review[s] a district court's evidentiary rulings," including "decisions to exclude expert testimony and to impose discovery sanctions, for an abuse of discretion, and a showing of prejudice is required for reversal." *Ollier v. Sweetwater Union High Sch. Dist.*, 768 F.3d 843, 859 (9th Cir. 2014).[7]

Indeed, the Ninth Circuit "give[s] particularly wide latitude to [a] district court's decision to issue sanctions under Rule 37(c)(1)." *Yeti by Molly, Ltd. v. Deckers Outdoor Corp.*, 259 F.3d 1101, 1106 (9th Cir. 2001). The district court's

[7] This Court "reviews a district court's evidentiary rulings under the law of the regional circuit." *E.g.*, *MicroStrategy Inc. v. Bus. Objects, S.A.*, 429 F.3d 1344, 1349 (Fed. Cir. 2005).

governance of the orderly exchange of information during the early stages of litigation is a core principle of efficient litigation. *See, e.g.*, *United States v. W.R. Grace*, 526 F.3d 499, 508-09 (9th Cir. 2008). The Ninth Circuit similarly affords district courts "'broad latitude' to 'decide ***how*** to test an expert's reliability' and '***whether or not*** an expert's relevant testimony is reliable.'" *United States v. Ruvalcaba-Garcia*, 923 F.3d 1183, 1189 (9th Cir. 2019) (quoting *Kumho Tire Co. v. Carmichael*, 526 U.S. 137, 152-53 (1999)) (original emphasis); *see also Estate of Barabin v. AstenJohnson, Inc.*, 740 F.3d 457, 463 (9th Cir. 2014) (*en banc*).

ARGUMENT

I. The District Court Did Not Abuse Its Discretion in Excluding Milani's Royalty Base Opinions Under *Daubert* and Rule 702

As discussed above, Milani offered two distinct royalty base opinions—a "comparable license" approach based on the entire market value of all accused products—with no apportionment at all—and an "SSPPU approach" which purported to apportion to the SSPPU, *i.e.*, the smallest saleable patent practicing unit. Appx25-26; Appx889-899; Appx926. The district court's exclusion of both approaches should be affirmed.

At the threshold, while MLC does not distinguish between Milani's approaches, its appellate arguments are inapplicable to the district court's exclusion of Milani's entirely-unapportioned "comparable license" approach. BBr. 7, 44-6. MLC only defends Milani's "SSPPU approach," arguing that the district court erred "in requiring ***further*** apportionment of the royalty base within a single-component device." BBr. 7, 44-61. By offering no substantive argument specific to Milani's "comparable license" approach, MLC waived any challenge to its exclusion. *See, e.g.*, *Blue Calypso, LLC v. Groupon, Inc.*, 815 F.3d 1331, 1340 (Fed. Cir. 2016).

MLC's passing suggestion, solely in a parenthetical in its opening brief's introduction, that "Milani in fact was not obligated to apportion at all," BBr. 4-5, cannot evade waiver of this issue. *SmithKline Beecham Corp. v. Apotex Corp.*, 439 F.3d 1312, 1320 (Fed. Cir. 2006) (holding that a party must present "developed argument" and not "mere statements of disagreement with the district court" to avoid waiver); *see also Game & Tech. Co. v. Wargaming Grp.*, 942 F.3d 1343, 1350 (Fed. Cir. 2019). Regardless, the district court made detailed findings rejecting MLC's argument that Milani's reliance on other licenses accounted for apportionment. Appx28-30. MLC does not identify error in those findings, much less show that they reflect an abuse of discretion. BBr. 44-61.

Nor could MLC have defended Milani's "comparable license" approach. Milani performed no analysis comparing Micron's accused products to Hynix's licensed products. Appx28-29; Appx1157 (195:18-25) ("Q. In fact, you don't know whether there are any differences between the operation of Hynix's products and Micron's products, correct? A. Specifically as to how the products operate and the technical characteristics of that, I do not have that understanding."); *id.* (197:5-25). There is no basis for assuming that Micron's products' non-infringing features are identical to Hynix's or Toshiba's.[8] Moreover, Milani admitted that the alleged invention "couldn't be the sole driver of demand" for Micron's products. Appx1132 (96:18-97:1). Hence, treating the entire market value of those products as the revenue base was improper. *See, e.g.*, *Power Integrations*, 904 F.3d at 979. Accordingly, the district court's exclusion of Milani's wholly-unapportioned "comparative license" approach should be affirmed.

MLC's defense of Milani's "SSPPU" approach hinges on two premises. The first premise is that precedent does not require apportionment to account for non-infringing ***features*** of a "single-component" device; that is, that the apportionment requirement applies only to non-infringing ***components*** of multi-component devices. BBr. 7, 44-52, 55-61. The second premise is that Micron's accused bare dies are not "multi-component" products and thus did not require

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[8] MLC's "commodity" product argument cannot gap-fill Milani's analysis. Milani only asserted that "NAND flash" was "described as a commodity market, with competitors ***mainly*** competing on price." *E.g.* Appx867. This strongly suggests that differences between the products contributed to demand. *Id.* Moreover, Hynix's and Toshiba's licensed products were not limited to NAND flash. Appx1081; Appx1094. Micron's non-SSPPU products also include numerous demand-driving components beyond NAND flash. Appx1569; Appx1606. Therefore, even if Milani's conclusory and equivocal opinions regarding the "NAND flash" market were credited, they could not substitute for a comparison of the relevant products.

apportionment under MLC's legal premise. *Id.*, 52-54, 57-61. Both premises are false, and rejecting either of them requires affirmance.

A. Precedent Requires Apportionment for an SSPPU's Non-Infringing Features

This Court has repeatedly emphasized that a patentee must apportion its alleged damages to account for accused products' non-infringing features. *E.g.*, *Finjan, Inc. v. Blue Coat Sys., Inc.*, 879 F.3d 1299, 1309-1310 (Fed. Cir. 2018) (collecting cases); *VirnetX, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308, 1326 (Fed. Cir. 2014). Apportionment is required because:

> What is taken from the owner of a utility patent (for purposes of assessing damages under § 284) is only the patented technology, and so ***the value to be measured is only the value of the infringing features of an accused product***. When the accused infringing products have both patented and unpatented features, measuring this value requires a determination of the value added by such features.

Ericsson, Inc. v. D-Link Systems, Inc., 773 F.3d 1201, 1226 (Fed. Cir. 2014).

MLC argues that Milani's SSPPU approach satisfied this requirement by apportioning down to the SSPPUs (bare dies) in Micron's non-SSPPU products. BBr. 44-61. But this Court's cases make clear that "a patentee's obligation to apportion damages only to the patented features ***does not end with the identification of the smallest salable unit*** if that unit still contains significant unpatented features." *VirnetX*, 767 F.3d at 1329; *see also Finjan*, 879 F.3d at 1311 ("[I]f the smallest salable unit—or smallest identifiable technical component—

contains non-infringing features, ***additional apportionment is still required***."). MLC does not dispute that the Micron dies have additional, non-infringing features that Milani's apportionment did not address. BBr. 52-53, 57-61. Thus, the district court correctly held that Milani failed to apportion as this Court's precedent requires. Appx30.

MLC attempts to avoid this straightforward conclusion by arguing that the requirement to apportion beyond the SSPPU applies only where the SSPPU is a "multi-component product" and that Micron's dies are not "multi-component" products. *E.g.*, BBr. 50-54. Its legal argument boils down to a claim that apportionment within the SSPPU is limited to excluding "non-infringing ***components***" and not "non-infringing ***features***." *Id.*, 50, 57. As discussed below, MLC's assertion that Micron's dies do not have multiple components is flat wrong. Regardless, nothing in this Court's precedent supports MLC's distinction between non-infringing "components" and "features."

This Court has consistently focused on the need to account for non-infringing "features." *E.g.*, *Ericsson*, 773 F.3d at 1226 ("[T]he ultimate combination of royalty base and royalty rate must reflect the value attributable to the infringing ***features*** of the product, and no more."); *VirnetX*, 767 F.3d at 1326 ("No matter what the form of the royalty, a patentee must take care to seek only those damages attributable to the infringing ***features***."). And in *Finjan*, this Court specifically held that "***additional*** apportionment is still required" if the "smallest identifiable technical ***component***"—singular—"contain[s] non-infringing ***features***." 879 F.3d at 1311. MLC's is therefore wrong that "further apportionment would have been required only if the alleged non-infringing features were part of other components, separable from this single infringing component." *Compare id. with* BBr. 57.

Nor is this Court alone in focusing the apportionment requirement on non-infringing "features." The Supreme Court in *Garretson v. Clark* specifically emphasized the need "to separate or apportion the defendant's profits and the patentee's damages between the patented ***feature*** and the unpatented ***features***." 111 U.S. 120, 121 (1884). Even the district court decision in *Cornell University v. Hewlett-Packard Co.*, which MLC centers its argument on, held that the patentee "needs to provide some reason to extend its damages to ***features*** and components not encompassed within the claimed invention." 609 F.Supp.2d 279, 290 (N.D.N.Y. 2009). There is simply no support for the component/feature distinction that MLC pursues.[9]

[9] MLC also mischaracterizes *Cornell*, suggesting that it held "the computer processor to be an appropriate base, even though the infringing IRB was just a component within the processor." BBr. 46. But *Cornell* explains that the patentee "might" have been permitted "to obtain royalties not only on the claimed features of the IRB but also on sales of processors which include features beyond the scope of the claimed invention" only by "application of [the] entire market value rule."

The reasoning underlying the apportionment requirement likewise does not permit MLC's feature-component distinction. The requirement's purpose, after all, is to identify "***only*** the value of the ***infringing features*** of an accused product" so that the damages ultimately "reflect the value attributable to the ***infringing features*** of the product, ***and no more***." *Ericsson*, 773 F.3d at 1226. If MLC could collect damages based on the ***entire*** market value of Micron's dies, then its damages would include the value of ***all*** the dies' features—both infringing and non-infringing. That is precisely the unjustified windfall that the apportionment requirement aims to prevent. *VirnetX*, 767 F.3d at 1326-28.

MLC's remaining royalty base arguments also fail to show an abuse of discretion. Its argument that further apportionment is "more appropriately" accomplished by adjusting the royalty rate—not the base—ignores the district court's detailed findings that Milani's royalty rate analysis did not achieve the necessary apportionment. BBr. 51-52; Appx28-30. As the district court explained, MLC's argument that Milani's royalty rate somehow accounts for apportionment requires "numerous unsupported inferential leaps." Appx28. First, it requires assuming that the Hynix license's most-favored customer provision—not what

609 F. Supp. 2d at 286. That possibility does not help MLC, which expressly disclaimed the entire market value rule below—and rightly so, after Milani admitted that the alleged invention "couldn't be the sole driver of demand" for Micron's products. Appx719; Appx1132 (96:18-97:1).

Hynix actually paid—somehow considers the value of an unknown future licensee's products' non-patented features, and Milani cited no such information. Appx28; Appx1084. Second, it requires assuming that a rate derived from a license involving 40 other patents somehow specifically identifies the '571 patent's value. Appx28; Appx1091. Third, it requires assuming that the licensed products' non-infringing features were identical to Micron's, even though none of MLC's experts ever compared the relevant products and "there is no evidence in the record regarding the nature or volume of the licensed Hynix products." Appx28; *see also* Appx1157 (195:18-25, 197:5-25).[10] The district court therefore did not abuse its discretion in finding that "there is no evidence . . . that a specific royalty rate derived from the Hynix agreement already accounts for apportionment of non-patented features in Micron's accused products." Appx29.

Indeed, MLC does not challenge any of these findings on appeal. *See* BBr. 44-61. Thus, although this Court has permitted apportioning the royalty rate in narrow circumstances supported by a "thorough and reliable analysis," *Exmark Mfg. Co. v. Briggs & Stratto Power Prods. Grp.*, 879 F.3d 1332, 1348 (Fed. Cir. 2018), the district court's unchallenged findings establish that no such "thorough and reliable" apportionment of the rate was conducted here. Appx28-30. On this

[10] Again, MLC's "commodity" argument cannot rectify this evidentiary failing. *See* n.8, *supra*.

record, relying solely on the royalty rate to account for the numerous non-infringing features in Micron's dies would "mislead the jury, who may be less equipped to understand the extent to which the royalty rate would need to do the work in such instances." *See Ericsson*, 773 F.3d at 1227 (citing *LaserDynamics*, 694 F.3d at 67-68).

MLC also implies that this Court's apportionment requirements should be loosened because "the infringing functionality . . . is the primary functionality" of Micron's dies. BBr. 51. This argument misconstrues the purported invention's scope, which is limited to a particular technique for "programming," or writing binary '1' bits into multi-level memory cells. Appx159-160; Appx2100; Appx2564 (59:3-12). The '571 patent does not cover technology for writing '0' bits, for reading data from memory, or for maintaining data storage when the device is unpowered, all of which are as critical to the dies' functionality as writing '1' bits. *See* Appx2100; Appx2297. Nor does the invention even purport to be the first or only way of writing '1' bits to multi-level memory cells. The inventors' admission that others accomplished that goal first, the ITC attorneys' conclusion that the '571 patents are invalid as anticipated, and the final rejection of MLC's asserted claims in co-pending *ex parte* reexamination proceedings all show that the '571 patent's invention, if any, is exceedingly narrow. Appx2564-2565 (58:4-64:2); Appx3180-3183. Moreover, "[w]hether 'viewed as valuable, important, or even essential,' the patented feature must be separated" from unpatented features. *VirnetX*, 767 F.3d at 1329 (quoting *LaserDynamics, Inc. v. Quanta Computer, Inc.*, 694 F.3d 51, 68 (Fed. Cir. 2012)).

The apportionment requirement has particular force here. Micron invested over $8 billion in R&D between fiscal years 2007 and 2015 alone and has over 15,000 issued U.S. Patents. Appx1606. Yet, Milani's analysis affords ***no*** value to the non-infringing technologies that Micron's dies embody and only minimal value to the additional non-infringing technologies in non-SSPPU products like solid state drives. Appx889-899; Appx926. That cannot be right, particularly given the dearth of evidence suggesting that the '571 patent has any real value.

Finally, MLC argues that apportionment to account for the SSPPU's non-infringing features under *VirnetX* and *Finjan* is "unworkable." BBr. 55-56. But while precedent requires apportionment to be non-speculative and grounded in fact, it does not require "absolute precision" and permits "some degree of approximation and uncertainty." *VirnetX*, 767 F.3d at 1328. MLC does not identify any reason why district courts cannot make case-specific determinations regarding when an expert has sufficiently supported her apportionment analysis. Yet while the law permits approximation, it explicitly forbids what Milani did here—simply ending the analysis with the identification of the SSPPU and making

no attempt to apportion for the SSPPU's non-infringing features. *Id.* at 1329; Appx894-899.

In short, the district court correctly applied this Court's apportionment precedent and did not abuse its discretion in excluding Milani's royalty base opinions.

B. Undisputed Evidence Refutes MLC's Baseless Claim that Micron's Bare Dies Are "Single-Component" Products

MLC's defense of Milani's SSPPU approach independently fails—even under MLC's incorrect view of the law—because Micron's accused bare dies are indisputably multi-component products. MLC never provided a shred of evidence supporting its assertion that Micron's dies are single-component products. Its briefing to the district court on this issue consisted of two sentences baldly asserting that "[t]he SSPPU is not a multi-component product, like a cellphone or computer. Rather, it is a single component with no non-infringing uses." Appx721. Neither was supported by citation to any evidence. *Id.*

MLC improperly tries to buttress this deficient showing on appeal, but its new arguments are specious at best. For instance, MLC suggests that the dies must be single-component products merely because the parties agreed they were the SSPPU. BBr. 45, 53. Yet this Court has repeatedly observed that the SSPPU may itself contain non-infringing components. *E.g.*, *VirnetX*, 767 F.3d at 1329. Similarly, that flash memory may itself be a component of a larger device does not make it a "single-component" product. *See* BBr. 53. Finally, MLC repeatedly attempts to support its single-component argument with citations to Milani's expert report. *Id.* at 4, 57-60. But Milani never opined on this technical issue, and his finance background hardly would have qualified him to do so. Appx849-899; Appx930.

Tellingly, MLC's technical expert, Dr. Jack Lee, never opined that Micron's bare dies are "single-component" products. Indeed, the portions of his expert report MLC cites actually contradict that claim. *See* BBr. 59 (citing Appx2180-2181). There, Dr. Lee states that "most" of one accused die consists of a component called a "memory array," which itself is composed of individual memory cells. Appx2180. He goes on to annotate a "die map," specifically identifying several other components, including "page buffers," "row decoders," and "wordline switches." Appx2181.

MLC's argument does not withstand the scrutiny of even its own technical expert. Indeed, the entire premise of Dr. Lee's infringement analysis—and MLC's infringement case—was that various different components of Micron's dies satisfy different limitations of the asserted claims. *E.g.*, Appx2118-2119; Appx2184-2188. Dr. Lee was explicit on this point during his deposition, explaining that he asked an assistant to review schematics for Micron's dies to locate "certain components," namely "[t]he components that are in the asserted claims."

Appx2212 (15:5-16:21). Dr. Lee's testimony about "locat[ing]" "***certain*** components"—plural—within schematics for Micron's dies would be utterly nonsensical if the dies were not multi-component products. *Id.* MLC is seemingly focused solely on whether components are mechanically separated, evidenced by its repeated reference to a cellphone as "a multi-component product." *See* BBr. 60. The fact that a product's components are all instantiated in a single silicon die in no way makes it a "single-component" product. Indeed, Dr. Lee's extensive sorting of "components" within the single silicon dies of Micron's products confirms that MLC's single-component theory is simply wrong. Appx2212 (15:5-16:21).

While Dr. Lee focused on certain allegedly-infringing components of Micron's dies, neither he nor anyone else disputed Micron's evidence that its dies incorporate over 30 other non-infringing features and components. Appx1242; *see also* Appx27-30; Appx741; Appx2398-2399. Even if MLC's semantic distinction between "features" and "components" had merit, "error correction hardware," "data clocking hardware," "addressing hardware," "cache registers," and "digital to analog converters" plainly constitute non-patented "components." Appx1242; Appx2399.

Moreover, *Finjan* establishes that apportionment is required for non-infringing software within an alleged SSPPU. 879 F.3d at 1311. That requirement applies to Micron's "software for logical-to-physical mapping," "software for automatic power failure-recovery," and "software for PC-file compatibility," among other software components Micron identified. Appx1242; Appx2399. After all, if the "software engine" in *Finjan* qualifies as a "multi-component" product, then Micron's dies, which combine multiple independent software engines together with numerous hardware components, must also be "multi-component" products. 879 F.3d at 1310; *see also* Appx1242; Appx2399. MLC's opposition to Micron's *Daubert* motion never disputed that such non-infringing components are present in Micron's bare dies. Appx719-722. Further apportionment was therefore required. *VirnetX*, 767 F.3d at 1327; *Finjan*, 879 F.3d at 1310-11.

Finally, MLC wrongly suggests that it was not required to apportion for certain Micron fabrication technologies. BBr. 59-60. MLC provides no support for this argument, and apportionment for products' "manufacturing process" has long been required, and not just for product-by-process claims. *See Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F.Supp. 1116, 1120 (S.D.N.Y. 1970). MLC's steak analogy shows exactly why. *See* BBr. 59. After all, much of the price of a steak at a five-star restaurant is attributable to the chef's skill and craftsmanship. Yet, under MLC's approach, the owner of a patent unrelated to cooking the steak could include the full price of the prepared steak in its royalty base. That would not result in a royalty "reflect[ing] the value attributable to the infringing features of the product, and no more," as precedent requires. *Ericsson*, 773 F.3d at 1226. Regardless, the features Milani failed to consider were not limited to fabrication technologies, so his apportionment was insufficient either way.

The record thus conclusively establishes that Micron's dies are multi-component products containing non-infringing components. Although the district court did not make an explicit finding on this issue, this Court can affirm the exclusion of Milani's royalty base opinions on any basis supported by the record. *See, e.g.*, *Glaxo Grp. v. TorPharm, Inc.*, 153 F.3d 1366, 1371 (Fed. Cir. 1998).[11] Accordingly, MLC cannot establish an abuse of discretion even under its incorrect view of the law.

II. The District Court Acted Within Its Discretion in Excluding Milani's Royalty Rate Opinions under *Daubert* and Rule 702

A. MLC's Arguments Regarding the Parol Evidence Rule Are Irrelevant and Mischaracterize the District Court's Holding

MLC's lead challenge to the district court's exclusion of Milani's royalty rate opinions under *Daubert* and Rule 702 is that it supposedly erred in applying the parol evidence rule. MLC. Br. 16-23. This argument misrepresents the district

[11] MLC states that the district court "acknowledged" its argument that bare dies are not multi-component products, BBr. 60 (citing Appx28), but the district court never adopted MLC's argument. Appx25-31.

court's holding, misrepresents Milani's actual opinions, and would not change the result anyway. MLC thus fails to show an abuse of discretion.

Despite MLC's lengthy focus on the parol evidence rule, the district court's exclusion of Milani's royalty rate opinions was primarily based on its separate conclusions that (1) his opinions did not pass muster under *Daubert* and Rule 702 and (2) MLC was barred from relying on damages theories and evidence it failed to disclose during fact discovery. Appx19-24. Neither holding relied on the parol evidence rule. *Id.* Indeed, the district court's discussion of the parol evidence rule was confined to a single footnote noting that the undisclosed evidence Milani relied upon was inadmissible "even if [it] was properly disclosed." Appx20 n.14. Accordingly, any alleged error in applying the parol evidence rule was immaterial.

Regardless, MLC's argument regarding the parol evidence rule is a straw man. The district court did not categorically preclude experts from considering parol evidence in a *Georgia Pacific* analysis. *See* BBr. 18-20. It simply observed that Milani's opinions "contrary to the plain language" of the Hynix and Toshiba licenses—namely, that they reflect a 0.25% royalty rate—were especially improper because they rested on parol evidence conflicting with these integrated agreements themselves. Appx20-24.

That conclusion was well within the district court's gatekeeping discretion. After all, the terms of two unambiguous integrated license agreements are legal questions, not factual disputes for the jury. *See, e.g.*, *Barron Bancshares, Inc. v. United States*, 366 F.3d 1360, 1375-76 (9th Cir. 2004). The district court found that both the Hynix and Toshiba licenses are integrated lump-sum licenses and that they "speak for themselves and neither provides for an applicable royalty rate." Appx19. MLC does not challenge either finding on appeal. BBr. 16-23. The court therefore properly held that Milani could not "mischaracterize" the agreements' terms by testifying that they reflect a 0.25% royalty rate. Appx2; Appx18-21 ("MLC cannot create a dispute of fact by having Milani mischaracterize evidence."); Appx24. The court merely added that Milani's use of parol evidence to contradict the licenses' actual terms was particularly inappropriate considering the parol evidence rule. Appx20 n.14.

Rather than challenge the district court's findings, MLC argues that the footnote mentioning parol evidence constitutes an abuse of discretion because "Milani's testimony was not about the proper interpretation of the Hynix license." *Id.*, 23.[12] Even if Milani was not intending to interpret that agreement, the district court did not abuse its discretion in concluding that his testimony would mislead the jury about its actual terms. Milani sought to testify that:

- "[T]he ***lump-sum payments*** included in the BTG license agreements ***reflect***

[12] This argument contradicts MLC's position below, where it argued, without support, that "***interpretation*** of the Hynix License . . . is a factual issue for the jury to resolve." Appx727.

the application of the 0.25% royalty rate reflected in the agreements to a royalty base comprised of estimated worldwide sales," Appx926;

- "[T]he Hynix Agreement reflects ***a 0.25% royalty applied to worldwide shipments***," Appx921; and
- "[T]he 0.25% royalty rate called for in the most favored customer provision . . . ***was applied to Hynix worldwide sales***." Appx906.

This testimony unquestionably would have misled the jury into believing that Hynix's lump-sum payment reflected 0.25% of its sales revenue. But, in fact, it is undisputed that Hynix paid far less than that—even ignoring the license's full scope and applying the lump-sum to just Hynix's multi-level NAND flash products. Appx702-703; Appx1080; Appx1627; Appx3544. The district court was not required to permit such a misleading account of the facts.

The district court acted within its "broad latitude" in finding that Milani's testimony was inadmissible because it would "mischaracterize" the Hynix and Toshiba licenses. Appx18-24; *Barabin*, 740 F.3d at 463. It is a fundamental duty of the district court to act as a gatekeeper and prevent parties from presenting misleading argument and evidence before the jury. *E.g.*, *Jinro Am. Inc. v. Secure Investments, Inc.*, 266 F.3d 993, 1004-06 (9th Cir. 2001). Its refusal to allow Milani to confuse the jury about the agreements' terms was no abuse of discretion.

B. The District Court Properly Performed Its Gatekeeping Function in Excluding Milani's Royalty Rate Opinions

MLC's only other challenge to the district court's exclusion of Milani's royalty rate opinions under *Daubert* and Rule 702 is that it supposedly abused its discretion by evaluating the merits of Milani's opinions rather than his methodology. BBr. 23-33. This argument also mischaracterizes the district court's holding, which was properly grounded in whether Milani's opinions were "'based on sufficient facts or data'" and "'the product of reliable principles and methods.'" Appx20 (quoting Fed. R. Evid. 702).

The district court's sound conclusion that Milani's opinions mischaracterized the Hynix and Toshiba licenses is reason enough for exclusion under *Daubert*. *See, e.g.*, *Ollier*, 768 F.3d at 861 (holding that the district court properly excluded expert testimony after finding it "inherently unreliable and unsupported by the facts"). The district court was not compelled to permit Milani to mislead the jury about the royalty rates reflected by Hynix and Toshiba's lump-sum payments by testifying that they "reflect the application of [a] 0.25% royalty rate" which "was applied to Hynix worldwide sales." Appx906; Appx926. MLC suggests that the only way to prevent this deception is through cross-examination. BBr. 31. But expert testimony that would ***mislead*** the jury about the evidence would certainly not "***help*** the trier of fact to understand the evidence," and is therefore inadmissible. Fed. R. Evid. 702(a). Indeed, Milani's misleading testimony was independently inadmissible under Rule 403. Appx822-824; *see also LaserDynamics*, 694 F.3d at 77-78 (holding that a license agreement should have been excluded because of the risk of misleading the jury).

The district court also identified other insufficiencies in the facts and methods underlying Milani's royalty rate opinions. For example, Milani's conclusion that the Hynix and Toshiba lump-sum agreements reflected a 0.25% royalty rate hinged on extrinsic evidence that BTG "may have calculated lump sum amounts by applying 0.25% to forecasts of revenue for 2006-2011." Appx20. But as the district court emphasized, the licenses lasted much longer—through 2017—making this data incomplete and skewing the alleged royalty rate upwards. Appx3; Appx20-21. Because Milani relied on these "truncated" forecasts while ignoring Hynix and Toshiba's actual sales, his opinions are not "based on sufficient facts or data." *Id.*; Fed. R. Evid. 702(b).[13]

MLC also curiously suggests that the district court's exclusion of Milani's royalty rate opinions required resolving a factual dispute over whether Hynix's flash memory products were "commodity products." BBr. 29-30. But the district court's discussion of that issue had nothing to do with Milani's royalty ***rate***

[13] MLC suggests that this "truncated" period reflects a tradeoff for negotiating "under the uncertainty of validity and infringement," BBr. 32, but this post-hoc justification contradicts Milani's deposition testimony, where he denied assigning any value to the assumption of validity and infringement. *Compare* BBr. 32-33 *with* Appx1115 (27:8-19).

opinions—indeed, it was entirely confined to the court's separate order addressing Milani's royalty ***base*** opinions. Appx27. Regardless, the district court did not abuse its discretion. The Hynix license covers "'***all Hynix products***'" practicing ***any*** patent in the licensed portfolio—not just flash memory products. Appx28 (quoting Appx1081). And there was "no evidence in the record regarding the nature or volume of the licensed Hynix products," including what proportion were flash memory. *Id.* Milani therefore had no basis to equate all Micron's and Hynix's products even if NAND flash was "becoming" a commodity in 2006, as Milani suggested. Appx27-28 & n.4. The district court's finding that Milani's opinions lacked adequate factual support was not an abuse of discretion.

The district court likewise did not abuse its discretion in finding that Milani's royalty rate opinions were not grounded in a reliable methodology. Prior licenses to an asserted patent are normally considered relevant to patent damages because they show "'the royalties ***received by the patentee*** for licensing of the patent in suit.'" *Wordtech Sys., Inc. v. Integrated Network Solutions, Inc.*, 609 F.3d 1308, 1319 (Fed. Cir. 2010) (quoting *Georgia-Pacific*, 318 F.Supp. at 1120). Yet Milani entirely eschewed considering what BTG actually ***received*** from Hynix and Toshiba in favor of a rate plucked from an inapposite most-favored customer provision. Appx20-21; Appx702-703; Appx905-907; Appx1627; Appx3544

(298:14-299:8). Indeed, he did so without any explanation or reasoning whatsoever. *See* Appx905-907.

MLC identifies neither any precedent for such an approach nor any evidence that this was an accepted methodology. BBr. 23-33. Its only substantive defense of Milani's reliance on the most-favored customer provision is that it supposedly gave BTG a "very strong monetary incentive" not to grant Micron a license at a rate less than 0.25% because doing so would supposedly "trigger the Hynix MFC clause." *See, e.g.*, BBr. 25.

MLC's "incentive" theory fails for numerous reasons. First, it is yet another post-hoc justification found nowhere in Milani's actual expert report. *See* Appx905-907. Second, MLC waived it by not raising it in its briefing below. Appx724-728; *see also, e.g.*, *SimpleAir, Inc. v. Google LLC*, 884 F.3d 1160, 1170 (Fed. Cir. 2018). Even setting aside those independently fatal problems, MLC's argument is untenable because the most-favored customer provision was inapplicable to the hypothetical negotiation. Appx20-21; Appx1084. Milani claimed that "the hypothetical negotiation would have occurred ***in the fourth quarter of 2006***." Appx888. That was ***before*** the Hynix license's effective date, and the Hynix most-favored customer provision only applies to licenses "***after*** the Effective Date." Appx 1081; Appx1084. Thus, the clause plainly could not have been "triggered" by a license resulting from a hypothetical negotiation the previous year, or provided BTG with any "incentive" in such a negotiation.

Another independent flaw in Milani's methodology is his ***tripling*** of the 0.25% rate he derived from the Hynix license. Appx913. His only justification for this massive markup is that the Hynix license was worldwide and BTG supposedly subjectively "considered" a higher rate to apply to U.S. sales. *Id.* Yet, as the district court noted, in calculating his ultimate damages figures, Milani applied that tripled rate to Micron and its subsidiaries' ***worldwide*** sales, ***not just to U.S. sales***. Appx23 & n.19; Appx889-893; Appx875; Appx1134. MLC never addresses this glaring contradiction in Milani's methodology on appeal. *See* BBr. 23-33.

In sum, the district court identified numerous factual gaps and methodological problems with Milani's royalty rate opinions. Appx18-24. Its evidentiary ruling was thus within its "broad latitude" to assess "whether or not an expert's relevant testimony is reliable." *Ruvalcaba-Garcia*, 923 F.3d at 1189.

III. The District Court Did Not Abuse Its Discretion in Striking Milani's Undisclosed Damages Theories and Evidence

A. The District Court's Straightforward Rule 37(c) Ruling Was Well Within Its Discretion

The district court struck Milani's expert report in relevant part because he relied extensively on theories and evidence MLC never properly disclosed during fact discovery. Appx7-16; Appx22-24; Appx32. Thus—even if this Court were to conclude that all the district court's *Daubert* rulings were abuses of discretion—his testimony would remain excluded unless this Court also reverses all the district court's Rule 37 evidentiary rulings. Yet, MLC fails to argue that each of those evidentiary rulings were individually erroneous. Instead, MLC opts for a blanket approach, asserting that its damages theories were entirely immune from fact discovery. BBr. 33-44. Those blanket arguments lack merit and fail to address other deficiencies that the district court identified, such as MLC's widespread failure to identify its damages evidence in its relevant interrogatory responses. *Id.*; *see also* Appx9-12; Appx22-24.

The district court's exclusion of Milani's opinions relying on undisclosed facts and theories was a routine application of Rule 37(c)(1), under which a party failing to provide required information in fact discovery "is not allowed to use that information . . . on a motion, at a hearing, or at trial, unless the failure was substantially justified or is harmless." Fed. R. Civ. P. 37(c)(1); *Elliot v. Google, Inc.*, 860 F.3d 1151, 1161 (9th Cir. 2017); *Zhang v. Am. Gem Seafoods, Inc.*, 339 F.3d 1020, 1028 (9th Cir. 2003); *Am. Cas. Co. v. Baker*, 22 F.3d 880, 886 n.3 (9th Cir. 1994); *accord Siemens Med. Sols. USA, Inc. v. Saint-Gobain Ceramics & Plastics, Inc.*, 637 F.3d 1269, 1286-87 (Fed. Cir. 2011) (affirming exclusion of expert testimony relying on testing not disclosed during fact discovery). This rule is a "self-executing automatic sanction to provide a strong inducement for disclosure of material." *Yeti by Molly*, 259 F.3d at 1107. It requires disclosure so that parties can rationally evaluate their respective positions and adequately prepare for litigation. *See Scott & Fetzer Co. v. Dile*, 643 F.2d 670, 673-74 (9th Cir. 1981).

Rule 37(c)(1)'s exclusion clearly applies both to MLC's theory that the Hynix and Toshiba licenses reflect a 0.25% royalty rate and to the evidence that Milani relied upon for that opinion. Micron's interrogatories sought, *inter alia*, "the factual and legal basis and supporting evidence for" MLC's "reasonable royalty" damages claims and "all facts, evidence, and testimony regarding any applicable royalty rates." Appx1186; Appx2618. MLC's responses did not identify the evidence Milani used to derive a 0.25% royalty rate from the Hynix and Toshiba licenses, including documents related to negotiations with Samsung, STMicroelectronics, and Acacia, as well as deposition testimony from the separate breach of contract litigation between MLC and BTG. Appx7-16; Appx22-24; Appx913; Appx922-923.

Micron also sought discovery regarding MLC's damages contentions and evidence through its Rule 30(b)(6) deposition of MLC. Appx3386-3387. Yet again, MLC concealed the facts and legal theories it would later rely on. Appx14-16; Appx22-24. MLC emphatically denied knowing either how the Hynix and Toshiba lump-sum payments were calculated or any royalty rate that could be derived from those licenses. Appx1262-1267 (61:13-79:3). Further, as the district court observed, "[a]lthough [MLC's counsel] repeatedly objected to questions asking [MLC] about whether MLC would rely on any 'facts with respect to' the Hynix agreement at trial . . . in fact, Milani and MLC are attempting to rely on 'facts with respect to' the Hynix agreement that are not the agreement itself." Appx22. The district court thus rightly concluded that

> the record reflects that Micron repeatedly asked MLC—through interrogatories and the Hinckley deposition—for the factual basis of its reasonable royalty claim and about its reliance on the Hynix license in particular—and MLC consistently failed to disclose its contention that the Hynix license "reflected" a 0.25% royalty rate that should be applied in this case.

Appx23. The district court thus did not abuse its discretion in concluding that Rule 37(c)(1) bars MLC from introducing expert testimony advancing previously-undisclosed theories based on evidence it failed to identify in fact discovery. Appx22-24.

Any other outcome would endorse "hide the ball" litigation tactics and upend the orderly process of civil litigation. If parties can conceal their positions and evidence until after fact discovery, opponents will be unable to adequately prepare and present competing evidence. For example, in this case, MLC's concealment of its reliance on the Hynix license, its conjured 0.25% royalty rate, and the extrinsic evidence from BTG witnesses and documents prevented Micron from marshalling contrary evidence. Appx23.[14] Rule 37's dictates are designed to prevent exactly this kind of prejudice, and MLC's suggestion it can ignore the rules is meritless. *Yeti by Molly*, 259 F.3d at 1106-1107.

Indeed, Micron's efforts to extract basic information about MLC's damages contentions should have been unnecessary. Rule 26(a)(1)(A)(iii) requires parties seeking damages to provide in their initial disclosures "a computation of each category of damages claimed" and identify the evidence "on which each computation is based." Fed. R. Civ. P. 26(a)(1)(A)(iii). Rule 26(e)(1) requires that parties timely supplement these disclosures whenever they learn that they are "incomplete or incorrect." Fed. R. Civ. P. 26(e)(1). In patent damages context, courts applying this rule require identification of allegedly comparable licenses, and that the party "***state the claimed royalty rate*** and ***state the claimed royalty base***." *Brandywine Commc'ns Techs., LLC v. Cisco Sys., Inc.*, No. 3:12-cv-01669-WHA, 2012 WL 5504036, at *2 (N.D. Cal. Nov. 13, 2012). Yet, MLC never disclosed the Hynix or Toshiba licenses in its initial disclosures and never

[14] MLC did not claim that these discovery failures were substantially justified, and the district court rejected its harmlessness argument. Appx23-24. On appeal, MLC addresses harmlessness only in a footnote. BBr. 43 n.11. That is insufficient to avoid waiver. *Otsuka Pharm. Co. v. Sandoz, Inc.*, 678 F.3d 1280, 1294 (Fed. Cir. 2012) ("Arguments raised only in footnotes . . . are waived."). Moreover, the district court did not abuse its discretion in finding that Micron was harmed. MLC's argument that Micron could have obtained discovery from BTG, Toshiba, or Hynix misses the district court's point, which was that Micron could not have probed the specific "***issues***" first raised in Milani's report. Appx23.

identified the alleged royalty rate or base. Appx762-765; Appx1309; Appx1777-1778. That independently justifies excluding Milani's opinions under Rule 37(c)(1). *Hoffman v. Constr. Protective Servs., Inc.*, 541 F.3d 1175, 1179-80 (9th Cir. 2008). At a minimum, requiring MLC to provide disclosures that the Federal Rules require as a matter of course cannot possibly be an abuse of discretion.

B. MLC's Blanket Assertion of Privilege Is Meritless

1. MLC Waived Its Privilege Arguments by Failing to Raise Them in the District Court

MLC's primary argument against the district court's Rule 37(c)(1) determination is that the court abused its discretion by requiring a corporate witness to disclose privileged information. BBr. 34-37. Relatedly, MLC argues that disclosing the factual basis for its damages claims in interrogatory responses would have "required MLC to disclose privileged and protected mental impressions, conclusions, and opinions of how its counsel intended to present its case at trial." *Id.*, 38-40. These privilege/immunity arguments, like many of MLC's on appeal, were omitted from MLC's briefing below.[15] Appx780-799 (including no mention of privilege). They are therefore waived. *E.g.*, *SimpleAir*, 884 F.3d at 1170.

[15] MLC also never sought a protective order.

Moreover, MLC should not be heard to complain about privilege when it chose whom to designate as its 30(b)(6) witness. MLC could have chosen to designate its damages expert, Milani, as its 30(b)(6) witness on damages-related issues, as is commonly done in patent cases. It cannot use Mr. Hinckley's involvement in privileged conversations to shield otherwise discoverable facts from disclosure. *E.g.*, *Upjohn Co. v. United States*, 449 U.S. 383, 395 (1981).

Finally, MLC cannot invoke privilege now as protecting the very facts and theories it seeks to introduce at trial. That would improperly allow MLC to use attorney-client privilege "as both a sword and a shield." *See, e.g.*, *Energy Heating, LLC v. Heat On-The-Fly, LLC*, 889 F.3d 1291, 1303 (Fed. Cir. 2018). MLC's privilege arguments should be rejected.

2. Litigants Cannot Hide Behind Privilege to Avoid Disclosing Their Legal Theories and Factual Bases during Fact Discovery

Even if MLC did not waive its privilege/immunity arguments, they plainly lack merit. Litigants are routinely required to disclose legal contentions—and their factual bases—during fact discovery. *See, e.g.*, *Woods v. DeAngelo Marine Exhaust, Inc.*, 692 F.3d 1272, 1280 (Fed. Cir. 2012) ("Contention interrogatories . . . serve an important purpose in helping to discovery facts supporting the theories of the parties."); *Rates Tech., Inc. v. Mediatrix Telecom, Inc.*, 688 F.3d 742, 747 (Fed. Cir. 2012) (upholding sanctions for refusing to respond to contention interrogatories). MLC provides no basis for departing from this well-established practice or for creating a special exception for damages.

Indeed, the Northern District of California has since adopted local rules requiring early disclosure of "damages contentions" in all patent cases. U.S. Dist. Ct. N.D. Cal. Patent L.R. 3-8. These rules require disclosure of a plaintiff's "theories of recovery, factual support for those theories, and computations of damages within each category." *Id.* The rules, promulgated in 2017, thus make automatic exactly the same disclosures required by Micron's interrogatories and 30(b)(6) deposition topics in this case. Appx1186-1187; Appx3386-3387. Privilege is no more of a categorical bar to Micron's routine discovery than to these damages contentions rules.

MLC's breathtakingly broad assertion of privilege would seem to also bar inquiry into infringement and invalidity contentions and their factual underpinnings, even though rules requiring their automatic disclosure are even more widespread in the district courts. *See generally O2 Micro Int'l Ltd. v. Monolithic Power Systems, Inc.*, 467 F.3d 1355, 1364-66 (Fed. Cir. 2006). As this Court has recognized, such rules play an important role in "'requir[ing] parties to crystallize their theories of the case early in the litigation.'" *Id.* (quoting *Atmel Corp. v. Info Storage Devices, Inc.*, No. C 95-1987 FMS, 1988 WL 775115, at *2

(N.D. Cal. 1998)). Allowing parties to conceal their theories based on a blanket assertion of privilege would cast grave doubt on these longstanding practices.

The simple truth is that responding to Micron's contention interrogatories and 30(b)(6) topics—like responding to damages, infringement, and invalidity contentions required by many districts' local rules—did not require disclosure of any privileged information. MLC did not need to divulge attorney-client communications or provide draft expert reports to adequately respond to this commonplace discovery. It only needed to state its contentions and identify the evidence it would rely on to support them. Such information was not privileged. At most, privilege and work product immunity might protect communications and draft litigation documents themselves, but not the underlying facts and theories. *See Upjohn*, 449 U.S. at 395-96. It is thus unsurprising that MLC is unable to muster any precedent supporting its blanket privilege assertion over its damages contentions. *See* BBr. 34-40, 42-43. Accordingly, the district court's application of Rule 37 did not violate any privilege or immunity.

C. MLC Was Not Entitled to Entirely Delay Disclosing Its Damages Theories and Evidence Until Expert Discovery

MLC next argues that the district court "erroneously required disclosure of expert opinion during fact discovery." BBr. 37-44. MLC is wrong again.

This argument—just like MLC's untimely privilege theory—is belied by the common requirement that parties disclose their contentions and evidence on issues like patent infringement and invalidity early in fact discovery. *See, e.g.*, *O2 Micro*, 467 F.3d at 1364-66. Infringement and validity, just like patent damages, are typically informed by expert testimony. Yet parties are nevertheless required to disclose detailed information about their contentions and supporting evidence early in fact discovery, and to promptly supplement when necessary. *See id.*

Moreover, parties are routinely precluded from introducing expert reports presenting new facts or theories not disclosed during fact discovery. *See, e.g.*, *Looksmart Grp. v. Microsoft Corp.*, 386 F.Supp.3d 1222, 1226 (N.D. Cal. 2019) ("It is now well established that a party may not use an expert report to introduce new infringement theories, new infringing instrumentalities, new invalidity theories, or new prior art references not disclosed in the parties' infringement contentions or invalidity contentions." (quotation marks omitted)); *see also* *Phigenix, Inc. v. Genentech, Inc.*, 783 F. App'x 1014, 1016-18 (Fed. Cir. 2019) (affirming motion to strike infringement expert's testimony asserting infringement theory not disclosed during fact discovery).

MLC's obligation to fully respond to Micron's discovery requests seeking its damages contentions and evidence—on pain of preclusion—was no different. Indeed, the Northern District of California has already clarified that its new damages contentions rule operates materially the same way as infringement and invalidity contentions. *See Looksmart*, 386 F.Supp.3d at 1227-32 ("A party aggrieved by an untimely amendment to damages contentions, ***or an expert report that exceeds their scope***, may therefore move to strike the offending material under [Rule 37(c)(1).]"). Critically, the Court emphasized that Rules 26 and 37, which apply equally to interrogatories, are the enforcement mechanism for this new local rule. 386 F.Supp.3d at 1232; *see also* Fed. R. Civ. P. 26(e)(1). It follows that a party bearing the burden of proof on damages cannot introduce an expert report exceeding the scope of its pertinent contention interrogatory responses—exactly as the district court held here. Appx22-24; *see also Corning Optical Commc'ns Wireless Ltd. v. Solid, Inc.*, 306 F.R.D. 276, 278-79 (N.D. Cal. 2015) (holding that a response to a damages contention interrogatory that was "essentially 'wait until we serve our expert report'" was "plainly insufficient").

None of MLC's excuses for its non-responses during discovery justify departing from this normal operation of the Federal Rules. First, MLC complains that Micron did not move to compel supplemental interrogatory responses. BBr. 40. But "Rule 26 imposes no requirement, express or implied, that a motion to compel precede a court's imposition of a sanction . . . for failure to supplement . . . interrogatory responses." *Alldread v. City of Grenada*, 988 F.2d 1425, 1436 (5th Cir. 1993); *Sonsteby v. Vial Fotheringham LLP*, No. 3:17-cv-01837-JR, 2019 WL 2814666, at *4 (D. Ore. May 7, 2019) ("[Rule] 37(c)(1) is an ***automatic sanction*** that ***does not require the filing of a motion to compel***."); *see also* 8B Charles A.

Wright & Arthur R. Miller, *Federal Practice and Procedure* § 2289.1 (3d ed. 2020) ("The sanction [under Rule 37(c)(1)] is automatic in the sense that there is no need for the opposing party to make a motion to compel disclosure . . . as a predicate for the imposition of the sanction of exclusion."). Moreover, Micron gave MLC ample opportunity to cure the problem, repeatedly notifying MLC of its deficient responses. Appx1313-1315; Appx1322-1323. Whether a strategic choice to gain advantage or a repeated oversight, MLC must face the consequences of its failure to disclose its damages theories and evidence.

Second, mere compliance with Rule 26(a)(2) does not enable a party to use an expert report to introduce new contentions omitted from its prior disclosures. *Looksmart*, 386 F.Supp.3d at 1226-27, 1232; *Phigenix*, 783 F. App'x at 1016-18. Third, MLC cannot evade its obligation to respond to contention interrogatories during fact discovery by delaying its expert's analysis until expert discovery. *See* BBr. 41-42. Were that the law, parties could eschew providing all manner of impactful discovery and contentions until expert reports for the same reason. Fourth, responding to contention interrogatories does not require producing draft expert reports or otherwise conflict with Rule 26(b)(4). *See* BBr. 42.

The district court did not hold that MLC was required to disclose Milani's expert report during fact discovery. It simply held that MLC was obligated to respond to Micron's valid discovery requests with basic information about its damages contentions and to identify its supporting evidence. Appx22-24. The district court particularly focused on (1) MLC's refusal to disclose its contention that the Hynix and Toshiba lump-sum licenses reflect a 0.25% royalty rate and (2) MLC's failure to identify the evidence used to justify that rate in its responses to interrogatories regarding its damages evidence. *Id.* Identifying this fundamental premise of MLC's damages theory and its evidentiary basis did not require premature disclosure of expert testimony or draft reports. It required only disclosure of damages contentions and evidence on par with what parties routinely disclose for their infringement and invalidity contentions, as the Northern District of California now requires for damages in every case. *See Looksmart*, 386 F.Supp.3d at 1226-32.

Further still, the Federal Rules require all parties claiming damages, not just in patent cases, to disclose a "computation of each category of damages claimed" during fact discovery. Fed. R. Civ. P. 26(a)(1)(A)(iii). MLC's approach of entirely delaying any damages disclosures until expert discovery cannot be reconciled with this rule. The district court cannot have abused its discretion by faulting MLC for withholding discovery regarding its damages theories when the Federal Rules always require equivalent disclosures at the outset of a case. Accordingly, the district court's exclusion of MLC's new theories and evidence was at least within its discretion.

D. MLC Fails to Challenge the District Court's Findings that Much of Milani's Key Evidence Was Inadequately Disclosed

As discussed above, MLC's excuses for not disclosing its damages theories during discovery are wrong. But even if MLC's arguments had merit as to its damages ***theories***, they do not apply to MLC's failure to disclose its reliance on the specific ***documents*** the district court highlighted, including: (1) a 2007 letter from BTG to Samsung; (2) Simon Fisher's deposition testimony from the MLC-BTG litigation; (3) a November 2007 BTG "briefing paper" on negotiations with Samsung; (4) e-mails between BTG and Samsung; (5) a licensing offer from BTG to STMicroelectronics; and (6) documents related to BTG's negotiations with Acacia. Appx12-13 & n.10.

None of these documents are allegedly privileged or immune, so neither privilege nor work product can justify their nondisclosure. Nor can MLC plausibly argue that merely identifying these documents would have required premature disclosure of expert testimony or draft reports. After all, Milani would not even have had access to these confidential documents unless provided by MLC's counsel. Thus, MLC's counsel must have known they were relevant to damages, and could have at least identified them in MLC's interrogatory responses. There is simply no excuse for MLC's failure to do so. Appx22-24. By not identifying these documents, MLC deprived Micron of the ability to test this evidence and develop contrary evidence in discovery. *Id.*

Because MLC does not raise any arguments specific to its non-identification of these documents and because its blanket arguments do not apply, this Court should deem waived any challenge to the district court's exclusion of both the documents themselves and Milani's opinions reliant on them. *See Blue Calypso*, 815 F.3d at 1340. At a minimum, MLC's failure to specifically address these documents means that it has not shown an abuse of discretion regarding them. The district court's ruling regarding these documents should therefore be affirmed.[16]

E. No Remand Is Necessary for an Explicit Finding of Fault, Willfulness, or Bad Faith

MLC's final argument is that the district court's Rule 37 ruling should be vacated because it did not explicitly find fault, willfulness, or bad faith, which MLC claims was required because the sanctions "amounted to a dismissal of MLC's damages claim." *Id.* This argument fails for several reasons.

[16] MLC argues in a footnote that the district court was "incorrect" about "several of the documents Milani relied on." BBr. 38 n.8. Because this argument is raised only in a footnote, it is waived. *Otsuka*, 678 F.3d at 1294. Moreover, it appears to be an attempt to repackage an argument the district court struck as improper, *see* Appx43-45, a determination not before this Court in this appeal. Regardless, MLC's vague argument fails to identify which documents the district court supposedly erred in excluding, and thus fails to establish abuse of discretion.

First, MLC once again waived this issue by failing to brief it below. *See* Appx780-800; *SimpleAir*, 884 F.3d at 1170. MLC can hardly fault the district court for not making express findings on an issue it never raised. Moreover, excusing MLC's waiver would be particularly inappropriate given that MLC chose to seek immediate interlocutory review without ***ever*** raising the issue with the district judge, asserting that "an immediate appeal from the [damages] Orders may materially advance the termination of the litigation." Appx3663. It would hardly "materially advance the termination of the litigation" to vacate the district court's Rule 37 decision and instruct it to make findings on an issue MLC could have raised prior to appeal, but did not. *See* 28 U.S.C. § 1292(b). Yet that is precisely the remand MLC seeks. BBr. 43-44. MLC's request for immediate interlocutory review indicated to the district court and to this Court that the district judge had no work left to do. Permitting MLC to now request vacatur on an issue that could have easily been addressed prior to interlocutory appeal would be a tremendous waste of resources, both of the parties and of this Court. This Court should therefore not excuse MLC's waiver.

Second, the rule MLC cites applies only where sanctions themselves "amount[] to dismissal of a claim." *R&R Sails, Inc. v. Ins. Co. of Pa.*, 673 F.3d 1240, 1247 (9th Cir. 2012). That is not the case here. Granted, MLC now concedes that it has no remaining admissible evidence of damages. *See* Appx40

("MLC concedes that it has no damages case to present at trial."). But that result is not a result of the sanctions ruling—or even the exclusion of Milani's testimony—alone. Rather, it is the combined product of (1) the orders excluding Milani's opinions; ***plus*** (2) the exclusion of MLC's other damages expert, Ronald Epstein, as to which MLC did not seek interlocutory review, *see* Appx35 n.3; ***plus*** (3) MLC's waiver of alternative methods of establishing damages or even nominal damages, Appx38, *see Promega Corp. v. Life Techs. Corp.*, 875 F.3d 651, 662, 666 (Fed. Cir. 2017) (holding that a patentee was not entitled to any damages where it relied "exclusively on a damages theory that ultimately proves unsuccessful" and waived alternative damages theories).

The Ninth Circuit has never extended *R&R Sails* to circumstances where applying Rule 37(c)(1) brings an end to the case only because other, independent rulings and the sanctioned party's own waivers had systematically eliminated every other avenue for showing damages. Nor would doing so make sense. In ruling on Micron's motion to strike, the district court was not required to investigate—unprompted—whether MLC had other remaining avenues of showing damages. It was only later that MLC represented that it could not "put in a damages case that would satisfy the Court's requirements on damages." Appx35. The district court then observed that:

> In addition, MLC does not argue that there is any remaining admissible evidence that it can present at trial to prove damages. MLC does not

> argue, for example, that there are percipient witnesses who can provide testimony and evidence in support of a reasonable royalty, nor does MLC assert that it can rely on Micron's rebuttal damages expert. Appx38.

These highly unusual facts— "as MLC concedes that is it has no remaining damages case to present at trial", Appx40—differentiate this case from the more common situation, as in *Apple Inc. v. Motorola Inc.*, 757 F.3d 1286, 1329-30 (Fed. Cir. 2014), where at least some evidence of damages remains even after a damages expert's testimony is largely excluded. But while the district court's various evidentiary rulings and MLC's waivers cumulatively preclude MLC from obtaining any remedy, the Rule 37 determination alone was not tantamount to a dismissal of MLC's claim. Thus, *R&R Sails* is inapplicable. 673 F.3d at 1247.

Third, even if such a finding were necessary, the district court's reasoning amounts to at least a finding of fault. It specifically rejected MLC's attempt to "blame Micron for its inadequate damages disclosures," Appx23, holding that "[t]here is simply no explanation to excuse MLC's failure to disclose the factual basis for its claim about a reasonable royalty." Appx24. MLC identifies no reason why that finding is insufficient. BBr. 43-44.

Finally, MLC cannot show prejudice—a requirement for setting aside discovery sanctions on appeal. *Ollier*, 768 F.3d at 859. Even if MLC had raised the argument below, the district court inevitably would have found fault. The circumstances here are nearly identical to *Ingenco Holdings, LLC v. Ace American*

Insurance Company, No. C13-543RAJ, 2016 WL 4703758 (W.D. Wash. Sept. 7, 2016). There, as here, the plaintiffs omitted any calculation of damages from their initial disclosures and from discovery responses. *Id.* at *1-*2. The district court therefore excluded all the plaintiffs' damages evidence under Rule 37(c)(1) and entered judgment against them on the relevant claims. *Id.* at *3-*5. Addressing *R&R Sails*, the court held that "Plaintiffs are plainly at fault for the late (and still incomplete) disclosure (despite their efforts to blame Defendant)," and that "their failure to supplement was certainly willful" because "their own representative freely admitted they had not made an effort" to calculate their "damages until the eve of the discovery deadline." *Id.* at *4. The Ninth Circuit affirmed because the plaintiffs "(1) ignored [Defendant]'s written interrogatories, (2) never complied with its Rule 26 obligations, or even attempted to do so until one day before the discovery cutoff, and then (3) attempted to blame [Defendant] for those failures instead of justifying or explaining them." *Ingenco Holdings, LLC v. Ace Am. Ins. Co.*, 921 F.3d 803, 821-22 (9th Cir. 2019).

MLC similarly failed to properly answer and supplement its responses to Micron's contention interrogatories on damages, never complied with obligations to disclose damages in its initial disclosures, and tried to shift the blame to Micron instead of providing a valid justification. Appx7-24; Appx762-765; Appx1186-1187; Appx1309; Appx1777-1778. Indeed, MLC persisted in withholding this basic discovery even after Micron repeatedly reminded MLC of its discovery obligations. Appx1314-1315; Appx1322-1323. Thus, had MLC raised the issue, the district court would have inevitably found it at fault for the same reasons upheld by the Ninth Circuit in *Ingenco*.

In sum, MLC fails to demonstrate any abuse of discretion in the district court's straightforward application of Rule 37(c)(1). Its decision should therefore be affirmed.

IV. Reversal Is Improper

MLC has not shown any abuse of discretion, but reversal would be unwarranted even if it had. First, as long as this Court upholds one basis for excluding Milani's opinions, there is no reason to reach—much less reverse—the district court's alternative bases for exclusion. For example, if this Court upholds the district court's Rule 37 determination, then the issue of whether Milani's opinions would have otherwise been admissible under *Daubert* is moot. Similarly, if Milani's royalty base opinions are inadmissible, then it hardly matters whether his royalty rate is admissible—MLC still has no evidence of an ultimate damages figure either way. And reversal on any evidentiary issue requires proof of prejudice, which is absent if MLC cannot prove damages regardless. *See Ollier*, 768 F.3d at 859.

Reversal would be improper even if this Court were somehow to conclude that each and every one of the district court's evidentiary rulings were independently abuses of discretion. As the district court noted, Micron raised additional challenges to Milani's opinions beyond those under review. Appx30. For example, Milani admitted that his apportionment of non-SSPPU products like solid state drives did not "specifically" account for numerous of the products' proprietary features. Appx693-694; Appx1158-1160 (201:18-206:17). And his assumption that the '571 patent somehow represented 50% of the value of the forty-one patents licensed to Hynix was based on the belief that the patent is "fundamental to the implementation of multi-level cell technology," in direct contradiction to the inventor's admission that non-infringing alternatives exist for multi-level memory. Appx705-706; Appx865; Appx925; Appx2565 (63:4-64:2); Appx2586 (147:23-148:7). The district court also never reached Micron's argument that Milani's mischaracterization of the Hynix and Toshiba licenses is separately inadmissible under Rule 403. Appx1-32; Appx822-824. These problems independently justify excluding Milani's opinions. These issues are all committed to the district court's sound discretion. This Court need not address them in the first instance on appeal. *See, e.g.*, *3M Co. v. Avery Dennison Corp.*, 673 F.3d 1372, 1377-78 (Fed. Cir. 2012).

In sum, this Court should affirm, but if it does not, then it should at most vacate and remand for further consideration—not reverse. *See, e.g.*, *D'Agostino v. MasterCard Int'l Inc.*, 844 F.3d 945, 948 (Fed. Cir. 2016) (remanding for consideration of "other issues . . . that the parties have preserved"); *Kinetic Concepts, Inc. v. Smith & Nephew, Inc.*, 688 F.3d 1342, 1371 (Fed. Cir. 2012).

CONCLUSION

The district court's orders excluding Milani's opinions on numerous independent grounds were a quintessential exercise of its evidentiary and docket-management discretion. MLC fails to show that any—much less all—of its bases for excluding Milani's opinions were abuses of that broad discretion. The district court's orders should therefore be affirmed and the case remanded for entry of judgment in favor of Micron.

Dated: May 26, 2020

Respectfully submitted,

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CERTIFICATE OF SERVICE

I certify that on May 26, 2020, I electronically filed the foregoing Responsive Brief of appellee using the Court's CM/ECF filing system. Counsel for appellant were electronically served by and through the Court's CM/ECF filing system per Fed. R. App. P. 25 and Fed. Cir. R. 25.

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CERTIFICATE OF COMPLIANCE

The Responsive Brief of appellee is submitted in accordance with the type-volume limitation of Fed. Cir. R. 32(a). The Brief contains 13,913 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(f) and Fed. Cir. R. 32(b). This Brief has been prepared in a proportionally spaced typeface using Microsoft Word 2016 in Times New Roman, 14 Point.

Dated: May 26, 2020

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