UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

MLC INTELLECTUAL PROPERTY, LLC,

Plaintiff,

v.

MICRON TECHNOLOGY, INC.,

Defendant.

Case No. 14-cv-03657-SI

ORDER GRANTING IN PART AND DENYING IN PART AS MOOT MICRON'S DAMAGES MOTION IN LIMINE #1

Re: Dkt. No. 444

On June 6, 2019, the Court held a hearing on numerous pretrial motions. For the reasons set forth below, Micron's damages motion in limine #1 is GRANTED in part and DENIED in part as moot.[1]

INTRODUCTION

Pursuant to Federal Rules of Evidence 401, 402 and 403, Micron seeks to "preclude MLC from relying on any testimony, evidence, argument, or insinuation regarding irrelevant royalty rates for the '571 patent that exceeds the disclosure within the four corners of the license agreements themselves." Motion at 1 (Dkt. No. 444). Specifically, Micron moves to exclude evidence and

[1] Portions of the briefing on this motion, as well as entire exhibits, were filed under seal. In order to resolve the present motion, the Court must discuss the under seal material in detail, and the Court finds it appropriate that this order be filed entirely in the public docket. Further, after engaging in an in-depth review of these materials, the Court concludes that none of the under seal material – such as the licenses, discovery responses, and deposition testimony – is truly confidential. In any event, the parties have put these matters directly at issue in this litigation and the Court cannot rule on the current motion without discussing this material.

argument regarding: (1) the alleged royalty rate that Mr. Milani (MLC's damages expert) derives from the Hynix and Toshiba agreements, (2) the royalty rate Mr. Milani derives from the testimony of a BTG witness (Simon Fisher) in litigation between MLC and BTG, and (3) the royalty rates and slide presentations that Mr. Epstein[2] offered during the failed licensing negotiations with Micron in 2013-2014. *Id.* Micron also seeks to preclude MLC from eliciting testimony from Mr. Liesegang (Micron's rebuttal licensing expert) regarding royalty rates tied to IBM's licensing policy in the 1980s and 1990s.

In a separate order, the Court has granted Micron's *Daubert* motion to exclude Epstein's expert testimony, concluding *inter alia* that testimony regarding Epstein's licensing negotiations with Micron is irrelevant. Accordingly, for the reasons set forth in that order, the Court GRANTS this motion to the extent it is directed at Epstein's testimony. Further, because Liesegang is Micron's rebuttal witness to Epstein, the Court DENIES AS MOOT the portion of the motion regarding Liesegang's testimony about IBM's royalty rates, as Micron has represented that Liesegang will not testify if Epstein is excluded.

Thus, what remains of the present motion focuses on the question of whether there is a factual basis for Milani to testify that the BTG/Hynix and BTG/Toshiba lump sum licenses contain or "reflect" specific royalty rates, as well as whether Milani may rely on Fisher's deposition testimony for alleged royalty rates.[3] As set forth below, the Court concludes that the Hynix and Toshiba licenses do not contain specific royalty rates nor do they state how the lump sums were calculated, and therefore Milani may not mischaracterize those agreements by testifying that they do, in fact, "reflect" specific royalty rates. The Court also concludes that Milani's opinion that the

---

[2] In 2012-2014, Epstein was MLC's outside licensing counsel/agent and pursuant to a contingent fee agreement he represented MLC in the unsuccessful licensing negotiations with Micron. In January 2019, MLC retained Epstein as a "licensing expert" in this case. *See generally* Order Granting Micron's *Daubert* Motion to Exclude Expert Testimony of Ronald Epstein. Dkt. No. 636.

[3] Micron has also filed a *Daubert* motion to exclude Milani's expert testimony, as well as a motion to strike his testimony based on MLC's alleged failures to disclose its damages case during fact discovery in violation of Federal Rules of Civil Procedure 26 and 37. The Court will issue separate orders on those motions. However, to the extent those motions raise overlapping challenges to Milani's opinion regarding the 0.25% royalty rate, the Court also addresses those questions in this order.

Hynix and Toshiba agreements reflect a 0.25% royalty rate is not grounded in any facts or a reliable methodology because even if admissible, the extrinsic evidence upon which Milani relies suggests that BTG may have calculated the lump sum payments by applying 0.25% to Gartner forecasts of future revenue for Hynix and Toshiba from 2006-2011. However, both license agreements covered a significantly longer time period through the expiration of the last patent in December 2017 (and the '571 patent's expiration in June 2015), and thus to the extent 0.25% was used to calculate lump sum payments, that number was not applied to forecasted sales over the entire terms of the license agreements and therefore cannot reflect a royalty rate for those licenses. Thus, Milani's opinion that the Hynix and Toshiba agreements "reflect" a 0.25% royalty rate is supported neither by the actual license agreements nor by the extrinsic evidence. Finally, as a separate basis of exclusion, the Court finds that Milani may not rely on the Fisher deposition testimony and the other extrinsic evidence that he relies upon for his opinion that the licenses reflect royalty rates because MLC failed to disclose that evidence as a basis for a royalty rate calculation in discovery.

BACKGROUND

I. The Hynix and Toshiba Licenses

On April 11, 2007, BTG (which then owned the rights to the MLC patent portfolio) entered into licenses with Hynix and Toshiba. Both licenses were to MLC's entire portfolio of 30 U.S. patents (including the '571 patent), and 11 foreign patents.[4]

The Hynix license agreement defines "Licensed Products" as "any and all Hynix products, including MLC Memory Devices, the making, using, selling or offering for sale, exporting, importing or otherwise disposing of which would otherwise infringe one or more claims of the Licensed Patents." Hynix License § 1.5 (Dkt. No. 444-2). The license granted Hynix and its subsidiaries a "non-exclusive, worldwide, indivisible non-transferable and personal license" to 41

[4] Hynix is a South Korean company and Toshiba is a Japanese company. Dkt. Nos. 442-5, 444-7. Exhibit A to both agreements lists the following foreign patents: 1 German patent; 2 "Europe" patents; 1 United Kingdom patent; 1 Italian patent; 2 Japanese patents; 2 South Korean patents; and 1 Dutch patent. *Id.*

patents "through the expiration date of the last of the Licensed Patents to expire." *Id.* §§ 3.1, 6.1.[5] Under "Compensation," the agreement states that "In consideration of the release and License, Hynix shall pay to BTG $21,000,000 (twenty-one million dollars) as follows: (a) $11,000,000 (eleven million dollars) no later than 30 April 2007 (b) $5,000,000 (five million dollars) no later than 31 March 2008 [and] (c) $5,000,000 (five million dollars) no later than 31 December 2009." *Id.* § 4.1.

Section 4.3 of the agreement, titled "Future Licenses," is the basis of Milani's opinion that the agreement contains a 0.25% royalty rate. That section provides:

> Future Licenses. BTG hereby agrees that Hynix will be granted most-favoured customer status. In the event that BTG grants a license under the Licensed Patents after the Effective Date, other than a license granted in settlement of litigation, in which the royalty rate is less than 0.25%, then as its sole remedy, Hynix's future payments, if any, shall be reduced so that Hynix, in total pays not more than 90% of the royalty rate paid by the new licensee. In no event shall Hynix receive any refund of any amount paid, or which became due, prior to the execution of the new license agreement. In the case of a paid up license, the royalty rate shall be calculated using formula X/Y x 100 where X is the gross undiscounted value of sales of MLC Memory Devices made and forecast to be made by the new licensee through 31 December 2011 (future sales shall be BTG's reasonable and good faith estimate based upon a reputable industry analyst data). BTG shall notify Hynix within thirty (30) days after BTG enters into an agreement granting a license under the Licensed Patents to a new licensee. Within six (6) months of BTG notifying Hynix it has entered into a new license under the Licensed Patents, Hynix may have an independent internationally recognized accounting firm conduct an audit of BTG's records, without disclosing such records to Hynix, and subject to such accounting firm entering into a reasonable non-disclosure agreement, to confirm Hynix is paying, in total as specified in Section 4.1, not more than 90% of the rate paid by the new licensee taking into account the factors described above.

Id. § 4.3.

The Hynix agreement also contains Section 7.7 titled "Entire Understanding." That provision reads:

> This Agreement embodies the entire understanding between the parties relating to the subject matter hereof, whether written or oral, and there are no prior representations, warranties or agreements between the parties that are not contained in this Agreement.

Id. § 7.7.

---

[5] The licensed patents expired at different times, with the '571 patent expiring in June 2015 and the last patent expiring in December 2017. Milani Tr. at 151:1-19 (Dkt. No. 442-11). Milani opines that the '571 patent comprised "at least 50%" of the value of the licenses to Hynix and Toshiba. Milani Report at 67 (Dkt. No. 442-3).

The Toshiba license agreement is similar to the Hynix agreement in several respects. The "Licensed Products" are defined as "all Toshiba or its Subsidiaries' products, including MLC Memory Devices," and the term of the license was through the expiration of the last of the licensed patents. Toshiba License §§ 3.1, 6.1. The license also provided Toshiba with the option of extending the license to a Toshiba-SanDisk joint venture. *Id.* §§ 3.2, 3.6. The compensation provided under the license is as follows:

> 4.1. Compensation. In consideration of the release and license granted by BTG in this Agreement, Toshiba shall pay to BTG the following sums:
>
> (a) $6,000,000 (six million dollars) no later than 30 days after the Effective Date;
>
> (b) $11,000,000 (eleven million dollars) on or before March 31, 2008;
>
> (c) if Toshiba has exercised the Option in accordance with Section 3.6, a further $10,000,000 (ten million dollars) on or before March 31, 2009;
>
> (d) $6,000,000 (six million dollars) on or before March 31, 2009;
>
> (e) if Toshiba has exercised the Option in accordance with Section 3.6, a further $10,000,000 (ten million dollars) on or before March 31, 2009; and
>
> (f) if BTG has, on or before December 31, 2008, either: (i) entered into a license under the Licensed Patents with two of the companies whose annual worldwide revenue of NAND Flash Memory Devices in 2007 as reported by Gartner Dataquest (or if such information is not available from Gartner, then as reported by another reputable market research firm agreed by the parties such as iSupply or Forrester) is ranked as top three other than Toshiba; or (ii) initiated any litigation against any one of such company in any jurisdiction for infringement of one or more claims of any of the Licensed Patents, a further $2,000,000 (two million dollars) no later than April 30, 2009, provided that BTG shall notify Toshiba in writing indicating the above with relevant evidences . . . .

Id. § 4.1. The Toshiba license does not contain a "most favored customer" provision. The Toshiba license contains Section 7.7 "Entire Understanding" that is identical to the "Entire Understanding" provision in the Hynix license. Milani states that Toshiba paid a total of $25 million under the license ($23 million followed by a $2 million payment). Milani Report at 48.

II. Milani's Royalty Rate Opinion re: the Hynix and Toshiba Licenses

In his report, Milani states that he considers the Hynix and Toshiba licenses to be the most relevant licenses for determining a reasonable royalty in a hypothetical negotiation. Milani Report

at 47-48, 50. Regarding the Hynix license, Milani states that it "contains a most favored customer provision which provides a quantitative metric allowing for the application of the terms of the Hynix Agreement to the Hypothetical License, while also adjusting for Micron's extent of use. To that point, I consider the 0.25% royalty rate called for in the most favored customer provision to reflect a relevant consideration for evaluating a reasonable royalty and understand that rate was applied to Hynix's worldwide sales." *Id.* at 47 (citing BTG_06398-06402).[6] With regard to the Toshiba license, Milani states, "given the most favored customer provision in the Hynix Agreement, and the fact that both agreements were executed on the same day, it's reasonable to presume BTG considered the royalty rate in the Toshiba Agreement to reflect a running royalty that is at least equal to the rate reflected by the Hynix Agreement." *Id.* at 48 (citing BTG_06398-06402).

Milani uses the 0.25% royalty rate derived from the Hynix license as the starting point for his calculation of the appropriate royalty rate in this case. Milani states,

> Relative to the Hynix Agreement, the scope of the hypothetical license would be narrower, because the Hynix Agreement had a worldwide scope. Mr. Simon Fisher, the BTG employee responsible for licensing the '571 Patent, provided deposition testimony regarding the relationship between the worldwide scope of the license grant and the 0.25% royalty rate reflected within the Hynix agreement. [citing Fisher's deposition testimony at 237-238, produced in this case as BTG_02097-BTG_02142][7] On that point, Mr. Fisher testified that BTG's historical licenses were based on worldwide shipments, but the MLCIP Patent Portfolio was predominantly made up of U.S. rights. Recognizing this, Mr. Fisher explained that rather than adjusting the royalty base to reflect only U.S. sales, BTG discounted the royalty rate in the Agreements to account for the larger royalty base. Mr. Fisher further explained that, in connection with negotiating the Agreements, BTG considered the proper rate

---

[6] The document cited by Milani is a September 6, 2007 letter from Christine Soden of BTG to Jay Shim of Samsung. Dkt. No. 442-44. The letter states that it is "Subject to FRE 408" and that it is confidential subject to a non-disclosure agreement between Samsung and BTG. In the letter, which appears to be a licensing proposal, Soden states that "[o]ur calculation still supports a fully paid up figure for Samsung of $69 million which was based on a 0.25% rate applied to sales forecasts," and she states that enclosed with the letter are "the sales forecast data that we used in March 2007 to calculate fully paid up licenses at an effective royalty rate of 0.25%." *Id.* at BTG_06398. The enclosed market share forecast data includes data for Hynix and Toshiba showing forecasted (or actual) sales from 2006 – 2011, and a 0.25% royalty rate applied to those forecasts to derive lump sum payments. *Id.* at BTG_06400-BTG_06401.

As Micron notes, this letter is not a contemporaneous communication between BTG and Hynix showing how those parties negotiated the BTG/Hynix license, but rather an after-the-fact licensing proposal made by BTG to Samsung. In connection with other motion briefing, Micron has submitted contemporaneous communications (dated March 2007) between BTG and Hynix showing that the parties negotiated over lump sum payments. *See* Dkt. Nos. 481-8, 481-9.

[7] Fisher's deposition testimony is discussed *infra.*

> to apply to U.S. sales would be 0.75%, but since BTG presumed that amount reflected only a third of a licensee's total shipments, the rate in the agreement was discounted to 0.25%. Therefore, I consider the Hynix Agreement suggests a royalty rate of 0.75% is the proper rate to consider in connection with determining a reasonable royalty in a hypothetical negotiation.

Milani Report at 54 (internal footnotes omitted).

Milani further explains his royalty rate calculation:

> In summary, as discussed throughout the *Georgia-Pacific* factors (and the remainder of this report), I consider the 0.25% rate discussed in the Hynix Agreement to be a relevant metric for evaluating a reasonable royalty in a hypothetical negotiation. I also consider that the 0.25% royalty rate should be adjusted to 0.75%, to reflect the fact that it was applied to a base of worldwide sales. Further, I consider that at least 50% (and potentially much more) of the 0.75% royalty rate is attributable to the technology of the '571 Patent. Based on that apportionment, I consider the resultant 0.375% royalty rate to reflect the minimum rate that does not account for differences between real-world and hypothetical licenses, such as the assumption of validity and infringement, as discussed in Mr. Epstein's expert report.
>
> Finally, I recognize that the historical licensing practices of both BTG and Micron have been based on lump-sum payments. I also recognize the lump-sum payments included in the BTG license agreements reflect the application of the 0.25% royalty rate reflected in the agreements to a royalty base comprised of estimated worldwide sales. [citing BTG_06398-06402]. Therefore, applying the 0.375% royalty rate to the royalty bases discussed above in Section 10 results in the following lump sum payments, but recognizes that the appropriate lump sum payment in this case may be much higher after the rate has been properly adjusted, as discussed above.

Milani Report at 67.[8] The lump sum damages payments that Milani arrives at are between $63,142,053 and $70,207,876. *Id.*

III. Fisher's Deposition Testimony

Excerpts from the Fisher deposition testimony are at Dkt. No. 442-15. Fisher was a BTG employee who was involved in negotiating the Hynix and Toshiba licenses and the other efforts to

[8] In his report, Milani also states that the 0.25% royalty rate that he derives from the Hynix agreement is consistent with BTG's licensing history, citing documents related to BTG's negotiations with Samsung, ST Micro, Micron, and Acacia. Milani Report at 63-64. All of these negotiations were unsuccessful, and BTG ultimately sued Samsung in the ITC and then entered into a settlement after, *inter alia*, the ITC staff preliminarily concluded that the '571 patent was invalid. BTG did not enter into licenses with ST Micro, Acacia, or Micron. The specific documents cited by Milani as additional support for the 0.25% royalty rate are: BTG_05660-670; MLC00056549-551; MLC00060545; MLC00054615-616; MICRONM034216-218; MLC00002575-576; ACACIA00000228-229; and MLC00056617-628. Milani Report at 63-64. Based on Milani's description of these documents, they appear to be BTG internal memos discussing licensing negotiations, BTG's licensing offers, and an unsigned draft agreement between BTG and Acacia.

license the BTG/MLC patent portfolio. Fisher was deposed in connection with a breach of contract lawsuit brought by MLC against BTG. In the deposition excerpts provided to the Court,[9] Fisher was asked about BTG's negotiations with Toshiba. Fisher Tr. at 236:1-239:25. Fisher testified, "And if we can get a deal done quickly with Toshiba as the initial licensee, we would do it at this [unspecified] number and then presented that number." *Id*. at 236:3-6. The questioning continued:

> Q: Was that number supposed to be an up-front number that was going to be paid –
>
> A: Yeah, it was a fully paid-up lump sum number.
>
> Q: All right. And would that fully paid-up lump sum number be considered a royalty rate?
>
> A: Well, it's – it was a payment in lieu of past shipments and a paid-up amount in lieu of future royalties. So I don't know how – I don't know how the finance people would view it, whether they'd view it as a compensation payment or as a royalty payment.
>
> Q: What calculations did you, BTG, use to get to $60 million?
>
> A: We did a number of calculations. There were sort of different approaches for what we, you know – I think I termed out early bird licensing model that – the value that we had put forward, and we calculated on a variety of royalty rates initially taking the Gartner Dataquest numbers, taking the U.S. – as I recall, the U.S. proportion of those, taking a potential royalty award that might come from a court at some future date, MPV'ing that with a fairly harsh discount because of the risk of litigation.
>
> Another model was to take the Gartner Dataquest numbers worldwide and use a .25 percent royalty rate.
>
> And there was another model which had a staggered or tiered set of royalties.
>
> So actually, you know, there was a whole range of numbers that [sic] could come up with. And I think in the Toshiba case it was as low as $16 million, and I don't remember what the upper bound was, but through the process of discussion, I think we all settled on the opening number of 60 something million dollars being the appropriate one.
>
> Q: Why did you, BTG, use the .25 percent royalty rate when you were talking about using the Dataquest material?
>
> A: Well, based on the – based on the worldwide shipments, leveraging worldwide licenses off of a predominantly U.S. patent position, that was a reasonably – well, seemed to be deemed appropriate by everyone at the time number to use for a first

[9] The parties have not provided the Court with the entire deposition, nor have the parties provided any evidence regarding the details of the *MLC v. BTG* litigation or the circumstances surrounding that case, except to state that it was a breach of contract case and that it ultimately settled.

> licensee scheme. Given that a third of the worldwide shipments, as a rule of thumb, end up in the U.S., it's equivalent to a .75 percent based on the U.S. shipments which represents a sort of discount off of a sort of one percent U.S. royalty rate which one might reasonably anticipate as a reasonable outcome from a U.S. court case.

Id. at 236:7-238:4.

IV. Discovery

The parties dispute the adequacy of MLC's initial (and amended) disclosures regarding damages, as well as MLC's responses to specific interrogatories seeking information related to MLC's damages. The extensive briefing on that matter is found at Dkt. Nos. 452, 499, 544, and 594-595. The Court recounts the discovery only as it specifically relates to MLC's damages based upon a reasonable royalty rate.

A. Interrogatory No. 6

Micron's Interrogatory No. 6 asked MLC to "Describe in detail the factual and legal basis and supporting evidence for the relief Plaintiff seeks . . . including but not limited to Your contention that You are entitled to damages (e.g. a reasonable royalty) . . . ." Dkt. No. 278-13. MLC's original response stated,

> **RESPONSE TO INTERROGATORY NO. 6:**
>
> MLC incorporates the above-stated General Objections as if fully set forth herein. MLC also objects to this interrogatory as being premature and properly the subject of expert discovery and reports. MLC further objects to this interrogatory to the extent it seeks information that is protected from disclosure by the attorney-client privilege and attorney-work product doctrine.
>
> Subject to and without waiving the foregoing General and Specific Objections, MLC responds as follows: MLC is the holder of all rights and interest in the '571 Patent. As demonstrated in MLC's Preliminary Infringement Contentions, Micron's NAND flash memory devices infringe multiple claims of the '571 Patent. Under 35 U.S.C. § 284, MLC is entitled to damages "adequate to compensate for the infringement, but in no event less than a reasonable royalty." MLC does not presently know the volume or duration of sales of Micron's infringing devices, and the measure of damages adequate to compensate for the infringement will be determined no later than trial.

MLC's supplemental response stated:

SUPPLEMENTAL RESPONSE TO INTERROGATORY NO. 6:

MLC incorporates its prior response to this Interrogatory as if fully set forth herein.

Subject to and without waiving the foregoing general and specific objections set forth in its prior response, incorporated herein by reference, MLC provides the following supplemental response to this Interrogatory:

MLC objects to this request on the grounds that Micron has not complied with the Court's Order compelling discovery of financial information for Micron's accused multi-level cell and triple-level cell NAND Flash (Dkt. 193), which is now the subject of a motion for sanctions (Dkt. 214-4). For this reason, MLC still does not presently know the volume or duration of sales of Micron's infringing devices. Interrogatory No. 6 is objectionable on the grounds that it is compound and an improper attempt to enlarge the numerical limits under Federal Rule of Civil Procedure Rule 33(a)(1).

Notwithstanding, MLC responds that it is the holder of all rights and interest in the '571 Patent. As demonstrated in MLC's Infringement Contentions, Micron's multi-level cell and triple-level cell NAND flash devices infringe multiple claims of the '571 Patent. MLC's Infringement Contentions also provides a non-exhaustive list of devices accused of infringement.

Under 35 U.S.C. § 271, Micron "without authority makes, uses, offers to sell, or sells multi-level cell (including triple-level cell) NAND flash devices, within the United States, or imports into the United States, multi-level call NAND flash devices during the term of the patent therefor" that infringes multiple claims of the '571 Patent. Due to Micron's infringement, under 35 U.S.C. § 284, MLC is entitled to damages "adequate to compensate for the infringement, but in no event less than a reasonable royalty." And MLC is entitled to no less than a reasonable royalty measured and calculated in a manner consistent with federal case law.

MLC further responds that the calculation of damages will also be informed by, at least, the following documents identified pursuant to Rule 33(d): EPICENTER029194, EPICENTER029212, EPICENTER029216, EPICENTER029243, EPICENTER029247, EPICENTER029260, EPICENTER029334, EPICENTER029345, EPICENTER029347, MUIR000020, MUIR000027, MUIR000031, MUIR000033,MUIR000072, MUIR000085, MUIR000109, MUIR000149, MUIR000163, MUIR000174, MUIR000194, MUIR000208, MUIR000219, MUIR000256, MUIR000848, MUIR000862, MUIR000873, MUIR000893, MUIR000907, MUIR000918, MUIR001052, MUIR001056, MUIR001095, MUIR001101, MUIR001115, MUIR001126, MUIR001144, MUIR001155, MUIR001213, MUIR001233, MUIR001284, ACACIA00000005, ACACIA00000026, ACACIA00000037, ACACIA00000051, ACACIA00000057, BTG_02342, BTG_02345, BTG_02351, BTG_02793, BTG_02863, BTG_02866, BTG_02977, BTG_03037, BTG_05418, BTG_05438, BTG_05501, BTG_05569, BTG_05617, BTG_05618, BTG_05619, BTG_05654, BTG_05655, BTG_05657, BTG_05674, BTG_05686, BTG_05706, BTG_05813, BTG_05834, BTG_05835, BTG_05842, BTG_06058, BTG_06296, BTG_06433, BTG_06440, BTG_07877, BTG_07921, BTG_07995, BTG_07996, BTG_08102, MLC00002536, MLC00002575, MLC00002581, MLC00002583, MLC00007108, MLC00007112, MLC00033662, MLC00033675, MLC00052637, MLC00052641, MLC00052661, MLC00052674, MLC00053395, MLC00053396.

In addition to the foregoing documents, the proper calculation of damages will also depend on information from Micron's SEC 10-K statements, industry reports (such as MICRONM046812 and MICRON047492), as well as financial information solely within the possession, custody and control of Micron. On September 25, 2018, Micron produced financial data (MICRONM047490) for certain accused products and improperly excluded financial data for other products on the grounds that the excluded information is not relevant. MLC has since moved for sanctions regarding Micron's immediate supplementation. See Dkt. 215. Absent the requested information, MLC is without sufficient information regarding, at a minimum, the volume of sales of Micron's multi-level cell and triple-level cell NAND flash products during the relevant time period. And consequently, MLC is unable to respond to this contention interrogatory in full.

Micron's deficient document production notwithstanding, MLC further objects to this interrogatory on the grounds that it not only calls for a legal conclusions but also on the grounds that it is premature as it seeks information that requires expert discovery and analysis. Pursuant to Federal Rule of Civil Procedure 33(a)(2), such discovery "need not be answered until designated discovery is complete," that is, until expert discovery which does not commence until January 25, 2019. *See* Dkt. 184.

MLC reserves the right to further supplement the response to this Interrogatory in the course of fact and expert discovery.

MLC's second supplemental response, dated November 30, 2018, stated:

SECOND SUPPLEMENTAL RESPONSE TO INTERROGATORY NO. 6:

MLC incorporates its prior response to this Interrogatory as if fully set forth herein. Subject to and without waiving the foregoing general and specific objections set forth in its prior response, incorporated herein by reference, MLC provides the following supplemental response to this Interrogatory:

As permitted under 35 U.S.C. § 284, MLC is entitled to damages "adequate to compensate for the infringement, but in no event less than a reasonable royalty." MLC seeks a reasonable royalty with respect to infringement of the '571 Patent. The amount of a reasonable royalty will be based on expert analysis and testimony, and applicable law, including but not limited to the factors identified in *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116 (S.D.N.Y. 1970), and in the many district court and Federal Circuit cases that have adopted and opined on that methodology. The royalty rate will be based on at least the *Georgia-Pacific* factors, and will include but not limited to consideration of relevant license agreements for the patented technology, including those identified in MLC's prior response, as well as any prior negotiations between the parties regarding the patented technology. The royalty base will at least be based on financial sales information solely within the possession, custody and control of Micron including revenues from all infringing sales during the damages period—information Micron has yet to produce in response to the Court's November 26, 2018 Order (Dkt. 240).

The calculation of damages will also be informed by industry analysis and reports (such as MICRONM046812 and MICRON047492), as well as statements made by Micron in, for example, its SEC 10-K statements. For example, in its SEC 10-K Annual Statements, for Fiscal Years 2012 through 2015, Micron reported approximately $1.26 billion (FY12), $1.51 billion (FY13), $2.55 billion (FY14), and $2.56 (FY15) in Net Sales to the U.S. ("based on customer ship-to location"). Micron also reported that 44%, 40%, 27% and 33%, respectively, of Net Sales were from

> NAND Flash Sales. Upon information and belief, MLC contends that it is entitled to a reasonable royalty to compensate it for said infringing sales.
>
> Further, "'[t]he law requires patentees to apportion the royalty down to a reasonable estimate of the value of its claimed technology,' unless it can 'establish that its patented technology drove demand for the entire product.'" *Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, 904 F.3d 965, 978 (Fed. Cir. 2008) (citing *VirnetX, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308, 1329 (Fed. Cir. 2014). "The entire market value rule allows a patentee to assess damages based on the entire market value of the accused product only where the patented feature creates the 'basis for customer demand' or 'substantially create[s] the value of the component parts.'" *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1318 (Fed. Cir. 2011); *see also, TWM Mfg. Co. v. Dura Corp.*, 789 F.2d 895, 901 (Fed. Cir.1986) ("The entire market value rule allows for the recovery of damages based on the value of an entire apparatus containing several features, when the feature patented constitutes the basis for customer demand."). Moreover, "[i]n some circumstances, for example, where the other features are simply generic and/or conventional and hence of little distinguishing character . . . it may be appropriate to use the entire value of the product because the patented feature accounts for almost all of the value of the product as a whole." *Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, 904 F.3d at 978 (citing *AstraZeneca AB v. Apotex Corp.*, 782 F.3d 1324, 1338-40 (Fed. Cir. 2015). The patented technology incorporated into the accused multilevel cell and triple-level cell NAND Flash products made and/or sold by Micron substantially creates the value of the accused products and constitutes the basis for customer demand.
>
> Because this Interrogatory requests information requiring legal conclusions and expert analysis and testimony, which has yet to commence, and given that fact discovery has yet to conclude, MLC reserves the right to supplement and/or amend its responses to this Interrogatory in light of additional factual developments and expert discovery.

MLC's Second Supplemental Responses to Interrogatory No. 6 at 1-6 (Dkt. No. 278-13).

MLC's collective responses to Interrogatory No. 6 did not identify the Hynix license (MLC00007148-MLC00007158) or the Toshiba license (MLC00007159-MLC00007172) and did not disclose a reasonable royalty theory aside from generally stating "[t]he royalty rate will be based on at least the *Georgia-Pacific* factors, and will include but not limited to consideration of relevant license agreements for the patented technology, including those identified in MLC's prior response, as well as any prior negotiations between the parties regarding the patented technology." In addition, MLC's responses to Interrogatory No. 6 did not identify any of the extrinsic evidence cited in the Milani report in support of his opinion that 0.25% is the royalty rate "reflected" in the Hynix and Toshiba licenses.[10]

[10] That extrinsic evidence is: (1) Christine Soden's September 2007 letter to Jay Shim of Samsung (BTG_06398-BTG_06402); (2) Simon Fisher's deposition testimony (BTG_02097-BTG_02142); (3) a November 2007 internal BTG "Briefing Paper" summarizing BTG's

B. Interrogatory No. 22

Micron's Interrogatory No. 22 asked MLC to "[i]dentify all facts, evidence, and testimony regarding any applicable royalty rates that You intend to rely upon at trial and describe in complete detail why those royalty rates are applicable." Dkt. No. 465-2 at 11. MLC's December 12, 2018 response asserted various objections such as "the word product doctrine, joint-defense privilege, common-interest privilege, and any other applicable privilege or immunity"; objected to the interrogatory as premature "on the grounds that it seeks information that is properly the subject of expert discovery and testimony"; and then stated that MLC was entitled to a reasonable royalty:

> based on at least the *Georgia-Pacific* factors, and will include but not limited to consideration of license agreements for the patented technology, including but not limited to EPICENTER029247-29259; EPICENTER029326-EPICENTER029333; EPICENTER029334-EPICENTER029344; EPICENTER029345-EPICENTER029346; BTG00037609-BTG00037610; MLC00007148-MLC00007158; BTG_09023-BTG_09036, as well as any prior negotiations between the parties regarding the patented technology.

Dkt. No. 465-2 at 12.

MLC did identify the Hynix license (MLC00007148-MLC00007158), but did not identify the Toshiba license (MLC00007159-MLC00007172). MLC's response to Interrogatory No. 22 did not disclose a specific royalty rate, and did not disclose that it believed the Hynix or Toshiba licenses supported a 0.25% (or 0.75%) royalty rate. In addition, MLC's interrogatory response did not identify any of the extrinsic evidence upon which Milani would rely to support his opinion that the Hynix and Toshiba licenses "reflect" a 0.25% royalty rate. *See* footnote 10 *supra*.[11]

---

negotiations with Samsung (BTG_05660-670); (4) correspondence between BTG and Samsung regarding negotiations (MLC00056549-551, MLC00060545); (5) BTG's licensing offer to ST Micro (MLC00054615-616); and (5) documents related to BTG's licensing negotiations with Acacia (ACACIA00000228-229 and MLC00056617-628). *See* Milani Report at 63-64, notes 377-386.

[11] In addition, Micron's Interrogatory No. 18 requested information regarding, *inter alia*, "the factual and legal basis and supporting evidence for your contention that MLC is entitled to damages for Micron's alleged infringement of the Asserted Patent occurring before the filing of the Present Litigation." Dkt. No. 442-45 MLC's response to Interrogatory No. 18 did not identify the Hynix or Toshiba licenses, and did not contain any response regarding a royalty rate. *Id.*

Micron's Interrogatory No. 21 requested MLC to identify "all agreements that You contend constitute a comparable licensing agreement that You intend to rely upon at trial and describe in complete detail the facts, evidence and testimony surrounding the formation of those license agreements and why those license agreements are comparable." In response to Interrogatory No. 21, MLC identified the Hynix license in a list of documents, and did not provide any description of why the Hynix license was comparable, nor did MLC ever state that it intended to rely on the Hynix

C. Mr. Hinckley's deposition

On December 11, 2018, Micron took the Rule 30(b)(6) deposition of Robert Hinckley. Dkt. No. 442-41 (Hinckley Tr.). Mr. Hinckley is the Chairman of MLC as well as its counsel. Hinckley Tr. at 16:22-17:11. MLC consists of Hinckley and Jerry Banks, the inventor of the '571 patent (and the other patents in the MLC portfolio). *Id.* Hinckley was produced as the Rule 30(b)(6) witness regarding, *inter alia*, the following topics:

> 82. All information, facts, and documents relating to MLC's claim of damages for the Asserted Patent, including any reasonable royalty, the royalty base and rate, and any alleged lost profits damages.
>
> 53. All agreements entered into by MLC or any prior owner of the Asserted Patent related to the Asserted Patent, Related Patents, or related technology field, including offers to license, settlement agreements, assignments, covenants, and technology agreements, and any related negotiations, communications, and drafts.
>
> 58. Financial information relating to MLC's and BTG's licensing of the Asserted Patent, including, without limitation, products licensed, sales volume, dates of sales, revenue, and if known, gross margin, net profit, or loss.
>
> 64. All facts and circumstances regarding any and all licenses granted for the Asserted Patent, including but not limited to the name and location of any licensee, the terms of each license, the circumstances under which each license was granted, communications with each of the past or present licensees including negotiations, the amount of royalties or other type of compensation paid to MLC, all products licensed to practice any of the Asserted Patent, the sales volume, dates of sales, revenue, as well as gross margin, net profit, or loss related thereto if known or calculated, and Documents related to the foregoing.

Micron's First Notice of Deposition to MLC (Dkt. No. 360-14).[12]

Hinckley was asked about the Hynix agreement at his deposition:

> Q: Is there a royalty amount associated with this agreement?
>
> A: I believe there is.
>
> Q: What is that amount?

---

license as evidence of a .025% royalty rate. *See* Dkt. No. 465-2. MLC did not list the Toshiba license in its response to Interrogatory No. 21.

[12] Micron's motion to strike the Milani Report quotes these deposition topics, with a citation to Micron's First Notice of Deposition. *See* Micron's Motion to Strike at 12, citing Dkt. No. 360-14 (Dkt. No. 452). However, Dkt. No. 360-14 is only an excerpt of the deposition notice and does not contain topics # 53 and # 58.

A: Well, I can read you what it says, because my knowledge is based on what's in the agreement, not my recollection. It says, "4.1 Compensation. In consideration of the release and License, Hynix shall pay to BTG $21 million as follows: $11 million no later than 30 April 2007; $5 million no later than 31 March 2008;" and "$5 million no later than 31 December 2009."

Q: Now, there's not a royalty rate that's listed in this particular license agreement, correct?

A: Correct.

Q: Does MLC have an understanding as to what the royalty rate for this particular agreement is?

A: No, MLC has no understanding.

. . .

Q: I'm just asking you personally, as someone who has knowledge within the – the licensing industry, is one way to calculate a royalty rate for an agreement to take the sales revenue that's covered by the agreement and divide that into the total amount that was paid for that particular agreement?

A: I'm sorry. I don't – I don't understand the question, because when parties get into licensing discussions, they usually talk numbers. It varies all over the map how they get to those numbers. And in this particular case, I have no idea how these numbers came about.

Q: So MLC has no knowledge with respect to a royalty rate that could be inferred from this particular agreement?

A: That's correct. MLC has no knowledge about where these numbers came from.

Q: Has MLC attempted to investigate that?

Mr. Marino: Objection to the extent that it calls for privileged communications. If you have an independent knowledge, you can testify to that.

A: No, I don't have any independent knowledge. I – I – BTG did not include us in the negotiations, and – and so what communications were between Hynix and BTG over these numbers, MLC has no knowledge.

Hinckley Tr. at 61:9-63:23. Hinckley also testified that he did not know what Hynix products were covered by the agreement. *Id*. at 64:14-65:6.

Hinckley was repeatedly asked whether MLC would be relying on the Hynix agreement at trial:

Q: Now, there's a lot of things you've testified that you don't know with respect to this agreement. Are there any facts with respect to Exhibit 5 [Hynix License] that MLC will seek to rely upon with respect to its burden of proof at trial?

> Mr. Marino: And objection. It's vague. I don't understand what – "facts with respect to" an agreement that aren't the agreement itself. But if you understand the question, please answer.
>
> A: Same. I do not know what facts, if any, BTG will rely at trial – I mean, MLC will rely on at trial that pertains to Exhibit 5.
>
> Q: And so MLC is not disclosing any facts with respect to this agreement that it will seek to rely upon at trial, correct?
>
> A: Well, again, my answer is, I do not know one way or the other the extent to which MLC will be relying on – on any facts pertaining to Exhibit 5 in the trial.
>
> Q: Who at MLC would know those facts?
>
> A: Well, it would be me and Jerry. And so if I'm speaking on behalf of MLC, I'm saying MLC as an entity doesn't know one way or the other what facts, if any, it will rely on relating to Exhibit 5 at trial.
>
> Q: Will MLC at least disclose those facts before the close of fact discovery?
>
> A: I defer to my counsel.
>
> Mr. Marino: I think that's a completely unfair question to ask of a fact witness. Also, again, I still don't understand what facts related to a document mean. So I think the question is vague.
>
> Mr. Schartzer: Mr. Marino, we know that Mr. Hinckley is here designated as a corporate witness, not just a fact witness.
>
> Mr. Marino: Corporate witness by definition is a fact witness. What do you think he is, an expert witness? That statement is nonsensical.
>
> Mr. Schartzer: Mr. Hinckley, outside of what's written here within Exhibit 5, are there any other facts that MLC will seek to introduce at trial with respect to Exhibit 5?
>
> A: Well, same answer. I do not know the extent – if MLC will seek to introduce any facts relating to this exhibit at trial or relating to the agreement between Hynix and BTG.

Id. at 65:7-67:7. Hinckley provided similar answers when questioned about the BTG/Toshiba license agreement. *See id*. at 67:11-69:4; 78:6-7; 77:13-79:14. As noted *supra*, MLC did not in fact disclose prior to the close of fact discovery that it intended to rely on "facts relating to Exhibit 5 [the Hynix license agreement]" – such as any of the extrinsic evidence cited in Milani's report.

LEGAL STANDARDS

Federal Rule of Evidence 402 provides that "[i]rrelevant evidence is not admissible." Rule 403 provides that even relevant evidence may be excluded "if its probative value is substantially

outweighed by a danger" of unfair prejudice, confusion etc.

Federal Rule of Evidence 702 provides that expert testimony is admissible if "scientific, technical, or other specialized knowledge will assist the trier of fact to understand the evidence or to determine a fact in issue." Fed. R. Evid. 702. Expert testimony under Rule 702 must be both relevant and reliable. *Daubert v. Merrell Dow Pharms., Inc.*, 509 U.S. 579, 589 (1993). When considering evidence proffered under Rule 702, the trial court must act as a "gatekeeper" by making a preliminary determination that the expert's proposed testimony is reliable. *Elsayed Mukhtar v. Cal. State Univ.*, 299 F.3d 1053, 1063 (9th Cir. 2002), *amended by* 319 F.3d 1073 (9th Cir. 2003). As a guide for assessing the scientific validity of expert testimony, the Supreme Court provided a nonexhaustive list of factors that courts may consider: (1) whether the theory or technique is generally accepted within the relevant scientific community; (2) whether the theory or technique has been subjected to peer review and publication; (3) the known or potential rate of error; and (4) whether the theory or technique can be tested. *Daubert*, 509 U.S. at 593-94; *see also Kumho Tire Co., Ltd. v. Carmichael*, 526 U.S. 137 (1999).

Federal Rule of Civil Procedure 37(c)(1) provides that a party's failure to disclose or supplement information will result in that party being precluded from using that information on a motion, at a hearing, or at trial, unless that failure was substantially justified or harmless. This sanction applies to failures to supplement discovery responses in accordance with Federal Rule of Civil Procedure 26(e). *See id.*; *see also Hoffman v. Constr. Prot. Servs., Inc.*, 541 F.3d 1175, 1179 (9th Cir. 2008) (affirming district court's order excluding undisclosed damages evidence); *Yeti by Molly, Ltd. v. Deckers Outdoor Corp.*, 259 F.3d 1101, 1106 (9th Cir. 2001) ("[A]lthough we review every discovery sanction for an abuse of discretion, we give particularly wide latitude to the district court's discretion to issue sanctions under Rule 37(c)(1). . . . This particular subsection, implemented in the 1993 amendments to the Rules, is a recognized broadening of the sanctioning power. . . . The Advisory Committee Notes describe it as a 'self-executing,' 'automatic' sanction to 'provide[ ] a strong inducement for disclosure of material. . . .' Fed. R .Civ. P. 37 advisory committee's note (1993).")

DISCUSSION

Micron contends that "[t]he Milani Report relies on a flawed, self-serving characterization of the Hynix and Toshiba Agreements to arrive at a royalty rate not found anywhere in the agreements." Motion at 3 (Dkt. No. 444). Micron argues that the 0.25% figure that Milani claims represents the royalty rate applied in the Hynix Agreement is mentioned only in the context of the "most favored customer" provision as a rate that, if given to a different, future, hypothetical licensee, would trigger an additional discount to Hynix. Micron argues that Milani's assertion that the Toshiba license effectively includes a 0.25% royalty rate is also entirely speculative, citing Milani's statement in his report that "it's reasonable to presume BTG considered the royalty rate in the Toshiba Agreement that is at least equal to the rate reflected in the Hynix Agreement." Milani Report at 48. Micron argues that the Hynix and Toshiba licenses speak for themselves, and that both agreements on their face provide for lump sum payments and neither agreement contains a royalty rate applicable to the licenses.

Micron also argues that because MLC failed to disclose during fact discovery (such as through the Hinckley deposition or its responses to Interrogatory Nos. 6 and 22) that it believed that 0.25% was the applicable royalty rate based upon the Hynix and Toshiba licenses, as well as MLC's failure to disclose the extrinsic evidence that Milani relies upon for his royalty rate opinion (such as Soden's 2007 letter to Samsung and Fisher's deposition testimony), Micron was prevented from conducting relevant discovery, such as depositions of BTG, Hynix and Toshiba witnesses focusing on the alleged 0.25% royalty rate, as well as a deposition of Mr. Fisher.

Micron also argues that the 0.25% rate is not a real rate because, to the extent the extrinsic evidence cited by MLC is considered, that evidence shows that BTG used 0.25% as a tool to calculate lump sum payments based on forecasted sales from 2006 to 2011, while the actual license agreements covered the period of April 2007 through the expiration dates of the 41 patents (including *inter alia* June 2015 for the '571 patent and December 2017 for the last expiring patent). Thus, Micron argues that Milani's opinion that the Hynix and Toshiba licenses reflect a 0.25% royalty rate has no basis in fact because (1) the contracts themselves provide for lump sum payments and do not specify a royalty rate and (2) the extrinsic evidence shows that, at most, BTG used 0.25%

as a method for calculating lump sum payments based upon a revenue base of forecasted sales from 2006-2011, thus ignoring years of Hynix's and Toshiba's sales that were covered by the term of the license. Micron argues that if an effective royalty rate was calculated for the Hynix and Toshiba licenses, that rate would need to also take account of the years of forecasted (or actual) sales from 2012-2017, and thus the actual effective royalty rate would be much less than 0.25%.

MLC devotes a significant portion of its opposition to arguing that the Hynix and Toshiba licenses are comparable and that the use of comparable licenses is a well-established methodology to determine a reasonable royalty. However, the specific issue presented by Micron's motion is whether Milani may testify that the Hynix and Toshiba license agreements "reflect" a 0.25% royalty rate, not whether those license agreements are comparable. As to that question, MLC argues that "the 0.25% royalty rate figure is expressly referenced in the 'most favored customer' provision of the license" which "provides Hynix with a guarantee that no subsequent licensee would receive a license 'in which the royalty rate is less than 0.25%.'" Opp'n at 3 (Dkt. No. 492). MLC also argues, "[i]ndeed, the record of the case is replete with references to 0.25% being used as the effective worldwide royalty rate – including several license agreements involving the patent-in-suit and contemporaneous business communications and testimony relating to the nature of the agreements and the manner by which they were negotiated – which have all been disclosed to Micron." *Id.* MLC's opposition to Damages MIL#1 does not cite any specific evidence in support of the assertion that the record is "replete" with references to the 0.25% royalty rate, nor does it identify how and when it "disclosed" all of this evidence to Micron.[13]

The Court concludes that Milani's proposed testimony that the Hynix and Toshiba licenses "reflect" a 0.25% royalty rate is speculative and not based on the facts of the actual licenses, and therefore GRANTS the motion as framed. Specifically, 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. Both license agreements are lump

[13] MLC's opposition to Micron's Motion to Strike the Milani Report asserts that MLC disclosed certain evidence in its response to Interrogatory No. 6 and 22. The Court discusses those responses *infra*.

sum agreements, and there is no explanation in the agreements regarding how the lump sum amounts were calculated. Milani's derivation of a 0.25% royalty rate based on the "most favored customer" provision in the Hynix license is contrary to the plain language of that provision, which provides that if BTG entered into a "future license" "in which the royalty rate is less than 0.25% . . . Hynix's future payments (if any) shall be reduced so that Hynix, in total, pays not more than 90% of the royalty rate paid by the new licensee." Hynix License § 4.3. The "most favored customer" provision does not state that the 0.25% royalty rate was applied to that license, nor does that provision (or any other provision in the agreement) state anything about how the lump sum payments were calculated.

Milani's testimony about the Hynix and Toshiba licenses containing a 0.25% royalty rate is not "based on sufficient facts or data" and is not "the product of reliable principles and methods." Rule 702. Even if the extrinsic evidence was admissible[14] to interpret the Hynix and Toshiba license agreements, the extrinsic evidence does not show that those licenses have an effective 0.25% royalty rate. Instead, that evidence suggests that BTG may have calculated lump sum amounts by applying 0.25% to forecasts of revenue from 2006-2011.[15] Of course, if 0.25% had been applied to forecasts of revenue for the term of the license (2007-2017), the lump sum amounts would have been greater; conversely, if the same lump sum figures were paid and measured across a revenue base of forecasted revenue from 2007-2017, the effective royalty rate would be less than 0.25%. Thus, Milani's opinion that the Hynix and Toshiba licenses "reflect" a 0.25% royalty range is not based

[14] As discussed *infra*, the Court finds that MLC did not disclose that it intended to rely on this extrinsic evidence in support of its reasonable royalty claim, and thus it is inadmissible on that ground. Further, even if that evidence was properly disclosed, the extrinsic evidence would not be admissible as parol evidence to interpret the license agreements because those agreements are clear and unambiguous. *See generally Barron Bancshares, Inc. v. United States*, 366 F.3d 1360, 1375-76 (9th Cir. 2004) (discussing parol evidence rule); *Transcore, LP v. Electronic Transaction Consultants Corp.*, No. 3:05-cv-2316, 2008 WL 2152027, at *5, *aff'd*, 563 F.3d 1271 (Fed. Cir. 2009) ("Although TransCore would like the court to consider its extraneous proof of the parties' discussions that were contemporaneous to the final preparation of the Settlement Agreement, the court cannot do so, because it finds that they intended the Settlement Agreement to be a final expression of their agreement.").

[15] As noted *supra*, the Hynix license covered "all Hynix products," and was not limited specifically to Hynix's MLC Memory Devices. The revenue base for all Hynix products for the term of the license was presumably larger than the revenue base for the subset of Hynix MLC Memory Devices.

in fact, but instead upon an misinterpretation of an inapposite "most favored customer" provision in the Hynix license and irrelevant extrinsic evidence suggesting that BTG used the 0.25% figure as a method for calculating lump sums in negotiations using forecasted sales data for a truncated period of the license agreements.

The Court is mindful of the principle that "[a] judge must be cautious not to overstep its gatekeeping role and weigh facts, evaluate the correctness of conclusions, impose its own methodologies, or judge credibility, including the credibility of one expert over another." *Apple Inc. v. Motorola, Inc.*, 757 F.3d 1286, 1315 (Fed. Cir. 2014), *overruled on other grounds*, *Williamson v. Citrix Online, LLC*, 792 F.3d 1339 (Fed. Cir. 2015). The Court also recognizes that resolving disputes of fact is the province of the jury. *See Micro Chemical, Inc. v. Lextron, Inc.*, 317 F.3d 1387, 1392 (Fed. Cir. 2003) ("In this case, the trial court properly did not rule inadmissible Fiorito's damages testimony simply because it was based on Micro Chemical's version of the contested facts."). Here, however, there is not a factual dispute about whether the Hynix and Toshiba licenses contain a royalty rate: they do not. Instead, Milani (and MLC) divine a royalty rate for these agreements by stitching together selected pieces of extrinsic evidence of BTG's description of how it formulated lump sum licensing proposals.[16] MLC cannot create a dispute of fact by having Milani mischaracterize evidence, and the Court cannot permit Milani to testify about a "fact" – the royalty rate reflected in the Hynix and Toshiba licenses – when there is no evidence to support that fact. *Cf. Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1317 (Fed. Cir. 2011) ("[T]here must be a basis in fact to associate the royalty rates used in prior licenses to the particular hypothetical negotiation at issue in the case."); *see also Golden Bridge Tech. v. Apple, Inc.*, Case No. 5:12-cv-04882-PSG, 2014 WL 2194501, at *6 (N.D. Cal. May 18, 2014) (granting *Daubert* motion to exclude expert testimony about royalty rates derived from fully-paid lump sum licenses where, *inter alia*, the expert did not "account for the portion of the lump sum payments that would cover future sales").

[16] In the limited excerpts of the Fisher deposition provided to the Court, Fisher testified that there several "different approaches" leading to a "whole range of numbers" that BTG used when determining amounts for BTG's licensing negotiations. Fisher Tr. at 236:18-237:15.

The Court also concludes that MLC never disclosed the factual underpinnings of its claim that the Hynix and Toshiba licenses "reflect" a 0.25% royalty rate, and that pursuant to Rule 37(c)(1), this failure is a separate and independent basis for excluding evidence and argument that those licenses contain such a rate. It bears repeating that because the Hynix and Toshiba licenses are lump sum agreements that do not contain specific royalty rates, absent a disclosure by MLC, Micron would have no way of knowing that Milani would opine that these agreements reflect a 0.25% royalty rate that should be applied to this case (and that the rate should be tripled to 0.75% based on Fisher's deposition testimony and ultimately halved to 0.375% to account for the value of the '571 patent). It is undisputed that prior to the submission of Milani's initial expert report in February 2019,[17] MLC had never disclosed what it believed was an appropriate royalty rate to calculate damages, had never disclosed that it believed the Hynix and Toshiba licenses "reflect" a 0.25% royalty rate, and had never disclosed any of the extrinsic evidence that Milani relies on for his royalty rate opinion (the 2007 BTG letter from Soden to Shim of Samsung; the Fisher deposition testimony; and the BTG memos regarding licensing negotiations and offers to Samsung, ST Micro and Acacia).[18] Further, at Hinckley's Rule 30(b)(6) deposition, he testified, *inter alia*, that the Hynix agreement did not have a royalty rate, that "MLC has no understanding" of the royalty rate for the Hynix agreement, and that "MLC has no knowledge about where these [lump sum] numbers came from." Hinckley Tr. at 61:21-62:2, 63:9-13. Although Mr. Marino repeatedly objected to questions asking Hinckley about whether MLC would rely on any "facts with respect to" the Hynix agreement at trial (such as objecting "It's vague. I don't understand what – 'facts with respect to' an agreement that aren't the agreement itself,"), in fact Milani and MLC are attempting to rely on "facts with respect to" the Hynix agreement that are not the agreement itself, namely extrinsic evidence such as Soden's 2007 letter to Samsung, Fisher's deposition testimony, and other BTG memos and license

[17] Milani first issued an expert report on February 8, 2019, and then issued an amended report on March 15, 2019 "to reflect the Court's order regarding the infringement contentions and schedule." Milani Report at 4.

[18] MLC had generally identified "any prior negotiations between the parties." However, that disclosure still does not state that MLC believed that 0.25% was a reasonable royalty rate that should be used as an input (before tripling and then halving, as Milani does) to determine damages.

offers. Thus, 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 to this case.

MLC argues that its responses to Interrogatories Nos. 6 and 22 were sufficient, and that in any event Micron has not been prejudiced. The Court disagrees. In both interrogatories, Micron asked MLC to "describe the factual and legal basis and supporting evidence" in support of MLC's claim for a reasonable royalty (Interrogatory No. 6) and to "identify all facts, evidence and testimony regarding any applicable royalty rates that You intend to rely upon at trial and describe in complete detail why those royalty rates are applicable." Interrogatory No. 22. MLC's responses to both interrogatories asserted numerous boilerplate objections and set forth a generic statement of the law regarding entitlement to damages with citations to *Georgia-Pacific* without ever stating that MLC believed that 0.25% was an appropriate royalty rate or MLC's contention that the Hynix and Toshiba licenses reflected such a rate. MLC's responses also contained a list of documents, which curiously did not include either license in response to Interrogatory No. 6 and only identified the Hynix license in response to Interrogatory No. 22. Crucially, none of the listed documents included any of the extrinsic evidence upon which Milani relies to conclude that the Hynix and Toshiba licenses "reflect" a 0.25% royalty rate and that the 0.25% rate should be tripled to account for the fact that the Hynix and Toshiba licenses were worldwide and damages in this case are based on U.S. revenue.[19] Because MLC never disclosed this information, Micron was prevented from conducting fact discovery regarding these issues.

To the extent MLC seeks to blame Micron for its inadequate damages disclosures, the Court is unpersuaded. To be sure, there were problems with Micron's production of sales data. However, none of that discovery was relevant to the issue of what MLC contended was the appropriate royalty rate in this case. Indeed, the vast majority of the evidence that Milani and MLC rely upon for the

[19] As Micron notes in its *Daubert* motion challenging Milani's testimony, notwithstanding Milani's explanation for tripling the alleged 0.25% royalty rate, Milani's damages numbers include Micron's (and its subsidiaries') foreign sales.

0.25% (and 0.75%) royalty rate opinion was produced by MLC. There is simply no explanation to excuse MLC's failure to disclose the factual basis for its claim about a reasonable royalty. MLC suggests that it was not required to do so because the reasonable royalty is the subject of expert testimony. However, while MLC was not required to disclose its expert opinions during fact discovery, MLC was still required to disclose the factual basis for its reasonable royalty claim. *See Siemens Med. Sols. USA, Inc. v. Saint-Gobain Ceramics & Plastics, Inc.*, 637 F.3d 1269, 1287 (Fed. Cir. 2011) (affirming district court's evidentiary ruling excluding portions of expert testimony not disclosed during discovery, including expert's testimony about testing that was not disclosed during fact discovery); *Corning Optical Commc'ns Wireless Ltd. v. Solid, Inc.*, 306 F.R.D. 276, 279 (N.D. Cal. 2015) (finding interrogatory response summarized as "wait until we serve our expert report" to be "plainly insufficient" and granting motion to compel further responses to damages interrogatories, including disclosure of facts upon which plaintiff sought a reasonable royalty)

Accordingly, the Court concludes that Milani may not testify that the Hynix and Toshiba license agreements "reflect" a 0.25% royalty rate because such testimony is contrary to the plain language of the documents. Further, the extrinsic evidence that Milani relies upon (1) is inadmissible parol evidence; (2) even if considered, does not support a 0.25% royalty rate for the terms of the Hynix and Toshiba licenses; and (3) was never disclosed by MLC and thus MLC may not rely on this evidence to assert that the Hynix and Toshiba licenses "reflect" a 0.25% royalty rate.

CONCLUSION

For the foregoing reasons, the Court GRANTS Micron's Damages MIL#1 as to Milani's and Epstein's testimony and DENIES as moot the portion of the motion directed at Liesegang's proposed rebuttal testimony.

IT IS SO ORDERED.

Dated: July 2, 2019

SUSAN ILLSTON
United States District Judge

ORDER GRANTING MICRON'S DAUBERT MOTION TO EXCLUDE EXPERT TESTIMONY OF M. MILANI

DATED JULY 12, 2019

(DKT 668)

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

MLC INTELLECTUAL PROPERTY, LLC,

Plaintiff,

v.

MICRON TECHNOLOGY, INC.,

Defendant.

Case No. 14-cv-03657-SI

ORDER GRANTING MICRON'S DAUBERT MOTION TO EXCLUDE EXPERT TESTIMONY OF MICHAEL MILANI

Re: Dkt. No. 446

On June 6, 2019, the Court held a hearing on numerous pretrial motions. For the reasons set forth below, the Court GRANTS Micron's *Daubert* motion to exclude the expert testimony of Michael Milani.

Micron raises numerous challenges to Milani's expert damages opinion. The Court has already resolved some of these matters in other orders. *See* Order Re: Micron's Damages Motions in Limine #2, #3, and #5 (holding MLC may not seek damages based on Micron's foreign sales or based on any sales by Micron's subsidiaries and IMFT) (Dkt. No. 596); Order Granting in Part and Denying in Part Micron's Damages Motion in Limine #1 (Dkt. No. 639) (holding Milani may not testify that the BTG/Hynix and BTG/Toshiba lump sum agreements "reflect" a 0.25% royalty rate and Milani may not rely on, *inter alia*, Fisher deposition testimony for alleged 0.25% or 0.75% royalty rates). This order resolves the remaining issues regarding Milani's testimony.

Milani offers two damages opinions: (1) the comparative license opinion and (2) the smallest saleable patent practicing unit "SSPPU" approach.[1] For the comparative license opinion, Milani

[1] The parties agree that the SSPPU is a wafer, or bare die.

applies a royalty rate of 0.375%[2] to a royalty base that includes all of Micron's revenue for the accused products. Milani Report at 34-35, 67 (Dkt. No. 585). For the SSPPU approach, Milani applies the same 0.375% royalty rate to a royalty base that includes all of the revenue for what Milani refers to as the "SSPPU Products" – the bare die or wafer – and a majority of the revenue for what he refers to as the "non-SSPPU Products" which are products that incorporate the bare die and have other components, such as controllers. *Id.* at 37-39. The revenue base for Milani's SSPPU approach includes 87.4% of the total accused product revenue. *Id*. at 39 & Exhibit 3.2. There are over 2,600 non-SSPPU products, including products such as solid state disk drives. *Id.* at Exhibit 3.2.1 (list of non-SSPPU products).

Micron contends that both approaches are flawed and unreliable because Milani did not apportion the revenue base to include only the revenue attributable to the patented technology. Micron argues that Milani has not shown that the patented feature is the sole driver of demand for the accused products, which is necessary to justify using the entire market value of the accused products for the revenue base. *See Power Integrations, Inc. v. Fairchild Sesmiconductor Int'l, Inc.*, 904 F.3d 965, 979 (Fed. Cir. 2018) ("[T]he entire market value rule is appropriate only when the patented feature is the sole driver of customer demand or substantially creates the value of the component parts. . . . When the product contains other valuable features, the patentee must prove that those other features do not cause consumers to purchase the product."); *see also Finjan, Inc. v. Blue Coat Sys., Inc.*, 879 F.3d 1299, 1311 (Fed. Cir. 2018) ("[I]f the smallest saleable unit – or smallest identifiable technical component – contains non-infringing features, additional apportionment is still required."). Micron argues that Milani has used the entire market value for

---

[2] Milani arrived at the 0.375% royalty rate by starting with a 0.25% rate that he derived from the Hynix agreement, tripling that rate to 0.75% based on Simon Fisher's deposition testimony, and then halving it to 0.375% based on the conclusion that the '571 patent represented at least half of the value of the 41 patent portfolio licensed in the Hynix agreement. As noted *supra*, the Court has held that (1) the lump sum Hynix agreement does not contain a 0.25% royalty rate and thus that Milani may not testify that the agreement contains such a rate, and (2) Milani may not rely upon the Fisher deposition testimony for alleged royalty rates. Because the Court has excluded Milani's testimony regarding two of the inputs for his ultimate 0.375% royalty rate opinion, it does not appear that there is any reliable admissible basis for his royalty rate opinion, which he applies to both damages models. In any event, this order addresses the related but distinct challenges to the royalty bases.

the comparative license opinion because he includes all revenue for the accused products in the revenue base. Regarding the SSPPU approach, Micron argues that a bare die contains numerous non-infringing features, such as micro-fabrication and lithography techniques, error correction, and copy-back technology, and thus that Milani was required to apportion beyond the SSPPU. In addition, Micron argues that Milani engaged in a superficial apportionment for the non-SSPPU products (such as solid state disk drives) because he testified that did not evaluate or assign value to the non-infringing features of those products. *See* Milani Tr. at 201-206 (stating he did not put a value on various non-infringing features of a Micron solid state disk drive) (Dkt. No. 442-13); *see also* Milani Report at 35-39 (stating that he did not have an understanding of what many of the non-SSPPU products were and that he classified many as "unidentifiable").[3]

MLC asserts that Milani was not required to apportion the revenue base in his comparable license approach because the royalty rate from the Hynix license "already accounts for apportionment." Opp'n at 10 (Dkt. No. 497-4); *see also* Milani Report at 34 n.195 ("In other words, the royalty rate associated with the comparable license agreements already apportions for other components and technologies included in the infringing product."). MLC also asserts that Milani relied on evidence showing that the multi-level cell flash market is a "commodity" market, and thus that the Hynix products and Micron products were sufficiently similar. *Id*. at 8 (citing Milani Report at 8).[4] With regard to Milani's SSPPU approach, MLC asserts that Milani "ensured that the royalty rate, which was derived from the Hynix Agreement, was not applied to products that were broader than any Hynix products that were subject to a royalty under the Hynix Agreement (e.g., solid-state drives). In doing so, Mr. Milani, in consultation with Dr. Lee, determined that the SSPPU was a

[3] Milani also testified, *inter alia*, that he did not know who Micron's customers were, he did not conduct any consumer surveys to gauge demand for the accused products, and he did not consult with any market analysts or Micron engineers. Milani Tr. at 33-34, 97-99.

[4] In his report Milani states, "Given the significant supply of NAND flash by 2006, the market was described as a commodity market, with competitors mainly competing on price." Milani Report at 8. In support of that statement, Milani cites an article titled "NAND sails into 'commodity storm,'" published online at www.eetimes.com/document.asp?doc_id=1164075#. The article does not discuss or analyze any company's particular products, and states, *inter alia*, that "The NAND flash market, which has been in the 'oversupply' mode since the beginning of this year [2006], is fast becoming a mere commodity."

bare die. He then limited revenues in his alternative royalty base calculation to those associated with the SSPPU. The SSPPU is not a multi-component product, like a cellphone or computer. Rather, it is a single component with no non-infringing uses." *Id*. at 9. MLC argues that no further apportionment is necessary because "Milani is using the Comparable Licensing Approach methodology" and "Micron competes in a market where products are not sufficiently differentiated." *Id*.

Thus, MLC defends Milani's revenue base for both damages models by arguing that the royalty rate from the Hynix license already addresses apportionment. However, in order to start with the Hynix lump-sum agreement and reach Milani's comparative license opinion applying a 0.375% royalty rate to a royalty base comprised of the revenue of all the accused products, one is required to make numerous unsupported inferential leaps. As set forth in detail in the Court's Order Granting in Part and Denying in Part Micron's Damages Motion in Limine #1, the Hynix agreement is a lump-sum agreement that does not explain how the parties calculated each lump sum. There is no royalty rate in the Hynix agreement. Further, the Hynix agreement covered worldwide rights to 41 patents for "all Hynix products."[5] Although Milani states that the flash memory market is a "commodity market," he did not (nor did anyone) compare Micron's accused products to the licensed Hynix products. There is no evidence in the record regarding the nature or volume of the licensed Hynix products. Merely asserting that the flash memory market is a "commodity" market with a citation to a 2006 article about market conditions does not establish that the licensed Hynix products are similar to Micron's accused products for purposes of a damages analysis. *Cf. Lucent Tech. v. Gateway, Inc.*, 580 F.3d 1301, 1330-32 (Fed. Cir. 2009) (explaining why different licenses did not support damages award because jury was not provided with sufficient information about those licenses, including "the jury again did not hear any explanation of the types of products covered by the agreement or the various royalty rates set forth in the agreement"). Milani also relies on Lee's technical opinion that the '571 patent is "essential" to flash memory and that the '571

[5] In addition, the Hynix license provided Hynix with a release for sales prior to the April 11, 2007 effective date, and the term extended through the expiration of all of the licensed patents. *See generally* Hynix Agreement (Dkt. No. 442-5).

patent is the most important of MLC's patents. However, even if Lee is correct about the importance of the '571 patent, there still is no basis for Milani to opine that the Hynix lump-sum agreement reflects a royalty rate that can be applied to all of the revenue for Micron's accused products without the need for any apportionment of the revenue base.

Simply put, there is no evidence regarding the Hynix agreement that supports Milani's opinion that a specific royalty rate derived from the Hynix agreement already accounts for apportionment of non-patented features in Micron's accused products and thus can be applied to all the revenue for Micron's accused products. *Cf. Lucent,* at 1330 ("[C]ertain fundamental differences exist between lump-sum agreements and running-royalty agreements. This is not to say that a running-royalty license agreement cannot be relevant to a lump-sum damages award, and vice versa. For a jury to use a running-royalty agreement as a basis to award lump-sum damages, however, some basis for comparison must exist in the evidence presented to the jury."); *see also Wordtech Systs., Inc. v. Integrated Networks Solutions, Inc.*, 609 F.3d 1308, 1320 (Fed. Cir. 2010) ("[T]he two lump-sum licenses provide no basis for comparison with INSC's infringing sales. Neither license describes how the parties calculated each lump sum, the licensees' intended products, or how many products each licensee intended to produce. . . . Thus, without additional data, the licenses offered the jury 'little more than a recitation of royalty numbers.'").

The cases in which the Federal Circuit has held that damages can be based upon the terms of a comparable license which already values the patented technology involve facts very different than those presented here. For example, in *Elbit Systems Land & C4I Ltd. v. Hughes Network Systs., LLC*, __ F.3d __, 2019 WL 2587754, at *5-6 (Fed. Cir. June 25, 2019), the plaintiff's damages expert relied on a settlement license between the defendant and another satellite internet company involving one-way satellite communication technology. The Federal Circuit affirmed the damages award because the expert "appropriately accounted for differences between the circumstances of that settlement and the present circumstances" and the expert "relied on the per-unit figure in the Gilat Agreement for one-way technology, together with Hughes-based evidence that two-way technology was worth at least an additional 20%, to arrive at his proposed per-unit figure – which the jury adopted." *Id.* at *6. The Federal Circuit found that the damages evidence did not violate

principles of apportionment because the expert testified that apportionment was "essentially embedded in the comparable value" from the Gilat Agreement: "Mr. Martinez's testimony allowed the jury to find that the components at issue, for purposes of apportionment to the value of a larger product or service, were comparable to the components at issue in the Gilat-Hughes agreement. . . Gilat and Hughes would have had to consider the benefit from the patented technology over other technology and account for that in the Gilat Agreement." *Id.* at *7; *see also Commonwealth Scientific & Industrial Research Organisation v. Cisco Systems, Inc.* ("*CSIRO*"), 809 F.3d 1295, 1303 (Fed. Cir. 2015) ("Because the parties' discussions centered on a license rate for the '069 patent, this starting point for the district court's analysis already built in apportionment. Put differently, the parties negotiated over the value of the asserted patent, 'and no more.'"). Here, in contrast, Milani does not present any analysis that would support the conclusion that a 0.375% royalty rate derived from the Hynix license can be applied to the entire market value of Micron's accused products because the royalty rate somehow already accounts for apportionment.

The Court also finds that Milani's SSPPU approach does not satisfy apportionment requirements. As an initial matter, the Court notes that MLC defends the SSPPU approach on the ground that the royalty rate accounts for apportionment. Further, although MLC asserts that the bare die does not have any "non-infringing *uses*," MLC does not dispute Micron's evidence that the bare die has non-infringing *features*, such as error-correction software and implementation of copy-back technology. MLC's technical expert Dr. Lee testified at his deposition that the '571 patent does not cover these technologies. Lee Tr. at 228-231 (Dkt. No. 542-2). Milani was required to apportion for these non-patented technologies for both the SSPPU group and the non-SSPPU group. His failure to do so renders his damages analysis unreliable and excludable. *See Finjan*, 879 F.3d at 1311; *Dynetix Design Sols., Inc. v. Synopsys, Inc.*, No. C 11-05973 PSG, 2013 WL 4538210, at *3 (N.D. Cal. Aug. 22, 2013) (excluding expert who "relied on the blanket assumption that, once he selected the smallest salable unit . . . he could end the analysis").

In light of the Court's conclusion that Milani's reasonable royalty analysis is fundamentally flawed both as to the royalty rate and the royalty base, the Court need not address Micron's other challenges to Milani's opinions. For the foregoing reasons, the Court GRANTS Micron's *Daubert*

motion to exclude Milani's testimony.

IT IS SO ORDERED.

Dated: July 12, 2019

SUSAN ILLSTON
United States District Judge

United States District Court
Northern District of California

ORDER GRANTING MICRON'S MOTION TO STRIKE PORTIONS OF MILANI REPORT

DATED JULY 12, 2019

(DKT 672)

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

MLC INTELLECTUAL PROPERTY, LLC,

Plaintiff,

v.

MICRON TECHNOLOGY, INC.,

Defendant.

Case No. 14-cv-03657-SI

ORDER RE: MICRON'S MOTION TO STRIKE MILANI REPORT AND DENYING AS MOOT MLC'S DAMAGES-RELATED MOTION IN LIMINE RE: LIESEGANG

Re: Dkt. Nos. 450, 452

In various orders the Court has granted Micron's *Daubert* motions to exclude MLC's experts Ronald Epstein and Michael Milani. Micron has represented that if Epstein's testimony is excluded, it does not intend to call its rebuttal expert, Robert Liesegang. Accordingly, MLC's motion regarding that expert is DENIED as moot. In addition, for the reasons set forth in the Court's Order Granting in Part and Denying in Part Micron's Damages Motion in Limine No. 1, the Court GRANTS in part Micron's motion to strike the Milani Report. The remainder of Micron's motion to strike is DENIED as moot in light of the *Daubert* order.

IT IS SO ORDERED.

Dated: July 12, 2019

SUSAN ILLSTON
United States District Judge

United States District Court
Northern District of California

ORDER GRANTING CERTIFYING DAMAGES ORDERS FOR INTERLOCUTORY APPEAL

DATED OCTOBER 17, 2019

(DKT 711)

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

MLC INTELLECTUAL PROPERTY, LLC,

Plaintiff,

v.

MICRON TECHNOLOGY, INC.,

Defendant.

Case No. 14-cv-03657-SI

ORDER CERTIFYING DAMAGES ORDERS FOR INTERLOCUTORY APPEAL; DENYING MICRON'S MOTION FOR SUMMARY JUDGMENT BASED ON MLC'S FAILURE TO PROVE REMEDY; STRIKING AS IMPROPER MLC'S OPPOSITION BRIEF AND ADMINISTRATIVE MOTIONS AND DECLARATIONS FILED IN SUPPORT (DKT. NOS. 692-696); DENYING ALL OTHER PENDING MOTIONS AS MOOT

Re: Dkt. Nos. 456, 519, 690, 694, 695, 696

This order resolves all pending motions in this case. For the reasons set forth below, the Court concludes that the proper and most efficient disposition of this case is to adopt the parties' initial joint proposal to certify three damages orders for interlocutory appeal. The Court also concludes that summary judgment of no remedy is not appropriate, and accordingly DENIES defendant's motion for summary judgment of no remedy. The Court also finds that plaintiff's "opposition" to defendant's motion for summary judgment is a disguised and improper motion for reconsideration that, *inter alia*, seeks to expand the record through new evidence and arguments, and accordingly the Court STRIKES plaintiff's opposition papers (Dkt. Nos. 692-696). The Court DENIES all other pending motions as moot.

BACKGROUND

On August 12, 2014, MLC Intellectual Property, Inc. ("MLC") filed this lawsuit against

Micron Technology, Inc. ("Micron"), alleging infringement of U.S. Patent No. 5,764,571 (the '571 Patent). The '571 Patent expired on June 9, 2015. The docket reflects that this case has been extensively litigated, including two rounds of claim construction, numerous discovery disputes, multiple rounds of summary judgment motions, and many other pretrial motions. The Court also stayed this case twice due to an *inter partes* review and an *ex parte* reexamination.[1]

In a pretrial order filed July 23, 2018, the Court set various fact and expert discovery deadlines as well as a schedule for *Daubert* motions, motions in limine, and a final pretrial hearing date of July 23, 2019 and a trial date of August 5, 2019. Dkt. No. 183.[2]

In April and May of 2019, the parties filed *Daubert* motions, "technical" motions in limine, and damages-related motions in limine. Three of these motions are relevant to this order: Micron's *Daubert* Motion to Exclude Expert Testimony and Opinions of Michael Milani (Dkt. No. 443-4); Micron's Damages Motion in Limine #1 (Dkt. No. 444); and Micron's Motion to Strike Portions of the Milani Expert Report (Dkt. No. 443-7). The docket reflects that the briefing on those motions was voluminous, including numerous exhibits filed by both parties. *See* Dkt. Nos. 442-444, 446, 452, 465, 492, 497-500, 502-503, 513, 524, 540, 542, & 544. The Court held a lengthy hearing on these and other motions on June 6, 2019. Dkt. No. 591 (minute entry); Dkt. No. 612 (Tr. of June 6, 2019 hearing).

In an order filed July 2, 2019, the Court granted in part Micron's damages motion in limine #1. Dkt. No. 639. The Court held that MLC's damages expert, Michael Milani, could not opine that certain licenses (the Hynix and Toshiba licenses) "reflected" a particular royalty rate when those lump sum licenses did not contain a particular royalty rate or any discussion of how the lump sums were derived, and where MLC had failed to disclose in discovery all of the evidence that Milani

---

[1] On March 12, 2019, Micron sought a third stay of this case due to the institution of a second *ex parte* reexamination. Dkt. No. 359. In an order filed April 1, 2019, the Court denied Micron's request for a stay, finding that a third stay would not promote judicial economy and would be prejudicial to MLC. To the Court's knowledge, this second *ex parte* reexamination is currently pending.

[2] Some of these dates were later adjusted slightly to accommodate the parties' and the Court's calendar. The final pretrial conference was rescheduled to July 16, and trial was rescheduled to August 12, 2019.

relied on in support of his opinion that the licenses contained such a royalty rate. *Id.* On July 12, 2019, the Court granted Micron's *Daubert* motion to exclude the expert testimony of Mr. Milani. Dkt. No. 668. The Court held that Milani's reasonable royalty opinion was unreliable because, in addition to the issues regarding the royalty rate as set forth in the July 2, 2019 order, Milani failed to apportion the royalty base to reflect only the revenue attributable to the patented technology. *Id.* On July 12, 2019, the Court issued an order granting in part Micron's motion to strike portions of the Milani Expert Report for the same reasons set forth in the July 2, 2019 order, namely MLC's failure to disclose damages evidence during discovery. Dkt. No. 672.[3] This order refers to the July 2 and July 12 orders as the "Damages Orders."

On July 16, 2019, the Court held the final pretrial conference in this case. *See generally* Dkt. No. 686 (July 16, 2019 Tr.). During the conference, counsel informed the Court that they wished to discuss the impact of the Court's Damages Orders on the upcoming trial and whether a trial was necessary. MLC's counsel stated, *inter alia*, that "it definitely does sound like you've excluded both of our damages experts. So it would certainly be difficult to put in a damages case that would satisfy the Court's requirements on damages." *Id.* at 13:1-4. MLC's counsel requested leave to present another damages report "or at least a disclosure of a damages theory," which the Court denied. *Id.* at 21:5-6. The parties discussed the fact that because the patent is expired, MLC is not seeking injunctive relief, and thus a trial would focus solely on liability. *Id.* at 17:23-18:4. MLC's counsel also stated, "I think we're all in agreement that if we don't have to do a trial because the Court has decided that the damages issue has basically been disposed of, that would be desirable." *Id.* at 16:8-10.

Counsel discussed several proposals for the remainder of the case, including interlocutory appeal of the Damages Orders, bifurcation of liability and damages phases for trial (with the entry of judgment as a matter of law on damages if MLC prevailed at the liability phase), and summary

[3] In addition, on June 28, 2019, the Court granted Micron's *Daubert* motion to exclude the expert testimony of Ronald Epstein, MLC's former licensing counsel and proposed expert on licensing and damages. Dkt. No. 636. Although Mr. Epstein was, at least in part, MLC's expert witness on damages, MLC did not request that the Court certify the June 28, 2019 order for interlocutory appeal.

judgment based on MLC's inability to prove damages. *Id.* at 11:11-19:1; 19:19-20:11; 23:6-30:14. The Court stated its belief that the exclusion of a plaintiff's damages expert did not necessarily preclude a damages verdict where a plaintiff had other evidence in support of damages. *Id.* at 23:18-24:2. At the conclusion of the hearing, the Court informed the parties that the Court was prepared to go ahead with the trial, but the Court was also "mindful of how expensive trials are. They are time consuming for courts. They are wildly expensive for clients. And to do one for no purpose at all seems to me not a good use of anybody's funds." *Id.* at 30:16-23. The Court instructed the parties file a letter by July 18, 2019, setting forth the parties' proposals regarding how to proceed with the remainder of the case. *Id.* at 35:2-11.

On July 18, 2019, the parties filed a joint letter setting forth two alternate proposals for the remainder of the case. Dkt. No. 687. The letter stated, "in light of the Court's recent Orders, as well as the Court's denial of MLC's oral request at the pre-trial conference for the opportunity to submit a supplemental damages report consistent with the Court's opinions (Dkt. 686, July 16, 2019 Tr. at 21:3-8)," the parties proposed that the Court stay the trial and certify for interlocutory appeal the Order Granting Micron's *Daubert* Motion to Exclude Expert Testimony of Michael Milani (Dkt. No. 668); the Order Granting in Part and Denying in Part as Moot Micron's Damages Motion in Limine No. 1 (Dkt. No. 639); and the Order Regarding Micron's Motion to Strike the Milani Report (Dkt. No. 672). Alternatively, if the Court was not inclined to certify orders for interlocutory appeal, Micron requested leave of Court to file a "short motion for summary judgment regarding the lack of a sufficient evidentiary basis for a remedy in this case," which, if granted, would "conclusively resolve all claims to prepare the case for appeal to the Federal Circuit, where MLC could test its challenges to the Court's [D]amages [O]rders." *Id.* at 2.

The same day, the Court issued an Order re: Damage Proceedings. Dkt. No. 689. The Court stated that it preferred to consider Micron's summary judgment proposal first, and the Court set a briefing schedule for that motion and stayed the August 12 trial. *Id.* In a separate order filed July 18, 2019, the Court ruled on the additional motions in limine and motions to strike that were argued at the pretrial conference. Dkt. No. 688.

On July 24, 2019, Micron filed a "Motion for Summary Judgment for MLC's Failure to Prove Remedy." Dkt. No. 690. On August 2 and 3, 2019, MLC filed: (1) an "opposition," (2) two

administrative motions to file exhibits under seal,[4] (3) the declaration of MLC's counsel, Mr. Marino, with 29 exhibits attached; and (4) a nine-page declaration dated August 2, 2019, from MLC's technical expert, Dr. Jack Lee. Dkt. Nos. 692-695. Micron filed its reply brief on August 6, 2019. Dkt. No. 698. Micron also filed an opposition to MLC's administrative motions to seal. Dkt. No. 697.[5]

DISCUSSION

I. Micron's Motion for Summary Judgment and Certification under 28 U.S.C. § 1292(b)

Defendant Micron has moved for summary judgment on the ground that MLC cannot prove damages and thus that its liability claims, which only seek damages, are moot. Micron asserts that as a result of this Court's *Daubert* orders excluding MLC's damages experts, Michael Milani and Ronald Epstein, as well as other pretrial orders excluding certain evidence and trial witnesses, MLC does not have any admissible evidence to show an entitlement to a reasonable royalty. Micron argues that MLC based its damages case entirely on expert testimony that the Court has excluded, and Micron notes that as recently as the filing of the parties' joint pretrial conference statement, MLC identified its experts, Messrs. Milani and Epstein, as the only witnesses who would provide damages testimony. Micron argues that because the burden of proving damages lies with the patentee, a court may enter summary judgment when a patentee puts forth no evidence to prove damages.

In support of this assertion, Micron cites pre-2014 unpublished district court cases and

---

[4] In an order filed June 3, 2019, the Court informed the parties that no further administrative motions to seal would be accepted in this case. *See* Dkt. No. 586. Despite that order, MLC seeks to file under seal five exhibits in support of its opposition. MLC filed two administrative motions to seal those exhibits because the first motion, in addition to violating the Court's order, was filed incorrectly in that it did not comply with the Local Rules governing under seal filings.

[5] On August 26, 2019, MLC filed a "Suggestion Regarding the Court's Recusal." Dkt. No. 702. The Court initially referred the matter to the Clerk for random reassignment to another district court judge. Dkt. No. 706. Based on the fact that MLC had filed a "Suggestion" and not an actual motion for disqualification, Judge Alsup referred the matter back to the undersigned. In an order filed October 17, 2019, this Court denied MLC's "Suggestion."

several Federal Circuit opinions, the most recent of which is *Apple Inc. v. Motorola, Inc.*, 757 F.3d 1286 (Fed. Cir. 2014). In *Apple*, the district court[6] excluded the majority of Apple's damages expert testimony. *Id*. at 1237. Motorola moved for summary judgment that, even assuming the patent was infringed, Apple was not entitled to any damages, including a nominal reasonable royalty. *Id*. The district court "concluded that Apple was not entitled to any measure of damages because Apple had failed to show that its measure of damages was correct," and the court granted summary judgment in favor of Motorola. *Id*. The Federal Circuit reversed, holding that at summary judgment "a judge may award a zero royalty for infringement if there is no genuine issue of material fact that zero is the only reasonable royalty." *Id*. at 1328. The Federal Circuit noted that "[i]f a patentee's evidence fails to support its specific royalty estimate, the fact finder is still required to determine what royalty is supported by the record." *Id*.; *see also id*. at 1329-30 (discussing Motorola's failure to meet burden to show that "the record is uncontroverted that zero is the only royalty").

MLC's "opposition" does not respond to any of the arguments presented by Micron in its motion for summary judgment. MLC does not address *Apple v. Motorola* or any of the other authority upon which Micron relies in support of its contention that the Court may enter summary judgment of no remedy. 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.[7] Instead, MLC's opposition argues that Mr. Milani's damages analysis is sound and that the Court erred in finding that MLC did not disclose some (but not all) of the damages evidence in discovery. Thus, although MLC's filing is titled "Opposition," in actuality the filing is a disguised motion for reconsideration of the Court's *Daubert* order excluding Mr. Milani as well as the other Damages Orders.[8]

---

[6] Circuit Judge Posner sat by designation on the district court and authored the district court opinion.

[7] Micron has represented that because MLC's damages experts have been excluded, it would not call its damages expert (Paul Meyer) at trial, and Micron notes that MLC did not list Mr. Meyer on its trial witness list.

[8] The Court addresses the impropriety of MLC's summary judgment opposition filings *infra*.

Notwithstanding MLC's complete failure to address Micron's arguments, the Court concludes that the more prudent course is to certify the Damages Orders for interlocutory appeal and to deny summary judgment. The district court cases upon which Micron relies predate *Apple v. Motorola*, and there is no Federal Circuit authority directly addressing a situation like the instant case in which the court has excluded all of the plaintiff's expert evidence. Although *Apple v. Motorola* is not directly on point, the Federal Circuit emphasized that a district court can only grant summary judgment of no damages if "the record is uncontroverted that zero is the only reasonable royalty." *Id*. at 1329. Assuming infringement, the Court cannot conclude that it is undisputed that zero is the only reasonable royalty. Accordingly, the Court DENIES Micron's motion for summary judgment of no remedy.

However, the Court does find that the criteria for certification of interlocutory appeal have been met.[9] 28 U.S.C. § 1292(b) permits a district court to certify an order for interlocutory appellate review where the order involves (1) "a controlling question of law;" (2) "as to which there is substantial ground for difference of opinion;" and (3) where "an immediate appeal from the order may materially advance the ultimate termination of the litigation." 28 U.S.C. § 1292(b). Certification under § 1292(b) requires the district court to expressly find in writing that all three § 1292(b) requirements are met. *See In re Cement Antitrust Litig.*, 673 F.2d 1020, 1026 (9th Cir. 1981). Section 1292(b) is "to be used only in exceptional situations in which allowing an interlocutory appeal would avoid protracted and expensive litigation." *Id.* at 1026.

The Court finds that these criteria are met. In the Damages Orders, the Court excluded Mr. Milani's damages opinion under *Daubert* because the Court concluded that his comparative license analysis did not comport with Federal Circuit jurisprudence. These deficiencies included, *inter alia*, Mr. Milani's failure to apportion the revenue base to include only the revenue attributable to the patented technology and Mr. Milani's calculation of a royalty rate that was not supported by the evidence. In addition, the Court held that MLC had failed to disclose the factual underpinnings of

[9] Although the parties had proposed full briefing on the certification issue, the Court finds that this is unnecessary. The parties jointly agree that certification is appropriate, and they agree about which orders should be certified. Under these circumstances, full briefing on the matter is not in the interest of judicial economy.

its reasonable royalty claim in discovery, and excluded much of Mr. Milani's opinion on that ground. MLC asserts that it was not required to disclose those facts because the determination of a reasonable royalty is the province of expert opinion. All of these questions are controlling questions of law as to which there is substantial ground for difference of opinion. Further, interlocutory review of the Damages Orders will materially advance the ultimate termination of this litigation. Absent interlocutory review, the parties and the Court will be required to proceed with an expensive trial focused solely on liability, as MLC concedes that it has no damages case to present at trial. Interlocutory review of the Damages Orders will result in either the ultimate conclusion of this case (if the Federal Circuit affirms) or a single trial on liability and damages (in the event of reversal); either way, interlocutory review is in the interest of judicial economy and will save the parties a considerable amount of time and expense.

Accordingly, pursuant to 28 U.S.C. § 1292(b) the Court certifies the Damages Orders for interlocutory appeal.

II. MLC's Opposition Filings are Improper

The Court now turns to the substance of MLC's opposition filings (Dkt. Nos. 692-696) and explains why the Court STRIKES these filings from the record. As noted *supra*, MLC's opposition does not address the questions presented by Micron's motion, specifically whether the Court could enter summary judgment of no remedy and whether MLC had any admissible evidence in support of damages. Instead, MLC's opposition argues (1) that Mr. Milani's opinions are not inadmissible under *Daubert*; and (2) that MLC did, in fact, disclose some of the evidence that the Court found MLC had failed to disclose in discovery. In making these arguments, MLC relies on, *inter alia*, (1) a new declaration from its technical expert, Dr. Lee, which sets forth new opinions about Micron's technology as it relates to apportionment and the revenue base; (2) some exhibits that MLC did not previously submit in connection with the motion practice resulting in the Damages Orders; and (3) a declaration from MLC's counsel, Mr. Marino, in which he makes assertions for the first time about MLC's discovery disclosures. Further, as noted *supra*, MLC seeks to file some exhibits under seal, notwithstanding the Court's prior order informing the parties that no further administrative motions

to seal would be accepted.

MLC's opposition filings are improper for numerous reasons. MLC's opposition filings are in essence a disguised motion for reconsideration of the Damages Orders. MLC did not comply with Civil Local Rule 7-9, which governs motions for reconsideration. That rule provides, in relevant part,

> **7-9. Motion for Reconsideration**
>
> **(a) Leave of Court Requirement**. Before the entry of a judgment adjudicating all of the claims and the rights and liabilities of all the parties in a case, any party may make a motion before a Judge requesting that the Judge grant the party leave to file a motion for reconsideration of any interlocutory order on any ground set forth in Civil L.R. 7-9 (b). No party may notice a motion for reconsideration without first obtaining leave of Court to file the motion.
>
> **(b) Form and Content of Motion for Leave**. A motion for leave to file a motion for reconsideration must be made in accordance with the requirements of Civil L.R. 7-9. The moving party must specifically show reasonable diligence in bringing the motion, and one of the following:
>
> **(1)** That at the time of the motion for leave, a material difference in fact or law exists from that which was presented to the Court before entry of the interlocutory order for which reconsideration is sought. The party also must show that in the exercise of reasonable diligence the party applying for reconsideration did not know such fact or law at the time of the interlocutory order; or
>
> **(2)** The emergence of new material facts or a change of law occurring after the time of such order; or
>
> **(3)** A manifest failure by the Court to consider material facts or dispositive legal arguments which were presented to the Court before such interlocutory order.
>
> **(c) Prohibition Against Repetition of Argument**. No motion for leave to file a motion for reconsideration may repeat any oral or written argument made by the applying party in support of or in opposition to the interlocutory order which the party now seeks to have reconsidered. Any party who violates this restriction shall be subject to appropriate sanctions.

N.D. Cal. Civ. Local Rule 7-9.

MLC's filings do not comply with any provision of this rule. First, MLC did not actually file a motion requesting leave to file a motion for reconsideration; instead, MLC simply filed an "opposition" that effectively seeks reconsideration of the Court's orders.

Second, MLC did not show "reasonable diligence" in seeking reconsideration. The Court filed the orders at issue on June 28, July 2 and July 12, 2019. The Court held a pretrial conference on July 16, during which there was an extended discussion about the consequence of the Court's

orders and how this case should be resolved. During the hearing MLC's lawyers never stated that they wished to seek reconsideration of the Court's Damages Orders. Indeed, in the letter the parties filed on July 18, 2019, the parties jointly proposed that MLC could file a motion for interlocutory certification of the Damages Orders, and alternatively Micron proposed that it could file a "short motion for summary judgment regarding the lack of a sufficient evidentiary basis for a remedy in this case." Dkt. No. 687. At no time prior to the filing of the "opposition" did MLC indicate that it would be seeking reconsideration, and a disguised motion for reconsideration filed *after* the final pretrial conference is not "reasonably diligent."

Third, even if construed as a motion for leave to file a motion for reconsideration, MLC has not demonstrated that reconsideration is warranted. MLC's opposition does not demonstrate any of the grounds for reconsideration: (1) "[t]hat at the time of the motion for leave, a material difference in fact or law exists from that which was presented to the Court before entry of the interlocutory order for which reconsideration is sought. The party also must show that in the exercise of reasonable diligence the party applying for reconsideration did not know such fact or law at the time of the interlocutory order"; or (2) "[t]he emergence of new material facts or a change of law occurring after the time of such order"; or (3) "[a]" manifest failure by the Court to consider material facts or dispositive legal arguments which were presented to the Court before such interlocutory order." N.D. Cal. Civ. Local Rule 7-9(b)(1)-(3). Instead, MLC's opposition to a large extent (with certain exceptions, noted *infra*) violates the prohibition on "repetition of argument" by raising many of the same arguments that MLC presented in opposition to Micron's pretrial motions.

Fourth, MLC raises several new arguments and/or provides evidence that is either entirely new (such as Dr. Lee's August 2, 2019 declaration) or evidence that was not previously submitted in connection with the litigation on the *Daubert* motions and motions in limine (such as Exhibit 2 to the Marino Declaration, Dkt. No. 693-2).[10] It appears to the Court that this is an effort by MLC to improperly expand the record for appeal. MLC has submitted a new nine-page declaration from

[10] Based upon the Court's review of the docket, it does not appear that MLC ever submitted Exhibit 2 (April 10, 2007 emails between Simon Fisher and Hynix employees) in connection with the prior briefing. There may be other exhibits attached to Mr. Marino's declaration that MLC did not previously submit.

its technical expert, Jack Lee, in which Dr. Lee addresses, *inter alia*, whether Micron's bare die incorporates various non-patented features. Dkt. No. 693-30 (August 2, 2019 Lee Declaration). MLC relies on this new declaration to argue that Mr. Milani properly apportioned the revenue base because the bare die either does not incorporate various non-patented technologies or because the technologies do not exist independently of the patented invention. MLC never raised any of these arguments in opposition to Micron's *Daubert* motion, despite the fact that Micron's *Daubert* motion directly criticized Mr. Milani's analysis on the ground that he did not apportion non-patented features like error correction and copy-back technology. *See* Dkt. No. 443-4 at 8-10 (Micron's *Daubert* Motion); Dkt. No. 540-4 at 5-7 & n.1 (Micron's *Daubert* Reply). Micron correctly objects that this new declaration constitutes improper sur-rebuttal and requests that it be stricken.

As another example, MLC argues that the Court erred in finding that MLC had not disclosed certain extrinsic evidence in support of its damages theories because MLC had, in fact, disclosed that evidence to Micron during discovery. In the Court's Order Granting in Part and Denying in Part as Moot Micron's Damages Motion in Limine #1, the Court found that MLC had failed to disclose six categories of extrinsic evidence that Mr. Milani cited in his report to support his opinion that the Toshiba and Hynix licenses "reflected" a 0.25% royalty rate. *See* Dkt. No. 639 at 12 n.10 & 22-24.[11] MLC now argues (through Mr. Marino's declaration), that it did in fact disclose three of those categories of evidence: (1) documents regarding negotiations between BTG and Samsung, which MLC asserts it disclosed in response to Interrogatory No. 7; (2) documents regarding BTG's licensing negotiations with Acacia, which MLC asserts it also disclosed in response to Interrogatory No. 7; and (3) Simon Fisher's deposition testimony, which MLC asserts it disclosed in response to Interrogatory No. 18; *See* Marino Decl. ¶¶ 30-31 (Dkt. No. 693).[12]

---

[11] That extrinsic evidence is: (1) Christine Soden's September 2007 letter to Jay Shim of Samsung (BTG_06398-BTG_06402); (2) Simon Fisher's deposition testimony (BTG_02097-BTG_02142); (3) a November 2007 internal BTG "Briefing Paper" summarizing BTG's negotiations with Samsung (BTG_05660-670); (4) correspondence between BTG and Samsung regarding negotiations (MLC00056549-551, MLC00060545); (5) BTG's licensing offer to ST Micro (MLC00054615-616); and (6) documents related to BTG's licensing negotiations with Acacia (ACACIA00000228-229 and MLC00056617-628).

[12] As to the other three categories of extrinsic evidence that the Court found MLC had not disclosed in discovery (Christine Soden's September 2008 letter to Jay Shim, the November 2007 internal BTG "Briefing Paper," and BTG's licensing offer to ST Micro), MLC concedes it never disclosed these documents in response to Micron's damages interrogatories.

There are several problems with these assertions, and they are emblematic of the way that MLC has litigated much of this case. As an initial matter, MLC did not make these arguments in its opposition to Micron's motion to strike. *See generally* Dkt. No. 498-4 (MLC's Opp'n to Micron's Motion to Strike Portions of Milani Report). MLC did not previously assert that it disclosed these documents, and indeed, nowhere in the voluminous briefing on the motion to strike is Interrogatory No. 7 ever mentioned by either party.[13] At the risk of repetition, MLC cannot now raise new arguments that it failed to present in opposition to Micron's motion to strike.

Further, although MLC now asserts that it disclosed the BTG-Samsung negotiation documents and the BTG-Acacia documents in response to Interrogatory No. 7, MLC does not provide any evidence in support of this assertion. Although MLC filed numerous exhibits in support of its "opposition," MLC did not file a copy of its responses to Interrogatory No. 7. Mr. Marino's current declaration states that MLC's Second Supplemental Response to Interrogatory No. 7 is found at Dkt. No. 514-2. *See* Marino Decl. ¶ 31 (Dkt. No. 693). However, Docket No. 514-2, which is Exhibit 9 to Micron's Consolidated Exhibits that it submitted in support of its various *Daubert* and other damages motions, does not contain MLC's responses to Interrogatory No. 7. Instead, Docket No. 514-2 contains excerpts of MLC's Second Supplemental Responses to Interrogatory Nos. 1, 8, 9 and 10. *See* Dkt. No. 514-2. It is not the Court's task to "examine the entire file for evidence . . . where the evidence is not set forth in the . . . papers with adequate references so that it could be conveniently found." *Carmen v. San Francisco Unified Sch. Dist.*, 237 F.3d 1026, 1031 (9th Cir. 2001); *see also* Civil Local Rule 7-5(a).[14]

MLC also states that the Court erred when it stated that MLC had failed to identify the Toshiba license in response to Micron's Interrogatory Nos. 21 and 22 because MLC did disclose the Toshiba license, albeit under different Bates numbers. The Court's error in this regard is of no consequence because the Court's rulings regarding Mr. Milani's opinions did not turn in any way on whether MLC had disclosed the Toshiba license.

[13] The briefing on Micron's motion to strike Mr. Milani's report based on MLC's failure to disclose focused on MLC's initial and amended disclosures, MLC's Rule 30(b)(6) witness, and Interrogatory Nos. 6, 18, 21 and 22.

[14] That rule provides, "Affidavit or Declaration Required. Factual contentions made in support of or in opposition to any motion must be supported by an affidavit or declaration and by appropriate references to the record. Extracts from depositions, interrogatory answers, requests for admission and other evidentiary matters must be appropriately authenticated by an affidavit or

MLC's assertion that it disclosed the Fisher deposition testimony is misleading. MLC now states that it disclosed Mr. Fisher's deposition testimony (identified by MLC as BTG_2097 and BTG_2062) in response to Interrogatory No. 18. *See* Marino Decl. ¶ 30 (Dkt. No. 693). MLC's Second Supplemental Response to Interrogatory No. 18 (Dkt. No. 278-13) discloses Mr. Fisher's deposition testimony (BTG_2097 at BTG_2137) in support of MLC's claim that "MLC is entitled to damages for Micron's infringement of the Asserted Patent occurring before the filing of the Present Litigation because Micron had actual notice of infringement prior to the lawsuit." Dkt. No. 178-13 at 9.[15] It is disingenuous for MLC to assert that it disclosed Mr. Fisher's deposition testimony as a factual underpinning for Mr. Milani's royalty rate opinion when MLC actually disclosed a portion of Mr. Fisher's deposition testimony in support of its claim for pre-suit damages.[16] These are just a few examples of the new, and incorrect, arguments that MLC has presented in its opposition.

For all of these reasons, the Court finds that MLC's summary judgment "opposition" papers are improper and hereby STRIKES these filings from the record. For purposes of any appeal in this case, MLC is bound by the record that it created.

---

declaration."

[15] Interrogatory No. 18 asked,

> Describe in complete detail the factual and legal basis for your contention that MLC is entitled to damages for Micron's alleged infringement of the Asserted Patent occurring before the filing of the Present Litigation, including the identification of all evidence and testimony regarding apportionment, the applicability of the entire market value rule, and any contention that Micron was notified of the alleged infringement in a manner that entitles MLC to these damages under 35 U.S.C. §§ 284, 286, and 287.

Dkt. No. 442-45.

[16] As discussed at length in the Court's orders, Mr. Milani relied on a different (undisclosed) portion of Mr. Fisher's deposition testimony from an unrelated state court action in which Mr. Fisher discussed using a 0.25% royalty rate as a "rule of thumb" when negotiating world-wide licenses and a 0.75% royalty rate for U.S. shipments in support of his royalty rate opinion. *See generally* Dkt. No. 639.

In the final pretrial order, the Court held that MLC could not introduce Mr. Fisher's deposition testimony at trial and the Court struck Mr. Fisher from MLC's trial witness list because MLC did not properly disclose him Fisher as a witness and has not shown that its failure to do so was "substantially justified or is harmless." Fed. R. Civ. P. 37(c)(1). *See generally* Dkt. No. 688.

CONCLUSION

For the reasons set forth above, the Court DENIES Micron's motion for summary judgment of no remedy (Dkt. No. 690) and CERTIFIES the Damages Orders (Dkt. Nos. 639, 668 & 672) for interlocutory appeal pursuant to 28 U.S.C. § 1292(b). The Court STRIKES MLC's improper summary judgment filings. Dkt. Nos. 692-696. The Court DENIES all other pending motions as MOOT. Dkt. Nos. 456 & 519.

IT IS SO ORDERED.

Dated: October 17, 2019

SUSAN ILLSTON
United States District Judge

United States District Court
Northern District of California