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RICHARD W. WIEKING
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NORTHERN DISTRICT OF CALIFORNIA

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

VOLTERRA SEMICONDUCTOR CORPORATION,

Plaintiff,

v.

PRIMARION, INC., et al.,

Defendants.

Case No. 08-cv-05129-JCS

REDACTED

ORDER RE DAUBERT MOTIONS AND DEFENDANTS' SUMMARY JUDGMENT MOTION

Re: Dkt. Nos. 1910, 1915

~~FILED UNDER SEAL~~



I. INTRODUCTION

In this patent infringement action, the Court found in favor of Plaintiff Volterra Semiconductor Corporation ("Volterra Semiconductor" or "Volterra") on its infringement claims based on the stipulation of the parties, in part, and on summary judgment. In its summary judgment order, the Court also ruled in favor of Volterra as to certain invalidity challenges. See Docket No. 1318. Subsequently, in May 2011, a jury found in favor of Volterra with respect to Defendants' remaining invalidity challenges. The case is now in the damages phase and a trial is scheduled to begin on November 4, 2013. Before the Court are the following motions: 1) Defendants' Motion for Summary Judgment and to Exclude Plaintiff's Damages Experts' Opinions ("Defendants' Summary Judgment/Daubert Motion"); and 2) Plaintiff Volterra Semiconductor Corporation's Daubert Motion to Exclude Dr. Matthew Lynde from Testifying as to Certain Opinions in his Expert Report ("Plaintiff's Daubert Motion"). A hearing on the Motions was held on Friday, September 20, 2013 at 9:30 a.m. For the reasons stated below, Defendants' Summary Judgment/Daubert Motion is GRANTED in part and DENIED in part.

United States District Court
Northern District of California

1 Plaintiff's *Daubert* Motion is GRANTED in part and DENIED in part.¹

2 **II. BACKGROUND**

3 **A. The Damages Expert Reports**

4 **1. Expert Report of Michael J. Wagner**

5 Michael Wagner was retained by Volterra "to provide an opinion regarding price erosion
6 caused by the infringement" by Defendants of the asserted claims of Volterra's U.S. Patent No.
7 6,278,264 Patent ("the '264 Patent") and U.S. Patent No. 6,462,522 ("the '522 Patent").² Mr.
8 Wagner's expert report is based on the following understanding of Volterra's damages theory:

9 I understand that Volterra Semiconductor is claiming that price
10 erosion occurred as a result of Defendants' infringement which has
11 already been determined based on sales after October 14, 2008 and
12 anticipated future shipments of certain of its VT1100 and VT1600
13 multiphase power switch products to its customers IBM and HP for
14 use in voltage regulator sockets in industry standard servers on a
15 number of specific projects for those customers. I understand that
16 Volterra Semiconductor is not claiming that price erosion occurred
17 with respect to sales of all of its products or even all of its flip chip
18 integrated power switch products. Instead, I understand Volterra
19 Semiconductor is claiming that price erosion occurred with respect
20 only to sales of specific power switch products sold for specific
21 projects for IBM and HP for which Volterra contends the pricing
22 was lower than it would have been "but for" the Defendants' acts of
23 infringement and illegal competition from Defendants' infringing
24 products. . . . Volterra Semiconductor is claiming that price erosion
25 occurred both on: (1) sales made directly by Volterra
26 Semiconductor; and (2) sales made through a wholly owned
27 subsidiary corporation, Volterra Asia Pte. Ltd. ["Volterra Asia"].

19 Declaration of David Wille in Support of Defendants' Motion for Summary Judgment and to
20 Exclude Plaintiff's Damages Experts' Opinion ("Wille Motion Decl."), Ex. B (Expert Report of
21 Michael J. Wagner, May 3, 2013 ("Wagner Report"), ¶ 2.

22 Mr. Wagner was asked to "determine whether price erosion was experienced with respect
23 to sales on certain IBM and HP projects after October 14, 2008" and to "quantify the amount of
24 additional revenue that would have been obtained by Volterra Semiconductor and Volterra Asia
25 respectively on such sales 'but for' this price erosion caused by Defendants' infringement." *Id.*, ¶

27 ¹The parties have consented to the jurisdiction of a United States Magistrate Judge pursuant to 28
28 U.S.C. § 636(c).

² The Court refers to the '522 Patent and the '264 Patent collectively as "the Burstein Patents."

1 9. His conclusions as to the amount of additional revenue that would have been received by
2 Volterra but for Defendants' infringement (including projections as to future lost revenue) are
3 reflected in Schedule 1.1 of his report, which reflects a total of \$99,340,965.00³ in lost revenue.
4 *Id.*, Sch. 1.1. Of this amount, \$12,282.00 is attributed to price erosion as to sales made directly to
5 IBM and HP by Volterra Semiconductor and \$99,328,682.00 is attributed to price erosion on sales
6 to IBM and HP by Volterra Asia. *Id.*

7 2. Expert Report of Dr. Christine Siegwarth Meyer

8 Dr. Christine Siegwarth Meyer was retained by Volterra to provide an expert opinion
9 regarding the "economic harm to Volterra Semiconductor as a result of price erosion caused by
10 Defendants' infringement on certain sales by its subsidiary, Volterra Asia." Wille Motion Decl.,
11 Ex. C (Expert Report of Dr. Christine Siegwarth Meyer ("Meyer Report")), ¶¶ 5-6. In particular,
12 Dr. Meyer addresses in her expert report:

13 (1) whether Volterra Semiconductor itself has suffered economic
14 injury as a result of the price erosion on past sales and anticipated
15 future sales by Volterra Asia caused by Defendants' infringement of
16 the asserted claims of the Burstein Patents; and, if so, (2) the amount
17 of an appropriate damages award necessary to fairly compensate
18 Volterra Semiconductor for the economic injury to it as a result of
19 the price erosion on sales made by Volterra Asia caused by
20 Defendants' infringement of the Burstein Patents.

21 *Id.*, ¶ 6. Dr. Meyer did not evaluate the "underlying price erosion claimed by Volterra
22 Semiconductor and Volterra Asia caused by Defendants' infringement" but instead relied on Mr.
23 Wagner's expert report and supporting schedules as to the amount of the lost profits due to price
24 erosion. *Id.*, ¶ 7. Further, she provided no opinions about the lost profits that resulted from price
25 erosion on sales made directly by Volterra Semiconductor. *Id.*

26 In the Summary of Opinions section of her report, Dr. Meyer describes the economic harm
27 to Volterra Semiconductor resulting from price erosion on sales made by Volterra Asia as follows:

28 ³ Based on the amounts listed in Schedule 1.1 for the specific items of lost revenue, it appears that
this amount should be \$99,340,964.00 rather than \$99,340,965.00. The one-dollar discrepancy is
a result of a computation error as to the total additional revenue for sales to IBM, which is the sum
of Volterra Asia's lost revenue (\$58,648,257.00) and Volterra Semiconductor's lost revenue
(\$3,190.00), that is, \$58,651,447; Schedule 1.1 lists the sum of these two amounts as
\$58,651,448.00. This error has no bearing on the resolution of the Motions before the Court.

1 It is my opinion that the patent holder Volterra Semiconductor has
2 suffered economic injury and harm as a result of Defendants'
3 infringement assuming, as I have, that Defendants' infringement of
4 the Burstein Patents caused price erosion on the sales of certain
5 power switch products by Volterra Asia resulting in the loss of
6 revenue to Volterra Asia as reflected in the Wagner Opening Report.
7 Volterra Semiconductor has suffered economic injury and harm
8 because if the price erosion caused by Defendants' infringement had
9 not occurred, Volterra Semiconductor's wholly owned subsidiaries,
10 Volterra International, Ltd. ("Volterra International") and Volterra
11 Asia, which are assets of Volterra Semiconductor, would have had
12 more cash and would have been worth more. From an economic
13 perspective, having assets (in this case the subsidiaries) which
14 would have had more cash and been worth more, would have
15 resulted in an improved economic and financial position for Volterra
16 Semiconductor had Defendants' infringement not occurred. In such
17 circumstances, Volterra Semiconductor would have had a variety of
18 economic options with respect to the additional cash held in the
19 subsidiaries and additional value of its wholly owned assets, its
20 subsidiaries, if Defendants' infringement had not occurred.

21 *Id.*, ¶ 11.

22 Dr. Meyer's conclusion that Volterra's financial position would have been better if
23 Volterra Asia and Volterra International had held more cash is based, in part, on the understanding
24 that "Volterra Semiconductor has the ability to fully control both Volterra International and
25 Volterra Asia as a result of its sole ownership of Volterra International and Volterra International's
26 sole ownership of Volterra Asia." *Id.*, ¶ 46. She illustrates her conclusion that "Volterra
27 Semiconductor's economic and financial position would have been significantly better had
28 Defendants' infringement not occurred" with three hypothetical examples. *Id.*, ¶¶ 46-50. First,
she opines that "Volterra Semiconductor would likely have been able to obtain a significantly
higher amount for a sales transaction in which its assets, Volterra International and Volterra Asia,
were sold to a third party either separately or as part of a consolidated sales transaction involving
the entire company." *Id.*, ¶ 48. Second, "Volterra Semiconductor would have had the ability to
use this additional cash to make investments or to make acquisitions through the use of the
additional cash." *Id.*, ¶ 49. Finally, "Volterra Semiconductor could have elected to declare
dividends to itself from the subsidiaries of the additional cash they would have had but for the
infringement." *Id.*, ¶ 50. According to Dr. Meyer, "whether Volterra Semiconductor would have
actually undertaken or exercised any of these hypothetical economic and financial options is
irrelevant . . . [because] [s]imply being deprived of these options constitutes a form of economic

1 harm.” *Id.* ¶ 51.

2 Dr. Meyer further opines that in order to make Volterra Semiconductor whole, it is
3 necessary to award it “the net amount of additional cash that its assets, Volterra Asia and Volterra
4 International would and should have respectively obtained had the Defendants’ infringement not
5 occurred. *Id.*, ¶ 12. She concludes in her report that this amount is \$56.5 million for the period
6 October 2, 2008 through March 31, 2013. *Id.*, ¶ 14. She further finds that Volterra Semiconductor
7 will suffer damages based on anticipated future sales in the amount of \$41.7 million. *Id.*, ¶ 16.
8 Dr. Meyer calculates the amount of additional cash that Volterra Asia would have had by
9 subtracting from the total additional revenue Mr. Wagner found Volterra Asia would have
10 received but for the infringement the █████ royalty that it would have owed to Volterra International
11 and then deducting the amount in taxes Volterra Asia would have owed on the remaining amount
12 under the law of Singapore, where Volterra Asia is based. *Id.*, ¶¶ 55-57. As to Volterra
13 International, Dr. Meyer opines that the amount of additional cash that entity would have had but
14 for the infringement would have been the █████ royalty that Volterra Asia would have owed to it,
15 which she concludes would not have been subject to taxation. *Id.*, ¶¶ 58-60.

16 **3. Expert Report of Matthew R. Lynde, Ph.D.**

17 Dr. Matthew R. Lynde was retained by Defendants to respond to Volterra’s price erosion
18 theory of damages and the report of Mr. Wagner. Declaration of James W. Morando in Support of
19 Plaintiff Volterra Semiconductor Corporation’s *Daubert* Motion to Exclude Dr. Matthew Lynde
20 from Testifying as to Certain Opinions in his Expert Report (“Morando Motion Decl.”), Ex. 1
21 (Expert Report of Matthew R. Lynde, Ph.D. (“Lynde Report”)), ¶ 6. In his report, Dr. Lynde
22 challenges Mr. Wagner’s opinions as to price erosion on the basis that the price reductions upon
23 which Mr. Wagner relies are not the result of Defendants’ infringement but of other factors,
24 including a world-wide recession, “cost pressures from customers and constant standard price
25 drops expected in the industry,” competition with non-infringing alternatives, a desire to expand
26 market share, and Volterra’s decision to replace existing products with new products that were
27 designed to be cheaper to manufacture and had additional features. *Id.* at ¶ 55. Dr. Lynde’s
28 opinion that the reduction in Volterra’s prices was not the result of infringement is based, in part,

1 on the understanding that “[t]o recover price erosion damages, [Volterra] must show that it
2 reduced its prices in response to direct competition from an infringer.” *Id.* ¶ 53. Dr. Lynde also
3 challenges Mr. Wagner’s opinions and methodology on numerous other grounds.

4 **B. Defendants’ Summary Judgment/*Daubert* Motion**

5 **1. Summary Judgment**

6 In their Motion, Defendants’ seek summary judgment as to both components of Volterra’s
7 damages claim, that is, the damages that Volterra Semiconductor claims it suffered due to price
8 erosion as to sales by Volterra Asia (“the Volterra Asia damages”) and those it claims to have
9 suffered based on its own direct sales (“the Volterra Semiconductor damages”). Defendants’
10 Summary Judgment/*Daubert* Motion at 2.

11 Defendants contend they are entitled to summary judgment as to the Volterra Asia
12 damages because Volterra Semiconductor is attempting to recover damages that were suffered by
13 separate corporate entities, in violation of the Federal Circuit’s decisions in *Poly-America, L.P. v.*
14 *GSE Lining Technology, Inc.*, 383 F.3d 1303, 1311 (Fed. Cir. 2004) and *Mars, Inc. v. Coin*
15 *Acceptors, Inc.*, 527 F.3d 1359, 1367 (Fed. Cir. 2008). *Id.* at 5. More generally, Defendants
16 contend, Volterra’s damages theory conflicts with well-established principles of corporate law that
17 bar the “kind of derivative recovery” Volterra seeks. *Id.* at 7-10. In particular, Defendants argue
18 Volterra Semiconductor lacks standing to assert a claim for harm to Volterra International or
19 Volterra Asia because at most, Volterra Semiconductor is a mere shareholder (and as to Volterra
20 Asia, it is not even that) and corporations and their shareholders are distinct entities. *Id.* (citing
21 *Dole Food Co. v. Patrickson*, 538 U.S. 468, 474 (2003); *Shell Petroleum, N.V. v. Graves*, 709 F.2d
22 593, 595 (9th Cir. 1983). Further, Defendants assert, a shareholder does not have standing to sue
23 on its own behalf for injury to the corporation based on diminution in the value of its own shares
24 or loss of a dividend. *Id.* at 8-9 (citing *Hometown Fin., Inc. v. United States*, 56 Fed. Cl. 477, 486
25 (Fed. Cl. 2003); *In re Ionosphere Clubs, Inc.*, 17 F.3d 600, 606 (2d Cir. 1994)). According to
26 Defendants, Volterra’s theory of recovery is based on the same type of derivative harms that
27 courts have rejected as being too indirect to confer standing. *Id.* at 9. Further, Defendants assert,
28 it violates the principal of fairness that underlies both the Federal Circuit’s decisions and the more

1 general corporate shareholder cases, namely, that “a corporation cannot obtain the benefits of
2 adopting a corporate form but then disregard that corporate form when convenient for its
3 recovery.” *Id.* at 9.

4 To the extent Volterra Semiconductor relies on Dr. Meyer’s hypotheticals to establish that
5 it has been *directly* harmed as a result of price erosion on products sold by Volterra Asia,
6 Defendants assert, these scenarios are too speculative and unforeseeable to support an award of
7 damages. *Id.* at 10-12. Defendants point out that Dr. Meyer’s hypotheticals are offered only as
8 scenarios that *could* have happened and that, by Dr. Meyer’s own admission, there is no factual
9 basis showing that any of them *would* have happened. *Id.* at 10-11 (citing Meyer Report, ¶ 47).
10 Further, Defendants assert, these scenarios are unlikely because: 1) there is no evidence Volterra
11 International has ever issued a dividend to Plaintiff, *id.* (citing Wille Motion Decl., Ex. T
12 (Plaintiff’s Response to Defendants’ Request for Admissions, No. 29); *id.*, Ex. F (Burns Dep.) at
13 48:16-25, 185: 18-22); 2) Volterra Semiconductor’s CFO testified Volterra Semiconductor has
14 never attempted to sell its shares of Volterra International, *id.* (citing Wille Motion Decl., Ex. T
15 (Plaintiff’s Response to Defendants’ Request for Admissions, No. 60); *id.*, Ex. F (Burns Dep.) at
16 72: 23-73:1); and 3) Volterra Semiconductor has stated in its SEC filings that it plans to
17 permanently invest its foreign subsidiaries’ earnings outside the United States. *Id.* (citing Wille
18 Motion Decl., Ex. S (Volterra Semiconductor Corp. 2012 10-K, p. 33, 52)). Defendants also
19 contend Dr. Meyer has made no attempt to assess the value of these options. *Id.* at 11. Finally,
20 Defendants assert lost dividends or a loss in value of stock is unforeseeable, as a matter of law,
21 and therefore the scenarios offered by Dr. Meyer cannot support a damages award. *Id.* at 11-12
22 (citing *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1546 (Fed. Cir. 1995); *Ajimoto Co. v. Archer-*
23 *Daniels-Midland Co.*, 1996 WL 621835, at *4 (D.Del. Oct. 21, 1996)).

24 Defendants seek summary judgment as to the Volterra Asia damages for the additional
25 reason that these damages are based on price erosion on foreign sales. *Id.* at 12-15. According to
26 Defendants, the Federal Circuit has barred claims for damages based on lost profits on sales made
27 outside of the United States and that holding is applicable here. *Id.* at 12 (citing *Power*
28 *Integrations, Inc. v. Fairchild Semiconductor, Inc.*, 711 F.3d 1348, 1370-72 (Fed. Cir. 2013)).

1 Defendants further contend all of Volterra’s damages are barred because Volterra has
 2 failed to link the price reductions that allegedly resulted in lost revenues to “any domestic
 3 infringing acts by Defendants.” *Id.* at 13 (citing *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437,
 4 456 (2007)). In particular, Defendants argue Volterra is required to show that prices were reduced
 5 in response to “direct competition” that constitutes an infringing act; to be infringing, Defendants
 6 assert, the act must be performed in the United States. *Id.* at 12-13 (citing *Wechsler v. Macke Int’l*
 7 *Trade, Inc.*, 486 F.3d 1286, 1294 (Fed. Cir. 2007); *Vulcan Eng’g Co. v. Fata Aluminum, Inc.*, 278
 8 F.3d 1366, 1377 (Fed. Cir. 2002); *BIC Leisure Prods., Inc. v. Windsurfing Int’l, Inc.*, 1 F.3d 1214,
 9 1218 (Fed. Cir. 1993)). Therefore, Defendants argue, Volterra must show that infringing sales or
 10 offers for sale were made in the United States. *Id.* at 13. According to Defendants, Volterra has
 11 failed to establish such a link because it has asserted that it lowered prices when it “heard about a
 12 *non-infringing* act – a foreign offer for sale that was miscommunicated to Volterra Asia by a third
 13 party.” *Id.* at 14 (citing Wagner Report, ¶¶ 131, 133-134) (emphasis added). Defendants contend
 14 that because they sold only \$2,500 worth of infringing devices in the United States and Plaintiff
 15 has “not cited a single domestic sale or domestic offer for sale by Defendants to which [Volterra]
 16 claims to have reduced its pricing in response,” Volterra’s claim for damages based on price
 17 erosion fails as a matter of law. *Id.* (citing Declaration of Ralf Sambeth in Support of Defendants’
 18 Motion for Summary Judgment and to Exclude Plaintiff’s Damages Expert Opinions (“Sambeth
 19 Decl.”), ¶ 9).

20 Finally, Defendants challenge Volterra’s claim for \$12,282.00 in damages based on price
 21 erosion as to Volterra Semiconductor’s own sales of the patented products. *Id.* at 15. Defendants
 22 point to evidence that the actual prices Volterra Semiconductor pays Volterra Asia for the patented
 23 products are variable, depending on the revenues of both companies. *Id.* (citing Wille Motion
 24 Decl., Ex. O (Andrews Dep.) 62:11 - 78:6, 113:21 - 119:5). According to Defendants, “[t]o show
 25 price erosion lost profits where the underlying costs are variable, Plaintiff must show the
 26 difference between the *profits* it would have made but for the alleged infringement (but-for-
 27 revenue less but-for costs), and the *profits* it actually made (actual revenue less actual costs).” *Id.*
 28 (emphasis in original). Defendants contend Volterra cannot prove the amount of its lost profits

1 because it has provided no evidence of its actual costs, thus rendering its damages figure
2 speculative. *Id.*

3 **2. Daubert**

4 As an additional ground for entry of summary judgment, Defendants assert that Volterra
5 has offered no admissible evidence to support its damages theory because the opinions of Mr.
6 Wagner and Dr. Meyer are inadmissible under *Daubert v. Merrell Dow Pharmaceuticals*, 509
7 U.S. 579 (1993) and Rule 702 of the Federal Rules of Evidence. *Id.* at 16. Defendants contend
8 Mr. Wagner's opinions are inadmissible because he: 1) failed to consider other market factors that
9 account for Volterra's price reductions; 2) inflated the amount of price erosion damages by
10 "cherry-picking" data; and 3) failed to conduct the required elasticity analysis. *Id.* at 16-22.

11 Defendants further assert that Dr. Meyer's opinions should be excluded because she relies
12 on Mr. Wagner's opinions and fails to "independently identify any connections between
13 Defendants' infringing acts and any economic injury to Plaintiff." *Id.* Defendants also challenge
14 the admissibility of Dr. Meyer's opinions on the ground that her conclusion that harm to a
15 subsidiary is the same as harm to the parent is not based on any meaningful valuation of the parent
16 but rather, is simply a legal conclusion that she is not qualified to offer. *Id.* at 16-17. Finally,
17 Defendants contend Dr. Meyer's opinions are unreliable because in opining that Volterra
18 Semiconductor would have been harmed in an amount equal to 100% of the post-tax lost profits
19 calculated by Mr. Wagner, she "ignores the fact that this 'additional cash' would have been owned
20 by Volterra foreign subsidiaries, not Plaintiff" and likely would have been treated as "permanently
21 reinvested offshore earnings." *Id.* at 17 (citing Wille Motion Decl., Ex. W (Baliban Dep.) at 9:19-
22 10:4; *id.*, Ex. X (Expert Report of Jeffrey Baliban ("Baliban Report"), ¶¶ 30-38 (Dep. Ex. 1208)).
23 As such, Defendants contend, there would have been restrictions on the use of this cash,
24 "precluding [Dr.] Meyer's dollar-for-dollar valuation." *Id.* at 17.

25 **C. Volterra's Opposition to Defendants' Summary Judgment/Daubert Motion**

26 Volterra asserts Defendants have mischaracterized its damages theory to the extent they
27 have argued that Volterra is seeking the lost profits of its subsidiaries and has not alleged any
28 direct harm to itself. Opposition to Defendants' Summary Judgment/*Daubert* Motion at 1.

1 Volterra contends its damages theory is based on direct harm to Volterra Semiconductor not only
2 because it is seeking lost profits due to price erosion on its own sales but also because the Volterra
3 Asia damages reflect “damages for the economic injury to Volterra Semiconductor *itself* as a result
4 of price erosion on sales made by its subsidiary, Volterra Asia.” *Id.* (emphasis in original). Thus,
5 as to the latter category of damages, it is not relying on the “more typical lost profits or reasonable
6 royalty claims asserted by patentees.” *Id.* Nonetheless, Volterra asserts, this category of harm is
7 compensable under 35 U.S.C. § 284.

8 First, Volterra rejects Defendants’ assertion that the shareholder standing doctrine prohibits
9 Volterra Semiconductor from seeking damages based on Volterra Asia’s sales. *Id.* at 2. This
10 doctrine does not apply here, Volterra asserts, because Volterra’s standing in this case derives
11 directly from the Patent Act, which “imposes no limitation on the types of harm resulting from
12 infringement that the statute will redress.” *Id.* at 4 (quoting *King Instruments Corp. v. Perego*, 65
13 F.3d 941, 947 (Fed. Cir. 1995)). Further, Volterra asserts, the Supreme Court has made clear that
14 the statutory language of the Patent Act providing for “adequate” damages entitles a patentee to
15 damages that will “fully compensate the patentee for infringement.” *Id.* (quoting *Rite-Hite v.*
16 *Kelley Co., Inc.*, 56 F.3d 1538, 1545 (Fed. Cir. 1995)). Because the source of a plaintiff’s claim to
17 relief is critical to the prudential standing inquiry, Volterra asserts, the shareholder standing cases
18 cited by Defendants, which did not involve claims asserted under the Patent Act, do not apply
19 here. *Id.* (citing *Warth v. Seldin*, 422 U.S. 490, 500 (1975)). Volterra also challenges Defendants’
20 argument that the shareholder standing doctrine should be applied here for reasons of “fairness.”
21 According to Volterra, the shareholder standing doctrine is “premised on the prohibition against
22 duplicate recovery.” *Id.* at 5 (quoting *Stein v. United Artist Corp.*, 691 F.2d 885, 896-897 (9th Cir.
23 1982)). Volterra argues that there is no risk of duplicate recovery here because Volterra’s
24 subsidiaries are non-exclusive licensees and therefore cannot assert any claim for damages based
25 on the infringed patents. *Id.*

26 Second, Volterra argues that under *Rite-Hite* and § 284 of the Patent Act, “a particular
27 injury suffered by the patent holder as a result of the infringement ‘is generally compensable
28 absent a persuasive reason to the contrary.’” *Id.* at 6 (quoting *Rite-Hite*, 56 F.3d at 1546). Here,

1 Volterra contends, there is no reason to limit its right to full compensation for its injury resulting
 2 from Defendants’ infringement. *Id.* Volterra rejects Defendants’ argument that its injuries are
 3 remote and speculative, arguing that the injury to Volterra found by Dr. Meyer – that Volterra’s
 4 financial position would have been better absent the infringement – is neither remote nor
 5 unforeseeable. *Id.* Volterra notes that Defendants do not dispute that Volterra would have been
 6 better off if its subsidiaries had more cash. *Id.* Further, Volterra argues, Dr. Meyer was able to
 7 calculate the precise amount of “additional cash and value the subsidiaries would have had if the
 8 infringement had not occurred.” *Id.* at 6-7. Because Volterra has full control over the
 9 subsidiaries, it argues, the injury Volterra Semiconductor has suffered because of the price erosion
 10 on Volterra Asia sales is direct. *Id.* at 7.

11 Volterra also argues that under *Rite-Hite*, the fact that it licensed its patents to its
 12 subsidiaries is not a persuasive reason to deny Volterra Semiconductor its statutory right to receive
 13 full compensation. *Id.* at 7-8. The type of arrangement used by Volterra is similar to the structure
 14 of many multinational corporations headed by U.S. companies, Volterra asserts, and thus it is not
 15 unforeseeable that a parent corporation in the United States would be harmed by acts of
 16 infringement that affected the sales of the subsidiary. *Id.* at 8. Further, Volterra argues, the
 17 Federal Circuit recognized that there is no requirement that the patentee itself must make, use, or
 18 sell its patented invention as “a patent is granted in exchange for a patentee’s disclosure of the
 19 invention, not for the patentee’s use of the invention.” *Id.* (quoting *Rite-Hite*, 56 F.3d at 1547).
 20 Thus, injury to a parent corporation based on a subsidiary licensee’s lost revenue is not the sort of
 21 damages claim that is barred under *Rite-Hite*, Volterra argues. *Id.* Nor have Defendants identified
 22 any policy reason that would justify denying Volterra full compensation. *Id.* To the contrary,
 23 Volterra argues, barring its damages claims based on Volterra Asia sales would unfairly permit
 24 Defendants to infringe while avoiding an award of the full scope of damages because Volterra’s
 25 subsidiaries have no standing to sue for infringement. *Id.* at 9.

26 Third, Volterra argues that the Federal Circuit’s decisions in *Mars* and *Poly-America* do
 27 not apply to its Volterra Asia damages claim because those cases only held that a corporation may
 28 not recover the lost profits of a subsidiary or sister corporation. *Id.* at 9. Volterra contends it does

1 not seek the lost profits of Volterra Asia and Volterra International. *Id.* at 9-10. Further, Volterra
 2 asserts, the Federal Circuit made clear in *Mars* that while a parent may not seek lost profit
 3 damages based on the lost profits of a subsidiary, “patentees may be entitled to damages above a
 4 reasonable royalty on theories entirely distinct from lost profits.” *Id.* at 10 (quoting *Mars*, 527
 5 F.3d at 1366). According to Volterra, its own theory is such a theory and therefore falls outside
 6 the holdings of *Mars* and *Poly-America*. *Id.* at 10-11.

7 Volterra also rejects Defendants’ challenges under *Daubert* and Rule 702 to Dr. Meyer’s
 8 opinions about the injury to Volterra caused by price erosion on Volterra Asia’s sales. *Id.* at 11-
 9 13. Volterra argues that there is nothing improper about Dr. Meyer relying on the opinions of
 10 Dr. Wagner as to the amount of the price, which is a separate issue. *Id.* at 12-13. Further, Volterra
 11 contends, Dr. Meyer’s methodology is not flawed to the extent she did not perform a valuation of
 12 the subsidiaries because such a valuation was not required. *Id.* at 12. In particular, Volterra cites
 13 Dr. Meyer’s opinion that “what is relevant is to value the *net or incremental amount of additional*
 14 cash that Volterra Semiconductor’s assets, Volterra International and Volterra Asia, would have
 15 had but for Defendants’ infringement.” *Id.* at 12 (quoting Declaration of Dr. Christine Siegwarth
 16 Meyer in Opposition to Defendants’ Motion for Summary Judgment and to Exclude Plaintiff’s
 17 Damages Expert Opinions (“Meyer Decl.”), Ex. 2 (Reply Expert Report of Dr. Christine
 18 Siegwarth Meyer (“Meyer Reply Report”), ¶¶ 37-38) (emphasis added in brief). Because Dr.
 19 Meyer is evaluating an “assumed incremental amount of cash, an asset-based valuation approach
 20 is the appropriate approach,” according to Volterra. *Id.* Moreover, Volterra rejects Defendants’
 21 assertion that Dr. Meyer gave “no consideration” to the fact that the cash was held by foreign
 22 subsidiaries and that there would have been tax consequences to repatriating the cash. *Id.* at 13
 23 (citing Meyer Decl., Ex. 2 (Meyer Reply Report), ¶¶ 19-32, 33-36). Volterra also contends Dr.
 24 Meyer is qualified to testify as an expert based on the experience set forth in the report and her
 25 CV. *Id.* (citing Meyer Decl., Ex. 1, ¶ 2 & Ex. 1; *PixArt Imaging, Inc. v. Avago Tech. Gen. IP*
 26 *(Singapore) Pte. Ltd.*, 2011 WL 5417090 (N.D. Cal. Oct. 27, 2011); *Hangarter v. Provident Life*
 27 *& Acc. Ins. Co.*, 373 F.3d 998, 1015-16 (9th Cir. 2004)).

28 Volterra argues that Defendants are incorrect in their assertion that Volterra cannot show a

1 causal link between any infringing act – that is, an act that occurred in the United States – and the
2 claimed price erosion. *Id.* at 13-16. According to Volterra, it has offered substantial evidence that
3 its decisions to lower its prices on the products sold on the IBM and HP products were caused by
4 acts of infringement that occurred in the United States and this evidence is sufficient to create a
5 jury question. *Id.*; *see also* Declaration of James W. Morando in Support of Plaintiff Volterra
6 Semiconductor Corporation’s Opposition to Defendants’ Motion for Summary Judgment and to
7 Exclude Plaintiff’s Damages Expert Opinion (“Morando Opposition Decl.”);⁴ Declaration of
8 William G. Numann in Opposition to Defendants’ Motion for Summary Judgment and to Exclude
9 Plaintiff’s Damages Expert Opinions (“Numann Opposition Decl.”), ¶¶ 5-6. Volterra points to
10 *Brooktree Corp. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555, 1580-81 (Fed. Cir. 1992),
11 which it contends presented a similar price erosion claim. *Id.* In that case, the Federal Circuit
12 found that the question of whether an announcement by an infringer of its intent to sell infringing
13 products was sufficient to show causation as to price erosion damages presented a “classical jury
14 question.” *Id.* at 14. Volterra also rejects Defendants’ assertion that there is an independent
15 requirement that the patentee show “direct competition” to establish causation on price erosion
16 damages, asserting that there is no such requirement. *Id.* at 14 n. 15.

17 Similarly, Volterra argues that Defendants are incorrect in their assertion that under the

18
19 ⁴ The Morando Opposition Declaration contains a detailed summary of the evidence that Volterra
20 contends will establish that Defendants committed acts of infringement in the United States. The
21 evidence cited in the declaration is attached as exhibits. Defendants have objected to the Morando
22 Opposition Declaration, in its entirety, asserting that it contains legal conclusions that are not
23 based on personal knowledge and violates the Court’s 25-page limit for briefs. *See* Docket No.
24 1968. Defendants have also objected to certain specific exhibits, arguing that they are not relevant
25 to the question of whether Defendants committed acts of infringement in the United States. The
26 Court sustains Defendants’ objection to the extent Mr. Morando’s declaration contains legal
27 argument and conclusions that are properly included in Volterra’s legal brief (which is subject to a
28 25-page limit) rather than a supporting declaration. The Court does not rely on these conclusions
in evaluating the significance of the evidence attached to the Morando Opposition Declaration.
The Court overrules the objection in all other respects. At least some of the evidence attached to
the declaration goes to the heart of whether Defendants committed acts of infringement in the
United States. *See, e.g.*, Morando Opposition Decl., Ex. 5 (deposition excerpts of Jason Bone, a
Field Application Engineer for Defendants, based in Austin Texas, who testified that he tested the
infringing products in Texas in order to prepare evaluation boards for those products and visited
multiple IBM facilities in the United States as part of an effort to persuade IBM and HP to use
Defendants’ infringing products in their servers). The Court declines to consider each individual
exhibit to determine its relevance; rather, to the extent some of the documents may not show that
infringing activities occurred in the United States, the Court simply does not rely on them.

1 Federal Circuit’s decision in *Power Integrations*, a patentee cannot assert a claim for price erosion
 2 based on underlying sales outside of the United States. *Id.* at 16-19. Rather, “the language of
 3 Section 284, its legislative history and multiple decisions of the U.S. Supreme Court all make
 4 clear that there is no geographical limitation on where the injury or harm occurs.” *Id.* at 17. Thus,
 5 because there is substantial evidence that Defendants committed acts of infringement in the United
 6 States, Volterra asserts, it can recover damages on sales of the infringing product outside of the
 7 United States. *Id.* at 17-18. Volterra contends the facts in *Power Integrations* are distinguishable
 8 from the facts of this case because in that case there was no evidence presented at trial that the
 9 foreign sales that were lost were lost as a result of infringing activity that took place in the United
 10 States. *Id.* at 18-19.

11 Volterra also rejects Defendants’ challenges to the Wagner Report under *Daubert* and Rule
 12 702. *Id.* at 19-25. In response to Defendants’ assertion that Mr. Wagner did not consider other
 13 factors besides Defendants’ infringement that may have affected Volterra’s pricing, Volterra
 14 asserts this is not a proper subject of a *Daubert* challenge and, in any event, is inaccurate.
 15 According to Volterra, Mr. Wagner reconstructed a hypothetical market without infringement and
 16 considered the factors raised by Defendants. *Id.* at 20 (citing Declaration of Michael J. Wagner in
 17 Opposition to Defendants’ Motion for Summary Judgment and to Exclude Plaintiff’s Damages
 18 Expert Opinions (“Wagner Decl.”), Ex. 1 (Wagner Report), ¶¶ 110, 281-292, 307-399, Schedules
 19 4.1-7.8 and 9.1-10.4; *id.*, Ex. 2 (Reply Expert Report of Michael J. Wagner (“Wagner Reply
 20 Report”)), ¶¶ 94-98, 28-35, and 75-76). Volterra further contends Defendants’ arguments about
 21 why they disagree with Mr. Wagner should be addressed through cross-examination at trial and
 22 not by means of a *Daubert* challenge. *Id.* at 20-21.

23 Volterra also reject Defendants’ assertion that Mr. Wagner “cherry-picked” the data he
 24 relied upon, arguing that this challenge, like the one discussed above, is both incorrect and not
 25 appropriately the subject of a *Daubert* challenge. *Id.* at 21-22. According to Volterra, Mr.
 26 Wagner’s opinions are based on historical trend data for six similar products. *Id.* (citing Wagner
 27 Decl., Ex. 1 (Wagner Report), ¶ 320, Sch. 3.1, 3.3; *id.*, Ex. 2 (Wagner Reply Report), ¶¶ 94-98).
 28 Defendants’ challenge to the start and end dates for one of those products does not show that Mr.

1 Wagner's opinions are unreliable, Volterra argues. *Id.* at 21. Furthermore, Defendants' assertion
2 that Mr. Wagner ignored certain statements by Volterra about price attrition is incorrect, Volterra
3 asserts; Mr. Wagner simply has a different understanding of the underlying facts. *Id.*

4 Volterra further asserts that Mr. Wagner did, in fact, consider the price elasticity of
5 demand, as is required under *Crystal Semiconductor*. *Id.* at 22-24. In particular, Volterra contends
6 Mr. Wagner considered this question at two levels of analysis: the server level and the voltage
7 regulator level. *Id.* at 22-23 (citing Wagner Decl., Ex. 1 (Wagner Report), ¶¶ 239-260, 273, 298,
8 328-333, Sch. 4.1-7.8, 9.1-10.4; *id.*, Ex. 2 (Wagner Reply Report), ¶¶ 13-27, 36-47, 110-115).

9 Finally, Volterra rejects Defendants' assertion that its claim for the Volterra
10 Semiconductor damages fails because it has not provided evidence of the actual cost of the
11 products sold by Volterra Asia to Volterra Semiconductor. *Id.* at 25. According to Volterra, the
12 actual cost of the products is irrelevant because Volterra's price erosion claim is based on the
13 difference between the actual price paid and the higher "but for" price that would have been paid
14 absent the infringement. *Id.* at 25.

15 **D. Plaintiff's *Daubert* Motion**

16 Volterra seeks the exclusion of certain opinions of Defendants' expert, Dr. Lynde, under
17 Rules 403 and 702 of the Federal Rules of Evidence and *Daubert* on the grounds that they will not
18 "assist the trier of fact to understand or determine a fact in issue" and their probative value will be
19 outweighed by their prejudicial effect. Plaintiff's *Daubert* Motion at 1-2. First, Volterra criticizes
20 Dr. Lynde's expert report on the basis that instead of reconstructing a hypothetical market to
21 determine the amount of sales that would have occurred but for the infringement, he offers
22 opinions about "why Volterra decided to offer substantially lower prices on its power switch
23 products to IBM and HP after learning of Defendants' infringing products in the marketplace." *Id.*
24 at 4. These opinions, according to Volterra, are not based on any economic analysis or
25 hypothetical reconstruction of the market but instead, on Dr. Lynde's "subjective interpretations of
26 narrow portions of evidence" as to "Volterra's decision making, motivations, and state of mind."
27 *Id.* Volterra contends, Dr. Lynde "did not even select which evidence to review; rather it was
28 provided to him by counsel for the Defendants in response to his general request for 'evidence

1 relevant to the damages question.” *Id.* (citing Morando Motion Decl., Ex. 2 (Lynde Dep.) at
2 9:10-18).

3 Volterra argues that Dr. Lynde’s testimony about Volterra’s motivations in lowering its
4 prices should not be admitted because Rule 702 requires that courts exclude expert testimony
5 regarding a party’s state of mind. *Id.* at 5 (citing *Conceptus, Inc. v. Hologic, Inc.*, Case No. C-09-
6 02280-WHA, *slip op.* at 2 (N.D. Cal. Sept. 27, 2011)). Further, Volterra asserts, experts are
7 limited to offering opinions based on their “scientific, technical or other specialized knowledge”
8 and are not permitted to usurp the jury’s role by making credibility determinations as to other
9 witnesses. *Id.* at 6 (citing *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242 242 (1986); *U.S. v. Todd*,
10 884 F.2d 583 (9th Cir. 1989 (unpublished); *Ellis v. Navarro*, 2012 WL 3580284, at *6 (N.D. Cal.
11 Aug. 7, 2012)). According to Volterra, an expert witness has no more ability than the jury to
12 weigh the credibility of witnesses. *Id.* Similarly, it asserts, an expert witness should not be
13 permitted to opine about what documents one would expect a business to possess on a particular
14 subject if the expert has no more expertise than the jury as to the types of documents businesses
15 typically possess in a given field. *Id.* at 6. Finally, Volterra contends, an expert should not be
16 permitted to “step into the role of counsel and argue a party’s case from the witness stand”
17 because “such testimony is unfairly prejudicial, needlessly cumulative, and risks misleading the
18 jury” thus warranting exclusion under Rule 403 of the Federal Rules of Evidence. *Id.* at 7.

19 Based on these principles, Volterra seeks exclusion of opinions expressed by Dr. Lynde in
20 his expert report that the reason that Dr. Teuscher and Mr. Numann decided to offer lower pricing
21 to IBM and HP was not Defendants’ infringement but rather, other factors, including an
22 established pricing strategy of offering improved “price performance” with each new generation,
23 planned lower manufacturing costs or anticipated lower margins, a desire to lower market share
24 through lower pricing, efforts to compete with lower cost traditional “discrete” voltage regulator
25 solutions, an economic recession and cost pressures from customers. *Id.* at 9-20.

26 With respect to Dr. Lynde’s opinions about Volterra’s pricing strategy, Volterra contends
27 Dr. Lynde simply relies on his own “subjective interpretation of the meaning of certain Volterra
28 documents,” and that these interpretations are directly contrary to the testimony of witnesses who

1 were asked about the documents in deposition. *Id.* at 9-10. Further, Volterra objects to Dr.
2 Lynde’s reliance on Volterra’s “Product Vision Statements.” *Id.* at 10 (citing Morando Motion
3 Decl., Ex. 1 (Lynde Report), ¶¶ 11, 45, 46, 53-61, 65, 69, 76, 79, 81, 83-85, 87-88, 96-96, 98-101,
4 104, 108-114, 116, 123, 128, 132, 141-143, 166, 182, 183-185, 194-195, 197, 201, 218, 219, 221,
5 237). Volterra argues that these Product Vision Statements are, as Dr. Lynde acknowledged,
6 “nothing more than an early document prepared in the initial stages of the product development
7 cycle at Volterra and merely involve an early assessment of whether the potential economic return
8 on investment of the possible ‘new product makes sense.’” *Id.* (citing Morando Motion Decl., Ex.
9 2 (Lynde Dep.)). As such, Volterra contends, Dr. Lynde’s reliance on these documents as a
10 reflection of what Volterra intended as to the pricing of these future products is speculative and
11 improper. *Id.* at 10-11. Further, it asserts, Dr. Lynde’s “speculation is also inconsistent with the
12 testimony of the former Volterra employees who actually prepared the documents.” *Id.* at 11.
13 Similarly, Volterra contends Dr. Lynde’s opinion that Volterra had an established policy of
14 offering “price-performance” improvements is improper because it is based on his “subjective,
15 speculative interpretation of the meaning of several Volterra documents and presentations.” *Id.* at
16 11-12 (citing Morando Decl., Ex. 1 (Lynde Report), ¶¶ 361, 362, 365). Also improper, Volterra
17 asserts, is Dr. Lynde’s opinion that Volterra was attempting to develop new power switch products
18 that could be manufactured at a lower cost. *Id.* at 13-14 (citing Morando Motion Decl., Ex. 1
19 (Lynde Report), ¶¶ 99, 104, 106, 360, 366).

20 Next, Volterra challenges Dr. Lynde’s opinion that it lowered prices in an effort to increase
21 revenues by growing its market share. *Id.* at 15 (citing Morando Motion Decl., Ex. 1 (Lynde
22 Report), ¶¶ 155, 225, 405, 454-554). According to Volterra, these opinions are merely Dr.
23 Lynde’s speculation and are unreliable in light of the testimony of Dr. Teuscher and Mr. Numann
24 that they made pricing decisions because they believed Defendants would offer infringing
25 products to HP at prices lower than Volterra’s. *Id.*

26 Volterra also challenges Dr. Lynde’s opinion that it lowered its pricing to HP and IBM in
27 part because it was attempting to compete with lower-cost traditional “discrete” voltage regulator
28 solutions. *Id.* at 15-17 (citing Morando Motion Decl., Ex. 1 (Lynde Report), ¶¶ 29, 175, 241-243,

1 247-248, 249, 475, 476-478). According to Volterra, Dr. Lynde's grounds for these opinions are
2 only his "review of a handful of selected Volterra e-mails and his interpretation of deposition
3 testimony, including his subjective views of how to weigh the deposition testimony of one witness
4 over the testimony of another." *Id.* This is not a proper subject of expert opinion, Volterra asserts.
5 *Id.* at 17.

6 Volterra argues that Dr. Lynde's opinions about the impact of the global recession on
7 Volterra's pricing also should be excluded. *Id.* at 17-18. According to Volterra, Dr. Lynde's
8 opinions on this issue are based on his review of three documents and none supports his opinion.
9 *Id.* at 17. The three documents are: 1) a 2008 forecast by International Data Corporation ("IDC")
10 that predicted [REDACTED] 2)
11 Volterra's 2008 10-K filing, in which Volterra stated that the semiconductor industry has
12 experienced "significant downturns"; and 3) an email from a Volterra employee describing a
13 conversation with an employee at Foxconn, a server ODM. *Id.* (citing Morando Motion Decl., Ex.
14 1 (Lynde Report), ¶¶ 58 n. 61, 61, 256-257). According to Volterra, none of these documents
15 addresses Volterra's motivations regarding its pricing strategy and therefore, they do not provide
16 adequate support for Dr. Lynde's opinions. *Id.* Volterra asserts, "Dr. Lynde offers no economic
17 analysis regarding a recession or any effect of a recession on Volterra's prices in his report and he
18 has admitted that he did not conduct any economic or expert analysis to arrive at his opinion that
19 the economic recession affected Volterra's pricing strategy." *Id.* at 18 (citing Morando Motion
20 Decl., Ex. 2 (Lynde Dep.) at 290: 13-23).

21 Volterra further asserts that Dr. Lynde's opinion that it lowered its prices in response to "cost
22 pressures from customers moving 'some server design efforts and purchasing decisions to ODMs
23 in Taiwan'" should be excluded as speculative. *Id.* at 18-20 (citing Morando Motion Decl., Ex. 1
24 (Lynde Report), ¶¶ 25, 95, 163, 165, 200, 201). Volterra points in particular to Dr. Lynde's
25 reliance on the Naruwan server project, which was being planned by a Taiwan-based ODM, as an
26 example of this trend. *Id.* (citing Morando Motion Decl., Ex. 1 (Lynde Report), ¶¶ 165, 201).
27 According to Dr. Lynde, the fact that [REDACTED]
28 [REDACTED] showed that

1 Volterra’s pricing strategy was affected by cost pressures from customers. *Id.* (citing Morando
2 Motion Decl., Ex. 1 (Lynde Report), ¶¶ 165, 201). Volterra asserts this opinion is speculative, is
3 not based on any special expertise, and makes no sense because “[a]s Dr. Lynde himself
4 acknowledged later in his report, [REDACTED] t
5 [REDACTED] *Id.* (citing Morando Motion Decl., Ex. 1 (Lynde
6 Report), ¶ 200).

7 Volterra also argues that many of Dr. Lynde’s opinions about the other factors he believes
8 caused Volterra to lower its prices are based on the “nature, content and extent of the
9 ‘contemporaneously created’ documents in Volterra’s files supporting Volterra’s claims – a
10 subject in which he has no specialized knowledge. *Id.* at 20. For example, in his report Dr. Lynde
11 rejects a number of Mr. Wagner’s opinions based on testimony of Volterra witnesses, citing the
12 absence of contemporaneous records corroborating the opinions of those witnesses and opining he
13 “would have expected to see a contemporaneously-created document.” *Id.* (citing Morando
14 Motion Decl., Ex. 1 (Lynde Report), ¶¶ 193, 243, 249, 259, 285, 295, 306, 326, 409, 436).
15 Volterra contends these opinions are mere “speculation about the record-keeping habits of
16 employees in the sales and marketing department of a semiconductor company such as Volterra
17 regarding the expected contents in documents they would prepare.” *Id.* (citing *United States v.*
18 *Change*, 207 F.3d 1169, 1173 (9th Cir. 2000)). Volterra also argues Dr. Lynde’s opinions are
19 improper under Rule 702 to the extent that he “openly opines about the credibility of Volterra
20 witnesses” regarding the reason Volterra lowered its prices. *Id.* at 21 (citing Morando Motion
21 Decl., Ex. 1 (Lynde Report), ¶¶ 27, 99, 178-179, 198, 237, 315, 438, 501).

22 Moreover, Volterra asserts, Dr. Lynde “improperly speculates about the beliefs, thoughts,
23 and state of mind of other parties and witnesses aside from Volterra.” *Id.* at 22-23. For example,
24 Volterra points to Dr. Lynde’s opinions that Infineon Technologies AG “acquired Primarion, Inc.
25 to strengthen its presence in the power management sector,” that “Defendants were supposedly no
26 longer ‘focused’ on promoting the infringing products after the Court’s consideration of Volterra’s
27 motion for a preliminary injunction,” and that in November 2009, Infineon “stopped” promoting
28 its flip chip products and “began promoting DrMOS as its solution at IBM.” *Id.* at 22 (citing

1 Morando Motion Decl., Ex. 1 (Lynde Report), ¶¶ 13, 335, 466). Volterra also objects that Dr.
2 Lynde “repeatedly opines about the thinking and state of mind of customers.” *Id.* at 22-23 (citing
3 Morando Motion Decl., Ex. 1 (Lynde Report), ¶¶ 135, 216, 226 239). As these constitute
4 impermissible expert testimony about the state of mind of corporations, Volterra argues, these
5 opinions should be excluded. *Id.* at 23.

6 Volterra’s second broad challenge to Dr. Lynde’s opinions is that they are based on an
7 erroneous understanding of the law. *Id.* at 5, 23-25. In particular, Dr. Lynde “opines that
8 Volterra did not suffer price erosion based on the instruction he was given that the law supposedly
9 requires Volterra to show that it lowered its prices in response to something called “direct
10 competition from an infringer.” *Id.* at 2. According to Volterra, there is no such requirement.
11 *Id.* at 23. Rather, to establish causation as to price erosion damages, Volterra contends, a patentee
12 is only required to demonstrate a “factual basis for causation” by showing that “‘but for’ the
13 infringement, the patent owner would have made the sales that the infringer made, charged higher
14 prices, or incurred lower expenses.” *Id.* at 23-24 (citing *Lam, Inc. v. Johns-Manville Corp.*, 728
15 F.2d 1056, 1067 (Fed. Cir. 1983)). Volterra points to *Brooktree Corp. v. Advanced Micro*
16 *Devices, Inc.*, 977 F.2d 1555, 1580 (Fed. Cir. 1992) to illustrate this point, arguing that in that
17 case, “the Federal Circuit expressly affirmed a damages award based on a theory of price
18 reduction due to AMD’s mere announcement and promotion of infringing products, which caused
19 Brooktree to reduce its prices in response.” *Id.* at 24.

20 According to Volterra, the situation here is analogous to the facts of *Brooktree* and therefore
21 Dr. Lynde should not be permitted to testify that Volterra has not shown price erosion because
22 “there is no evidence of the Defendants submitting a specific bid or quote for a particular project
23 on which Volterra claims price erosion . . . or because he believes Volterra may not have had
24 specific knowledge of particular quotes or actions taken by the Defendants.” *Id.* (citing Morando
25 Motion Decl.), Ex. 1 (Lynde Report), ¶¶ 28, 172, 226, 295, 435, 450-453, 525). Nor should Dr.
26 Lynde be allowed to “suggest that Volterra cannot recover for price erosion based on his surmise
27 that following the Court’s consideration of the preliminary injunction the Defendants either were
28 not focusing on or supposedly stopped promoting the infringing products such that there was no

1 longer ‘direct competition’ with the infringing products.” *Id.* (citing Morando Motion Decl., Ex. 1
 2 (Lynde Report), ¶¶ 335, 466, 527, 547). Finally, for the same reason, Volterra asserts that Dr.
 3 Lynde should not be permitted to opine that “Volterra cannot show causation for reduced prices on
 4 sales to HP on projects using microprocessors made by AMD because . . . Defendants’ controllers
 5 which might have been sold with the infringing products did not meet AMD specifications.” *Id.*
 6 (citing Morando Motion Decl., Ex. 1 (Lynde Report), ¶¶ 226, 450-453). According to Volterra,
 7 Dr. Lynde’s opinion is based on the incorrect premise that Primarion’s infringing products could
 8 not have directly competed with Volterra’s products because they did not meet AMD
 9 specifications, whereas Volterra’s products did. *Id.* at 24-25.

10 **E. Defendants’ Opposition to Plaintiff’s *Daubert* Motion**

11 Defendants reject Volterra’s position that Dr. Lynde offers opinions pertaining to motive or
 12 credibility. Opposition at 1. Rather, Defendants argue, Dr. Lynde “provides a balanced analysis
 13 of the evidentiary record, noting where differences exist between what Volterra witnesses now
 14 claim and what their own contemporaneous documents say.” *Id.* With respect to Dr. Lynde’s
 15 opinions about factors other than Defendants’ infringement that may have contributed to the
 16 reduction in Volterra’s prices, Defendants contend an expert who is creating a hypothetical
 17 market “*must* account for and consider ‘the many other factors that could cause a manufacturer of
 18 a product to lower its prices.’” *Id.* at 7 (quoting *Ericsson, Inc. v. Harris Corp.*, 2001 WL
 19 36131932, at *7 (E.D. Tex. Mar. 13, 2001)). Thus, Dr. Lynde appropriately opines about these
 20 other factors, Defendants contend. *Id.* In contrast, Defendants assert, Volterra’s price erosion
 21 expert, Mr. Wagner, “blindly adopt[s] the testimony of interested witnesses regarding the cause of
 22 a price reduction without independent verification and analysis.” *Id.* at 8. Further, Defendants
 23 assert, Dr. Lynde’s methodology, relying on a review of documents and deposition testimony, as
 24 well as consideration of macroeconomic factors, has been approved by other courts. *Id.* at 9-10
 25 (citing *Playtex Products, Inc. v. Proctor & Gamble*, 2004 WL 1658377, at *6 (S.D.N.Y. July 26,
 26 2004)).

27 Defendants reject Volterra’s assertion that Dr. Lynde cannot properly rely on documents
 28 drafted by Volterra employees, arguing that it is proper to draw inferences from evidence in the

1 record. *Id.* at 11 (citing *Bergen v. F/V St. Patrick*, 816 F.2d 1345, 1352 n.5 (9th Cir. 1987)).
 2 Thus, Defendants assert, Dr. Lynde’s reliance on Volterra’s Product Vision Statements in support
 3 of his opinions is proper. *Id.* at 12. Similarly, Defendants assert Dr. Lynde’s reliance on Volterra
 4 documents in support of opinions about historical pricing trends – such as documents showing
 5 Volterra advertised “a [REDACTED] performance improvement with each generation” – is proper. *Id.* at
 6 13. According to Defendants, the degree to which these documents support their expert’s opinion
 7 goes to the weight of the evidence, not the admissibility. *Id.* at 12-13.

8 Defendants further contend Dr. Lynde’s opinions about Volterra’s production costs and
 9 margins are a proper subject of expert opinion and not, as Volterra contends, “a divination of
 10 Plaintiff’s intent.” *Id.* at 13-14 (citing *Multimatic, Inc. v. Faurecia Interior Sys. USA, Inc.*, 358
 11 Fed. App’x 643, 654 (6th Cir. 2009); *Polaroid Corp. v. Eastman Kodak Co.*, 1990 WL 324105 (D.
 12 Mass. Oct. 12, 1990); *Tama Plastic Indus. v. Pritchett Twine & Net Wrap, LLC*, 2012 WL
 13 3264570, at *10 (S.D. Ind. Aug. 9, 2012)). Defendants assert Volterra has cited no case that holds
 14 cost margins and production costs are an improper subject of expert opinion and that Volterra’s
 15 challenge goes to the weight of Dr. Lynde’s opinion, not its admissibility. *Id.* at 14. Dr. Lynde’s
 16 opinions about the impact of the volume of Volterra Asia’s sales on prices are also proper,
 17 Defendants argue, because this relationship is based on well-established economic principles;
 18 indeed, this relationship is relevant to the price elasticity of demand, Defendants assert, which
 19 *must* be considered to determine causation based on price erosion. *Id.* at 15 (citing *Crystal*
 20 *Semiconductor Corp. v. Tritech Microelectronics Int’l, Inc.*, 246 F.3d 1336, 1355 (Fed. Cir. 2001);
 21 *Andrew Corp. v. Gabriel Electronics, Inc.*, 785 F. Supp. 1041, 1052 (D. Me. 1992)).

22 Defendants argue Dr. Lynde’s consideration of evidence that Volterra lowered the prices it
 23 offered to HP and IBM to compete with “discrete” voltage regulator solutions is proper because a
 24 lost profits analysis *must* consider the effects of non-infringing competition. *Id.* at 16-17 (citing
 25 *Panduit Corp. v. Stalin Bros. Fibre Works, Inc.*, 575 F.2d 1152, 1156 (6th Cir. 1978); *Milos Misha*
 26 *Subotincic v. 1274274 Ontario, Inc.*, 2013 WL 3964994, at *15 (C.D. Cal. Apr. 9, 2013)). To the
 27 extent Dr. Lynde relied, in part, on Volterra documents and deposition testimony, Defendants
 28 argue there is nothing improper about this. *Id.* at 17 (citing *Playtex Prods.*, 2004 WL 1658377, at

1 *6). Defendants argue that Volterra's challenge, again, goes to weight of Dr. Lynde's opinions
2 rather than their admissibility. *Id.*

3 Defendants also reject Volterra's challenge based on Dr. Lynde's opinions regarding the
4 impact of the worldwide recession. *Id.* at 17-19. According to Defendants, Volterra's arguments
5 that Dr. Lynde's opinion is deficient to the extent that he did not quantify the effects of the
6 worldwide recession or show a direct tie between the recession and Volterra's pricing should be
7 rejected because it is Volterra's burden to show the prices it would have obtained in a hypothetical
8 market. *Id.* at 18. Defendants contend Dr. Lynde's opinion is simply pointing out that Mr.
9 Wagner did not factor the recession into his analysis. *Id.* at 18. Further, Defendants assert,
10 consideration of macroeconomic factors is required to evaluate a price erosion claim. *Id.* (citing
11 *Rowlplug Co., Inc. v. Illinois Tool Works Inc.*, 1994 WL 202600, at *2 (S.D.N.Y. May 23, 1994)).

12 Customer initiated cost-pressures are also a proper subject of expert opinion, Defendants
13 argue, and Dr. Lynde's opinions on this question are proper. *Id.* at 19-20. In particular, while the
14 question of "*whether* customer's applied price pressures is not the type of testimony that requires
15 specialized knowledge," the "effect of that price pressure, combined with other economic factors,
16 on a party's pricing *is* the kind of testimony that requires specialized knowledge." *Id.* at 20
17 (emphasis in original). This is also a necessary consideration in determining price erosion,
18 Defendants contend, and to the extent Volterra challenges the factual basis for Dr. Lynde's
19 opinions, this goes only to the weight of Dr. Lynde's opinions. *Id.* at 19.

20 Defendants also reject Volterra's argument that Dr. Lynde may not rely on the absence of
21 contemporaneous records showing Volterra was making pricing decisions in response to
22 Defendants' sales or offers for sale of infringing products. *Id.* at 20. Defendants contend Dr.
23 Lynde does not "offer an opinion on expected record-keeping or the types of documents Plaintiff
24 *ought* to keep . . . [but] simply notes that *no* contemporaneously created documents state that
25 Volterra was reducing prices in response to Defendants' accused products." *Id.* This is another
26 challenge Defendants assert goes to the weight of Dr. Lynde's opinion rather than its
27 admissibility. *Id.* at 20-21.

28 Defendants also argue Dr. Lynde is not presenting opinions about the state of mind of

1 Volterra’s witnesses; he is simply “as an economist, considering *all* the available evidence to
 2 critique Mr. Wagner’s opinion on price erosion.” *Id.* at 21. Even if Dr. Lynde’s review of the
 3 documents “lead[s] to conclusions that cannot be squared with Volterra’s witnesses’ litigation
 4 testimony, that does not mean he is testifying about state of mind.” *Id.* Defendants assert that the
 5 cases cited by Volterra to support the argument that an expert witness may not opine about witness
 6 credibility are distinguishable because they hold that “a party may not offer an expert who
 7 purports to have expertise *solely* about whether a witness is believable.” *Id.* at 21-22 (citing
 8 *United States v. Todd*, 884 F.2d 583, at *3 (9th Cir. 1989) (unpublished); *Ellis v. Navarro*, 2013
 9 WL 3580284, at *6; *United States v. Whitted*, 11 F.3d 782, 785 (8th Cir. 1993)).

10 Finally, Defendants argue Dr. Lynde’s understanding that the “law requires some modicum
 11 of direct, actual competition to prove causation of price erosion” is correct. *Id.* at 22-25 (citing
 12 *Vulcan Eng’g Co. v. Fata Aluminum, Inc.*, 278 F.3d 1366, 1377 (Fed. Cir. 2002); *Engineered*
 13 *Products Co. v. Donaldson Co.*, 147 Fed. App’x 979, 990 (Fed. Cir. 2005); *Wechsler v. Macke*
 14 *Int’l Trade, Inc.*, 486 F.3d 1286, 1294 (Fed. Cir. 2007)). In particular, Defendants contend, “[t]he
 15 law requires a plaintiff to prove that it reduced its prices in response to actual, direct competition –
 16 not *fear* or *belief* of competition.” *Id.* at 24 (emphasis in original). This point is important,
 17 Defendants assert, “because, as Dr. Lynde points out in his report, Wagner considered no evidence
 18 that Volterra competed with Defendants’ infringing products on *any* of the projects for which
 19 Volterra claims price erosion.” *Id.* According to Defendants, “Wagner cites only a single
 20 instance of actual competition between Volterra and Defendants’ accused products, for a never-
 21 completed IBM server project being designed by a Taiwanese firm called Wistron. . . Wagner
 22 claims over \$40 million of price erosion for Volterra Asia’s sales to HP . . . even though *he did not*
 23 *identify a single instance of actual competition at HP.*” *Id.* at 24 (emphasis in original).

24 **III. ANALYSIS**

25 **A. Legal Standards**

26 **1. Rule 56**

27 Summary judgment on a claim or defense is appropriate “if the movant shows that there is
 28 no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of

1 law.” Fed. R. Civ. P. 56(a). In order to prevail, a party moving for summary judgment must show
2 the absence of a genuine issue of material fact with respect to an essential element of the non-
3 moving party’s claim, or a defense on which the non-moving party will bear the burden of
4 persuasion at trial. *Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986). Once the movant has
5 made this showing, the burden then shifts to the party opposing summary judgment to designate
6 “specific facts showing there is a genuine issue for trial.” *Id.* “[T]he inquiry involved in a ruling
7 on a motion for summary judgment . . . implicates the substantive evidentiary standard of proof
8 that would apply at the trial on the merits.” *Anderson v. Liberty Lobby Inc.*, 477 U.S. 242, 252
9 (1986). On summary judgment, the court draws all reasonable factual inferences in favor of the
10 non-movant. *Id.* at 255.

11 2. Rule 702 and *Daubert*

12 The admissibility of expert testimony is governed by Rule 702 of the Federal Rules of
13 Evidence, which provides:

14 If scientific, technical, or other specialized knowledge will assist the
15 trier of fact to understand the evidence or to determine a fact in
16 issue, a witness qualified as an expert by knowledge, skill,
17 experience, training, or education, may testify thereto in the form of
18 an opinion or otherwise, if (1) the testimony is based upon sufficient
facts or data, (2) the testimony is the product of reliable principles
and methods, and (3) the witness has applied the principles and
methods reliably to the facts of the case.

19 F.R.Evid. 702. In determining whether expert testimony meets the requirements of Rule 702,
20 courts follow the approach set forth in *Daubert v. Merrell Dow Pharms., Inc.*, in which the
21 Supreme Court described the relevant inquiry as follows:

22 Faced with a proffer of expert scientific testimony, then, the trial
23 judge must determine . . . whether the expert is proposing to testify
24 to (1) scientific knowledge that (2) will assist the trier of fact to
25 understand or determine a fact in issue. This entails a preliminary
assessment of whether the reasoning or methodology underlying the
testimony is scientifically valid and of whether that reasoning or
methodology properly can be applied to the facts in issue.

26 509 U.S. 579, 590 (1993).

27 With respect to the first requirement, that an expert must testify to “scientific knowledge,”
28 the Court in *Daubert* explained that “[t]he adjective ‘scientific’ implies a grounding in the

1 methods and procedures of science . . . [while] the word ‘knowledge’ connotes more than
2 subjective belief or unsupported speculation . . . [and] ‘applies to any body of known facts or to
3 any body of ideas inferred from such facts or accepted as truths on good grounds.’” *Id.* at 590
4 (quoting Webster’s Third New International Dictionary 1252 (1986)). The Court declined to set
5 forth a definitive test but offered some “general observations” about the types of factors that might
6 be considered in determining whether this requirement is met. *Id.* at 593. These include: 1)
7 whether the methodology can be or has been tested; 2) whether the theory and technique has been
8 subjected to peer review; 3) if a “particular scientific technique” is involved, the known or
9 potential rate of error; and 4) the degree of acceptance in the relevant scientific community.
10 *Daubert*, 509 U.S. at 592-94.

11 The Ninth Circuit has noted that the “scientific knowledge” requirement is usually met by
12 “[e]stablishing that an expert’s proffered testimony grows out of pre-litigation research or that the
13 expert’s research has been subjected to peer review.” *Daubert v. Merrell Dow Pharmaceuticals,*
14 *Inc.*, 43 F.3d 1311, 1318 (9th Cir. 1995) (“*Daubert II*”). However, when such evidence is not
15 available, the proponent’s experts may satisfy this requirement by “explain[ing] precisely how
16 they went about reaching their conclusions and point[ing] to some objective source – a learned
17 treatise, the policy statement of a professional association, a published article in a reputable
18 scientific journal or the like – to show that they have followed the scientific method, as it is
19 practiced by (at least) a recognized minority of scientists in their field.” *Id.* at 1319.

20 The second requirement under Rule 702, that expert testimony must “assist the trier of fact
21 to understand the evidence or to determine a fact in issue,” “goes primarily to relevance.” *Id.* at
22 591. This is a question of “fit,” and “is not always obvious.” *Daubert*, 509 U.S. at 591. The
23 Court cautioned that “scientific validity for one purpose is not necessarily scientific validity for
24 other, unrelated purposes.” *Id.* To meet this requirement there must be “a valid scientific
25 connection to the pertinent inquiry.” *Id.* In other words, the expert testimony must “logically
26 advance[] a material aspect of the proposing party’s case.” *Daubert II*, 43 F.3d at 1315. This
27 requirement is more stringent than the relevancy requirement of Rule 402 of the Federal Rules of
28 Evidence, “reflecting the special dangers inherent in scientific expert testimony.” *Jones v. U.S.*,

1 933 F.Supp. 894, 900 (N.D. Cal., 1996) (citing *Daubert*, 509 U.S. at 591; *Daubert II*, 43 F.3d at
2 1321 n. 17). In particular, expert testimony “can be both powerful and quite misleading because
3 of the difficulty in evaluating it.” *Id.* (quoting *Daubert*, 509 U.S. at 595 (citation omitted)).
4 “Therefore, a federal judge should exclude scientific expert testimony under the second prong of
5 the *Daubert* standard unless he is ‘convinced that it speaks clearly and directly to an issue in
6 dispute in the case.’” *Id.* (quoting *Daubert II*, 43 F.3d at 1321 n. 17).

7 **B. Defendants’ Summary Judgment/*Daubert* Motion**

8 As discussed above, Defendants seek summary judgment as to both the Volterra Asia
9 damages and the Volterra Semiconductor damages. As to the Volterra Asia damages, the Court
10 does not accept all of Defendants’ challenges to Volterra’s damages theory. Ultimately, however,
11 it concludes that the theory upon which Dr. Meyer relies to establish that Volterra Semiconductor
12 was injured as a result of price erosion on the sales that were made by Volterra Asia is inconsistent
13 with the reasoning of the Federal Circuit in *Poly-America* and *Mars*. Further, because Volterra
14 has not pointed to any other evidence from which a jury could reasonably conclude that Volterra
15 Semiconductor suffered *direct* injury as a result of the alleged price erosion on these sales,
16 Defendants are entitled to summary judgment as to these damages. On the other hand, the Court
17 rejects Defendants’ arguments as to the Volterra Semiconductor damages and finds that Volterra
18 has pointed to sufficient evidence to survive summary judgment as to those damages.

19 **1. Whether Volterra Semiconductor is Precluded from Recovering Damages**
20 **Based on Volterra Asia Sales Because Volterra Asia is a Separate Corporate**
21 **Entity**

22 **a. Legal Standards Governing Patent Infringement Damages under § 284 of**
23 **the Patent Act**

24 Section 284 of the Patent Act provides, in part, as follows:

25 Upon finding for the claimant the court shall award the claimant
26 damages adequate to compensate for the infringement, but in no
27 event less than a reasonable royalty for the use made of the
28 invention by the infringer, together with interest and costs as fixed
by the court.

29 35 U.S.C. § 284. In *Rite-Hite*, the Federal Circuit found that in “mandat[ing] that claimant receive
30 damages ‘adequate’ to compensate for infringement . . . the language of the statute is expansive

1 rather than limiting.” 56 F.3d 1538, 1544 (Fed. Cir.1995). The *Rite-Hite* court further pointed out
2 that § 284 “affirmatively states that damages must be adequate, while providing only a lower limit
3 and no other limitation.” *Id.*; see also *General Motors Corp. v. Devex Corp.*, 461 U.S. 648, 654-
4 55 (1983) (holding that under § 284, “Congress sought to ensure that the patent owner would in
5 fact receive full compensation for ‘any damages’ he suffered as a result of the infringement”).
6 Thus, “[d]amages” in § 284 “encompasses an amount necessary to redress any direct injury from
7 infringement.” *King Instruments Corp. v. Perego*, 65 F.3d 941, 949 (Fed. Cir. 1995). Section
8 284 does not, however, create a remedy for “every conceivable harm that can be traced to an
9 alleged wrongdoing.” *Rite-Hite*, 56 F.3d at 1546. For example, it does not reach “remote
10 consequences, such as a heart attack of the inventor or loss in value of shares of common stock of
11 a patentee corporation caused indirectly by infringement.” *Id.*

12 “Despite the broad damages language of § 284, patentees tend to try to fit their damages
13 cases into the ‘lost profits’ framework or else fall back on the statutory grant of a reasonable
14 royalty.” *Mars, Inc. v. Coin Acceptors, Inc.*, 527 F.3d 1359, 1366 (Fed. Cir. 2008). To recover
15 lost profits, “the patentee must show that there is a reasonable probability that ‘but for’ the
16 infringement it would have made the sales that were made by the infringer.” *Rite-Hite*, 56 F.3d at
17 1545. Thus, while § 284 does not require that a patentee itself make, use, or sell the patented
18 device, see *King Instruments*, 65 F.3d at 949, to obtain an award based on a lost profits theory,
19 “the patentee needs to have been selling some item, the profits of which have been lost due to
20 infringing sales.” *Poly-America*, 383 F.3d at 1311. In addition, the lost profits must be
21 reasonably foreseeable: “If a particular injury was or should have been reasonably foreseeable by
22 an infringing competitor in the relevant market, broadly defined, that injury is generally
23 compensable absent a persuasive reason to the contrary.” *Rite-Hite*, 56 F.3d at 1546.

24 In *Poly-America*, the Federal Circuit held that a patentee corporation could not recover
25 damages based on the lost profits of a sister corporation, even if the two corporate entities
26 “share[d] interests as two entities collaborating in the manufacture” of the invention. 383 F.3d at
27 1311. The court stated, “Poly-America and Poly-Flex may not enjoy the advantages of their
28 separate corporate structure and, at the same time, avoid the consequential limitations of that

1 structure – in this case, the inability of the patent holder to claim the lost profits of its non-
2 exclusive licensee.” *Id.* Although Poly-America (the patentee) and Poly-Flex (the licensee) had
3 entered into an agreement whereby Poly-America was purportedly given the right to collect all
4 damages for past infringement accruing to Poly-Flex, the Federal Circuit found that this private
5 arrangement did not permit Poly-America to seek the lost profits of Poly-Flex. *Id.* at 1311-1312.
6 The court reasoned that Poly-Flex, as a non-exclusive licensee, held only a “bare license” to the
7 patent and therefore did not have standing, under *Rite-Hite*, to sue for infringement of the patent to
8 obtain its own lost profits. *Id.* Thus, the agreement between the parties could not “create lost
9 profits for a patentee if there are none.” *Id.* at 1311. The court further noted that “[a]warding lost
10 profits to Poly-America on the basis of its private arrangement with Poly-Flex would synthetically
11 create lost profits for Poly-America, when it may not have suffered any, to the detriment of [the
12 infringer].” *Id.* at 1311-1312.

13 In *Mars*, the Federal Circuit revisited the implications of corporate structure as to the
14 availability of patent damages based on lost profits. 527 F.3d 1359 (Fed. Cir. 2008). In that case,
15 the parent company and patentee, Mars, sought to recover damages for patent infringement based
16 on the lost sales of its wholly owned subsidiary, MEI. *Id.* at 1365. Although the district court had
17 held, based on *Poly-America*, that Mars could not recover MEI’s lost profits, Mars argued on
18 appeal that the facts were distinguishable because it was seeking lost profits of a wholly owned
19 subsidiary and the “consolidated financial statements prove[d] that ‘all MEI’s lost profits were
20 inherently lost profits of Mars.’” *Id.* (quoting Mars brief).

21 The Federal Circuit, noting that “the correct measure of damages is a highly case-specific
22 and fact-specific analysis,” found that Mars could not recover MEI’s lost profits based on the
23 evidence presented in the district court. *Id.* at 1366-1367. It pointed to the uncontradicted
24 testimony of Mars’s Corporate Tax Director that MEI and Mars had a “traditional royalty-bearing
25 license agreement” and to the fact that “Mars identified no record evidence that it ever received or
26 recognized any form of profit or revenue from MEI apart from these royalty payments.” *Id.* at
27 1367. The court therefore concluded that the evidence did not support Mars’s assertion that it
28 “inherently” lost profits when MEI lost profits. *Id.* The court left open the possibility that it

1 would have reached a different result if the evidence had showed that the wholly-owned
 2 subsidiary's profits flowed "inexorably" up to the parent. *Id.* It also made clear that it was not
 3 deciding whether "Mars would have been entitled to recover under any other damages theory for
 4 the economic injury that it suffered as a result of MEI's lost sales." *Id.* at 1366. Finally, it noted
 5 that "[w]e have previously recognized that patentees may be entitled to damages above a
 6 reasonable royalty on theories entirely distinct from lost profits." *Id.* (citing *Minco, Inc. v.*
 7 *Combustion Engineering, Inc.*, 95 F.3d 1109, 1120 (Fed. Cir. 1996)).

8 **b. Legal Standards Governing Shareholder Standing**

9 "A basic tenet of American corporate law is that the corporation and its shareholders are
 10 distinct entities." *Dole Food Co. v. Patrickson*, 538 U.S. 468, 474 (2003). As a general rule, a
 11 shareholder does not have standing to redress an injury to a corporation but rather, "must be
 12 injured directly and independently of the corporation" to have standing. *Shell Petroleum, N.V. v.*
 13 *Graves*, 709 F.2d 593, 594 (9th Cir. 1983). This rule derives from the doctrine of prudential
 14 standing rather than constitutional standing based on Article III of the U.S. Constitution. *Id.* In
 15 *Warth v. Seldin*, the Supreme Court explained that the doctrine of prudential standing is based on
 16 the recognition that even where a plaintiff has alleged sufficient facts to establish a "Case" or
 17 "Controversy" under Article III, the plaintiff must also, as a matter of "judicial self-governance,"
 18 "assert his own legal rights and interests, and cannot rest his claim to relief on the legal rights or
 19 interests of third parties." 422 U.S. 490, 500 (1975). The purpose of the prudential standing
 20 doctrine is to ensure that courts are not "called upon to decide abstract questions of wide public
 21 significance even though other governmental institutions may be more competent to address the
 22 questions and even though judicial intervention may be unnecessary to protect individual rights."
 23 *Id.*

24 The Court in *Warth v. Seldin* explained that the existence of prudential standing "turns on
 25 the nature and source of the claim asserted." *Id.* The critical inquiry "is whether the constitutional
 26 or statutory provision on which the claim rests properly can be understood as granting persons in
 27 the plaintiff's position a right to judicial relief." *Id.* The Court further noted that "Congress may
 28 grant an express right of action to persons who otherwise would be barred by prudential standing

1 rules.” *Id.* at 501.

2 **c. Discussion**

3
4 Defendants ask the Court to grant summary judgment as to the Volterra Asia damages
5 under the doctrine of shareholder standing and the Federal Circuit’s decisions in *Poly-America* and
6 *Mars*. While it is not clear that the shareholder standing cases require this result, the Court finds
7 that the holdings and reasoning of *Poly-America* and *Mars* preclude Volterra from seeking the
8 Volterra Asia damages based on the theory advanced by its expert, Dr. Meyer.

9 To determine whether Volterra Semiconductor has standing to seek the Volterra Asia
10 damages, the Court must look to the Patent Act itself. *See WiAV Solutions LLC v. Motorola, Inc.*,
11 631 F.3d 1257, 1264 (Fed. Cir. 2010) (“Because the Patent Act creates the legally protected
12 interests in dispute, the right to assert infringement of those interests comes from the Act itself”).
13 As discussed above, the Supreme Court and the Federal Circuit have construed § 284 of the Patent
14 Act broadly. *See General Motors*, 461 U.S. at 654-65; *Rite-Hite*, 56 F.3d at 1544. Nonetheless,
15 damages are available only for “direct” injury. *King Instruments*, 65 F.3d at 949. Further, under
16 *Mars* and *Poly-America*, a separate corporate entity’s loss of profits due to price erosion does not
17 constitute a direct injury to the parent because a patent holder may not “enjoy the advantages of
18 their separate corporate structure and, at the same time, avoid the consequential limitations of that
19 structure.” *Poly-America*, 383 F.3d at 1311. Yet that is just what Volterra seeks to do in relying
20 on Dr. Meyer’s expert opinions in this case. Dr. Meyer’s opinion is that the direct injury to
21 Volterra Semiconductor is, dollar-for-dollar, the decrease in the amount of cash held by its
22 “assets” as a result of price erosion on the subsidiaries’ sales. This “injury” is indistinguishable
23 from a claim for the lost profits of a subsidiary.

24 Further, the Court is not persuaded by Volterra’s assertion that *Mars* does not apply here
25 because it is seeking damages on a theory “entirely distinct from lost profits.”⁵ The Federal

26
27 ⁵ The Court need not address whether the Volterra Asia damages are available on the basis that the
28 losses of Volterra Semiconductor’s subsidiaries would have flowed “inexorably up to the parent.”
Mars, 527 F.3d at 1367. Volterra does not seek damages on this theory and has not attempted to
make any factual showing that this potential exception in *Mars* applies.

1 Circuit in *Mars* cited *Minco* as an example of what might constitute such a “distinct” theory,
2 describing *Minco* as “recognizing that the patentee might have been entitled to damages as a result
3 of overpaying for the infringer’s business, if it had proven that the infringing products were an
4 important factor in the sale.” 527 F.3d at 1366. In *Minco*, the asserted patent covered a rotary
5 furnace for fusing minerals. 95 F.3d at 1112. The defendant was a competitor of the patentee and
6 used a kiln that infringed the plaintiff’s patent. 95 F.3d at 1114-1115. The patentee sought lost
7 profits damages on a variety of theories, including a theory that when the infringer sold its
8 business to a third party, it received a higher selling price because of the kilns; under this theory,
9 the patentee asserted that the third party would have purchased its business rather than the
10 defendant’s business but for the infringement. *Id.* However, the trial court found, as a factual
11 matter, that the defendant’s use of the kilns was not an important factor in the sale of the
12 infringer’s business and therefore, that the patentee was not entitled to these damages. *Id.* at 1120.
13 The Federal Circuit affirmed the district court’s holding. *Id.* (“While in theory *Minco* might have
14 been entitled to some recovery from CE’s sale of its business because it included the infringing
15 kilns, the district court specifically determined that *Minco* did not show that the infringing kilns
16 were an important factor in the sale”).

17 Unlike *Minco*, the loss here is a disguised effort to recover the lost profits of the
18 subsidiary. Volterra seeks to prove that its subsidiary lost profits through price erosion, and, as a
19 result, the parent lost the exact same amount of money (adjusting only for taxes and royalties) –
20 now called loss of value of the subsidiary. Although Volterra’s expert says that she is just valuing
21 the assets of the subsidiaries, the fact that the asset value is not only tied to lost profits but is
22 exactly equal to lost profits requires the conclusion that Plaintiff’s theory is not entirely distinct
23 from a lost profits theory. To hold otherwise would eliminate the rule announced in *Mars* because a
24 parent corporation could always recover the lost profits of its wholly owned subsidiary simply by
25 characterizing them as the lost value of its asset. Indeed, the parent corporation in *Mars*
26 presumably could have obtained an award of its subsidiary’s lost profits by simply renaming the
27 loss.

28 The Federal Circuit’s reliance on *Minco* in the *Mars* decision also indicates that profits

1 obtained by a separate entity are available only where there is a *factual* basis for such an award,
2 even where the patentee's damages theory is completely independent of a lost profits theory.
3 While Dr. Meyer has offered hypotheticals about the potential impact of Defendants'
4 infringement, however, such as the possibility that Volterra would have received a lower price if it
5 had attempted to sell one of its subsidiaries, she has provided no factual basis to support these
6 hypotheticals. Rather, she opines that it is irrelevant to her theory whether the scenarios she offers
7 ever occurred or even, whether they were likely to have occurred.⁶ As discussed above, were the
8 Court to find that such hypotheticals are sufficient to establish an independent basis for a parent to
9 recover the lost profits of its subsidiaries it would be creating an exception that would essentially
10 swallow the rule announced in *Poly-America* and *Mars*. Every parent of a wholly owned
11 subsidiary, including the parent in *Mars*, could obtain the lost profits of the subsidiary simply by
12 claiming it fully controlled the subsidiary and that dividends *could* have passed the lost profits
13 upstream had the parent decided dividends should be declared by the subsidiary or that a
14 hypothetical buyer *might* have paid less for a subsidiary had the parent chosen to sell it.

15 Further, such a holding would also fly in the face of the well-established rule that damages
16 may not be awarded on the basis of harm that is entirely speculative. Not only did Dr. Meyer fail
17 to address whether the hypothetical scenarios were likely to have occurred; there is evidence in the
18 record that it would have been *unlikely* for any of these scenarios to have occurred. *See* Wille
19 Motion Decl., Ex. T (Plaintiff's Response to Defendants' Request for Admissions, Nos. 29, 60)
20 ("Volterra admits that Volterra International has not declared a dividend during the time period
21 from January 1, 2008 through the present"; Volterra admits that it has "never attempted to
22 market, advertise, or otherwise sell its shares of Volterra International"); *id.*, Ex. F (Burns Dep.) at
23 48:16-25, 72:23-73:1, 185: 18-22 (testimony of Volterra International director that he did not
24 recall Volterra International ever paying a dividend to Volterra Semiconductor and that he was not
25

26
27
28

⁶ At oral argument, Volterra informed the Court that in recent weeks there has been a tender offer to Volterra Semiconductor by a third party to buy Volterra Semiconductor and its subsidiaries. As a matter of case management and fairness, and in light of the delay of almost a year that resulted from Volterra's previous request to amend its expert reports (which the Court granted), the Court will not permit Volterra to amend its expert reports yet again based on these recent events.

1 aware of Volterra Semiconductor ever attempting to sell its shares of Volterra International); *id.*,
2 Ex. S (Volterra Semiconductor 2012 Form 10-K filed with the Securities and Exchange
3 Commission, p. 33, 52) (stating that “[a]s of December 31, 2012, the cash and short-term
4 investments held by our foreign subsidiaries was approximately \$72.1 million,” that “[i]f these
5 funds were repatriated to the U.S., under current tax law we could be required to accrue and pay
6 U.S. taxes on a portion of these funds,” and that “[o]ur current plan is to permanently reinvest
7 these funds outside the U.S.”). As discussed above, nothing in *Mars* suggests that the Federal
8 Circuit intended to relax the requirements for establishing causation of patent damages and indeed,
9 its reliance on *Minco* suggests the opposite.

10 The Court concludes that Volterra’s theory as to the Volterra Asia damages, as reflected in
11 the expert opinions offered by Dr. Meyer, is not “entirely distinct from lost profits” and is barred
12 by *Poly-America* and *Mars*. The Court further finds that Volterra has not demonstrated a material
13 issue of fact on this question because the expert opinions of Dr. Meyer are the only evidence it
14 cited in response to Defendants’ request for summary judgment to show that Volterra
15 Semiconductor was *directly* harmed by price erosion on the Volterra Asia sales.⁷

16 **2. Whether Volterra Semiconductor is Precluded from Recovering Damages**
17 **Based on Volterra Asia Sales because the Infringing Acts or Sales Occurred**
18 **Outside of the United States**

19 **a. Infringing Acts Outside of the United States**

20 Defendants asks the Court to hold, as a matter of law, that Volterra cannot obtain price
21 erosion damages on the sales by Volterra Asia because there is no evidence that acts of
22 infringement in the United States that constituted “direct competition” caused the alleged price
23 erosion. The Court concludes Defendants’ position is based on an incorrect reading of the
24 applicable case law.

25 There is no dispute that “infringement,” under § 271 of the Patent Act, must occur within

26 ⁷ At oral argument, Volterra argued, for the first time, that the Court should deny summary
27 judgment on this issue because *other* evidence in the record shows that Volterra Semiconductor
28 was directly injured as a result of price erosion on Volterra Asia sales. Volterra’s argument is
untimely, however, given that Defendants expressly requested entry of summary judgment on this
ground and Volterra did not make this argument in its opposition brief or point to any evidence
other than Dr. Meyer’s opinions to demonstrate the existence of a material dispute of fact.

1 the United States. *See* Volterra Opposition at 13. Further, Defendants have stipulated that they
2 have committed acts of infringement in the United States. *See* Docket Nos. 895, 1176. Thus, the
3 question on this issue is simply one of causation. As discussed above, to recover lost profits, “the
4 patentee must show that there is a reasonable probability that ‘but for’ the infringement it would
5 have made the sales that were made by the infringer.” *Rite-Hite*, 56 F.3d at 1545. Volterra’s
6 theory of causation is *not* that Defendants’ sale of infringing products that directly competed with
7 Volterra’s drove down the price, though that might be a viable price erosion theory if the facts
8 supported it. Rather, Volterra’s theory is that Defendants forced Volterra to lower its prices
9 through their efforts, in the United States, to obtain design wins with IBM and HP for their
10 infringing products. These efforts, according to Volterra, included testing of the infringing
11 products at Defendants’ facilities in the United States and meeting with representatives of IBM
12 and HP at numerous locations in the United States to demonstrate the advantages of their voltage
13 regulator solutions, both in terms of performance and cost.

14 Further, Volterra has pointed to evidence in support of its opposition to Defendants’
15 Motion demonstrating that there is at least a question of fact as to whether Volterra’s prices,
16 including the prices charged by Volterra Asia, were lowered in response to these infringing
17 activities in the United States. *See* Numann Opp. Decl., ¶¶ 5-6, Morando Opp. Decl., ¶ 73; *see*
18 *also Brooktree Corp. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555, 1579-80 (Fed. Cir. 1990)
19 (holding that even where the infringer had not yet begun to actually sell the infringing product,
20 “losses incurred upon announcement by [the infringer] of the infringing activity may be included
21 [in lost profits damages], when the losses are found to be reasonably related to the infringing
22 activity”). The Court’s conclusion finds further support in the fact that Defendants were the only
23 potential supplier, other than Volterra, of the invention. *See Lam, Inc. v. Johns-Manville Corp.*,
24 718 F.2d 1056, 1065 (Fed. Cir. 1983) (“Where, as here, the patent owner and the infringer were
25 the only suppliers of the product, causation may be inferred”).

26 Defendants mischaracterize the law in asserting, based on *Wechsler* and *Vulcan*, that
27 damages based on price erosion are not available unless the patentee can show “direct
28 competition.” In *Vulcan*, both the patentee and the infringer had submitted competing bids to

1 supply General Motors with the invention and the infringer, who offered a lower price, was
2 selected as the supplier. 278 F.3d at 1376-1377. The district court awarded the patentee lost
3 profits but calculated the amount based on the lower price offered by the infringer, reasoning that
4 the patentee was not entitled to an award based on its own higher price bid because the patentee
5 was unaware that the competitor's bid was for an infringing product. *Id.* at 1377. On appeal, the
6 patentee asserted it should have been awarded lost profits damages that accounted for the price
7 erosion even though it had not been aware that the competing bid was for an infringing product.
8 *Id.* The Federal Circuit agreed, with the caveat that the patentee was required to "establish the
9 amount of price reduction, and that the price was reduced in response to the competing bid." *Id.*
10 Nothing in the Federal Circuit's decision purported to establish a broad rule that causation of lost
11 profits can only be established by showing "direct competition." Rather, the Federal Circuit's
12 holding in *Vulcan* was based on the specific theory of damages and the factual record of that case.

13 Similarly, the *Wechsler* decision also does not establish a requirement that a patentee must
14 prove lost profits resulted from "direct competition." There, the patentee did not begin selling its
15 product until four months after the infringer stopped selling the infringing product. 486 F.3d at
16 1293-1294. Nonetheless, the court recognized that the patentee might be entitled to lost profits
17 damages if it could show that the earlier sales by the infringer had preempted subsequent sales or
18 eroded the prices for the invention. *Id.* at 1294. The patentee could not do so, presenting "little
19 more than conclusory evidence on these theories." *Id.* Accordingly, the court found that "nothing
20 in the record links the price difference to [the infringer's] earlier presence in the market." *Id.*
21 Again, the Federal Circuit's holding is merely an application of the general rules of causation in
22 lost profits cases to the specific factual record of the case.

23 The Court finds that Volterra has offered sufficient evidence to demonstrate a fact question
24 as to whether Defendants' infringing acts in the United States caused price erosion on the Volterra
25 Asia sales.

26 **b. Lost Profits Based on Sales Outside of the United States**

27 Relying upon the Federal Circuit's decision in *Power Integrations, Inc. v. Fairchild*
28 *Semiconductor International, Inc.* ("*Power Integrations*"), 711 F.3d 1348 (Fed. Cir. 2013),

1 Defendants contend Volterra is precluded from recovering the Volterra Asia damages because
2 they are based on “worldwide sales.” Although a close call, the Court concludes Defendants’
3 reading of *Power Integrations* is overly broad and does not apply to the facts here.

4 In *Power Integrations*, the Federal Circuit addressed whether the patentee could receive an
5 award of lost profits based on foreign sales of the infringing product by the defendant. 711 F.3d at
6 1370. Although the Federal Circuit’s decision refers generally to “lost foreign sales,” the
7 opening brief filed by Power Integrations makes clear that it was seeking lost profits based on both
8 lost sales and price erosion resulting from the defendant’s foreign sales of the infringing product
9 at prices significantly lower than those of the patentee to third parties who had been customers of
10 the patentee. *See* 2011 WL 2827447, at * 40-41 (Plaintiff’s Opening Brief). In the trial court, the
11 jury had awarded over \$33 million in damages but the court had vacated the award, concluding
12 that it was not supported by law because \$30 million of the expert’s proposed damages “was not
13 ‘rooted in Fairchild’s activity in the United States.’” 711 F.3d at 1372. On appeal, Power
14 Integrations asked the Federal Circuit to reinstate the jury’s award, invoking “established law that
15 once a patentee demonstrates an underlying act of domestic infringement, the patentee is entitled
16 to receive full compensation for ‘any damages’ suffered as a result of the infringement.” *Id.*
17 (citing *Gen. Motors Corp. v. Devex Corp.*, 461 U.S. 648, 654–55 (1983)). It further asserted that it
18 should be awarded lost profits under *Rite-Hite* based on foreign sales because it was reasonably
19 foreseeable to the infringer that those foreign sales would harm the patentee. *Id.*

20 The Federal Circuit rejected Power Integrations’ arguments, reasoning that it is “axiomatic
21 that U.S. Patent law does not operate extraterritorially to prohibit infringement abroad.” *Id.* at
22 1371 (citations omitted). The court stated:

23 Our patent laws allow specifically “damages adequate to
24 compensate for the infringement.” 35 U.S.C. § 284 (emphasis
25 added). They do not thereby provide compensation for a defendant’s
26 foreign exploitation of a patented invention, which is not
27 infringement at all. . . .

28 Power Integrations’ “foreseeability” theory of worldwide damages
sets the presumption against extraterritoriality in interesting
juxtaposition with the principle of full compensation. Nevertheless,
Power Integrations’ argument is not novel, and in the end, it is not

1 persuasive. Regardless of how the argument is framed under the
 2 facts of this case, the underlying question here remains whether
 3 Power Integrations is entitled to compensatory damages for injury
 4 caused by infringing activity that occurred outside the territory of
 5 the United States. The answer is no.

6 *Id.*

7 The court went on to reject Power Integrations' assertion that "it may recover damages for
 8 Fairchild's worldwide sales of the patented invention because those foreign sales were the direct,
 9 foreseeable result of Fairchild's domestic infringement." *Id.* The Federal Circuit noted that Power
 10 Integrations had pointed to no case law "that supports an award of damages for sales
 11 consummated in foreign markets, regardless of any connection to infringing activity in the United
 12 States." *Id.* "To the contrary, the entirely extraterritorial production, use, or sale of an invention
 13 patented in the United States is an independent, intervening act that, under almost all
 14 circumstances, cuts off the chain of causation initiated by an act of domestic infringement." *Id.*
 15 (citing *Morrison v. Nat'l Australia Bank Ltd.*, —U.S. —, 130 S.Ct. 2869, 2884, 177 L.Ed.2d
 16 535 (2010)). Finally, the Federal Circuit agreed with the district court that the estimate of the
 17 patentee's damages expert was flawed, noting that "he did not quantify an amount of damages
 18 based on any offer for sale by Fairchild in the United States." *Id.* (citing *F. Hoffman-La Roche*
 19 *Ltd. v. Empagran S.A.*, 542 U.S. 155, 166 (2004)).

20 While the language of *Power Integrations* is broad, the court made clear that its holding
 21 was based on the specific facts of that case. *Id.* at 1372 ("Regardless how the argument is framed
 22 under the facts of this case . . ."). Of particular significance was the fact that the lost sales
 23 damages that Power Integrations was seeking were based on actual foreign sales made by the
 24 infringer, Fairchild. *Id.* Because Power Integrations did not establish that the foreign sales were
 25 the direct result of infringing activity in the United States – and its expert did not "quantify an
 26 amount of damages based on any offer for sale by Fairchild in the United States" – the court
 27 found that an award of damages based on these foreign sales by Fairchild would amount to an
 28 award of damages for infringement outside of the United States, which would run afoul of the
 established rule that the Patent Law does not extend to extraterritorial conduct. *Id.*

Here, Volterra's price erosion theory is based entirely upon conduct by the Defendant that

1 it contends forced it to lower its prices on its *own* products sold outside of the United States. It is
2 undisputed that Volterra is not seeking lost profits based on any sales made by *Defendants* outside
3 of the United States (although, according to Volterra, there may have been some). *See* Opposition
4 at 17 n. 21 (citing docket no. 1924). Consequently, an award of damages based on the Volterra
5 Asia sales would not constitute an award of damages based on infringing activity outside of the
6 United States. Further, all of the damages sought on the basis of price erosion as to Volterra Asia
7 sales are on sales of the invention that were made on the IBM and HP projects that were the
8 subject of Defendants' infringement in the United States. As Volterra notes, not only were
9 Defendants' efforts to sell the infringing products to HP and IBM conducted in the United States,
10 but its own decision to lower prices on those projects in response (at least according to Volterra's
11 theory) also occurred in the United States. Thus, the Court concludes that under the facts of this
12 case, the damages Volterra seeks on the Volterra Asia lost profits are the result of infringing
13 activity in the United States, not outside of the United States, and that the holding of *Power*
14 *Integrations* does not apply.

15 **3. Whether Volterra Semiconductor is Precluded from Recovering Damages**
16 **Based on its own Sales Because it has Provided no Evidence of its actual**
17 **Costs**

18 Defendants challenge Volterra Semiconductor's claim for damages based on its own sales
19 on the basis that Volterra has offered no evidence of its actual costs, that is, the amount it paid
20 Volterra Asia for the relevant products, which was variable. *See* Motion at 15 (citing Wille
21 Motion Decl., Ex. O (Andrews Dep.) at 62:11-78:6, 113:21-119:5). According to Defendants, lost
22 profits are the difference between the profits a patentee *could* have made but for the infringement
23 and the profits it *actually* made; because actual and "but for" profits are determined by subtracting
24 actual costs from the selling price, Defendants assert, Volterra cannot prove either actual or but-for
25 profits and therefore cannot establish its lost profits. Defendants' argument is frivolous.

26 The lost profits due to price erosion can be measured by comparing a patentee's actual
27 profits with the profits that could have been obtained but for the infringement. *See Rite-Hite*, 56
28 F.3d at 1545; *Pentech Intern., Inc. v. Hayduchok*, 931 F.Supp. 1167, 1172-1173 (S.D.N.Y., 1996).
While this amount can be calculated by subtracting actual profits from but-for profits – which

1 would require knowledge of both the cost to Volterra of the product at issue and the selling price,
2 (in the actual and the hypothetical but-for scenarios), it can also be calculated by subtracting the
3 actual *price* from the but-for price, assuming that the underlying cost of the product to Volterra
4 Semiconductor is the same in the actual scenario as it is in the but-for scenario. As a matter of
5 basic math, if the cost to Volterra is the same in both scenarios, even though variable over time,
6 the actual cost simply drops out of the calculation, giving rise to the same result either way.
7 Moreover, Defendants point to no evidence that the payments by Volterra Semiconductor to
8 Volterra Asia in the but-for-scenario would have been any different from the actual payments that
9 were made. Therefore, Defendants' argument has no merit.

10 4. Whether Mr. Wagner's Opinions on Price Erosion Are Admissible

11 Defendants challenge Mr. Wagner's opinions relating to the price erosion that allegedly
12 resulted from Defendants' infringement on the grounds that he: 1) failed to consider other market
13 factors that account for Volterra's price reductions; 2) inflated the amount of price erosion
14 damages by "cherry-picking" data; and 3) failed to conduct the required elasticity analysis. The
15 Court concludes that all of Defendants' challenges go to the weight of Mr. Wagner's opinions and
16 not their admissibility.

17 First, Mr. Wagner's opinions are based on his reconstruction of a hypothetical market that
18 would have existed but for the infringement. He has addressed the prices and sales that would
19 have been made in this hypothetical market, focusing on specific IBM and HP server projects, and
20 calculated the additional revenue that would have been obtained. See Wille Motion Decl., Ex. B
21 (Wagner Report), ¶¶ 281–92, 307–99, Schedules 4.1–7.8 and 9.1–10.4. Further, he states that in
22 reconstructing this hypothetical market, he has considered "all the factors that could reasonably be
23 expected to have influenced the pricing for Volterra's products, including general and economic
24 and market factors and the nature of competition from discrete manufacturers. *Id.* ¶ 110; *see also*
25 Wagner Decl., Ex. 2 (Wagner Reply Report), ¶¶ 94–98, 28–35, and 75–76. While Mr. Wagner
26 reached different conclusions than Defendants' expert, that is not a basis for exclusion under Rule
27 702. *See Micro Chemical, Inc. v. Lextron, Inc.*, 317 F.3d 1387, 1392 (Fed. Cir. 2003) (Noting that
28 "[w]hen. . . the parties' experts rely on conflicting sets of facts, it is not the role of the trial court to

1 evaluate the correctness of facts underlying one expert’s testimony” and pointing to the Advisory
2 Committee note to Rule 702 stating that “emphasis in the amendment on ‘sufficient facts or data’
3 is not intended to authorize a trial court to exclude an expert’s testimony on the ground that the
4 court believes one version of the facts and not the other”).

5 Second, while Defendants object to Mr. Wagner’s selection of certain data in connection
6 with his opinions regarding price attrition in his hypothetical market, the essence of their argument
7 is that they disagree with Mr. Wagner’s underlying reading of the facts. This is properly the
8 subject of cross-examination rather than exclusion.

9 Third, Mr. Wagner has conducted an analysis of the elasticity of demand, as required under
10 *Crystal Semiconductor*. See Wille Motion Decl., Ex. B (Wagner Report), ¶¶ 328–33. Again,
11 Defendants’ challenge goes to the weight of Mr. Wagner’s opinions, not their admissibility.

12 The Court rejects Defendants’ challenges to the expert opinions offered by Mr. Wagner.

13 **5. Whether Dr. Meyer’s Opinions on Direct Harm Suffered by Volterra**
14 **Semiconductor are Admissible**

15 Defendants challenge the opinions offered by Dr. Meyer under *Daubert* on the grounds
16 that: 1) her report is based on the “wholesale adoption” of Mr. Wagner’s opinions; 2) her legal
17 conclusion that Volterra Semiconductor was directly harmed by price erosion on the Volterra Asia
18 sales is not justified and she is not qualified as an expert to offer such a legal opinion; and 3) her
19 valuation of the alleged economic harm suffered by Volterra Semiconductor is not based on
20 widely accepted economic principles.

21 The Court rejects Defendants’ first challenge. It is not improper for Dr. Meyer to assume
22 that the findings of Mr. Wagner are true for the purposes of her analysis. Dr. Meyer was retained
23 to address a separate question that does not depend on the *amount* of the price erosion and was not
24 required to duplicate Dr. Wagner’s analysis. See *Hynix Semiconductor Inc. v. Rambus Inc.*, 2008
25 WL 73689, at * 11 (N.D. Cal., Jan. 5, 2008) (overruling an objection to an expert’s report based
26 on the expert’s failure to independently analyze an issue in the case where the expert had relied on
27 the opinions of another expert, and holding that the expert could properly rely on the opinion of
28 another expert under Rule 703 of the Federal Rules of Evidence).

1 The Court agrees with Defendants' second challenge. As discussed above, Dr. Meyer's
2 opinions are based on a legal theory that is inconsistent with the Federal Circuit's decisions in
3 *Poly-America* and *Mars*.

4 Finally, the Court agrees with Defendants that Dr. Meyer has not demonstrated that her
5 approach to valuation is based on accepted economic principles. Although Volterra argues that
6 her approach to valuation is simple and accepted because "cash is cash," Dr. Meyer has failed to
7 cite to scientific principles that establish that it is appropriate to value the parent's harm on a
8 dollar-for-dollar basis, that is, to conclude that each dollar lost to the off-shore subsidiaries
9 translates to a full dollar of harm to the parent.⁸ To illustrate the shortcomings in this approach,
10 Defendants point to evidence that there likely would have been adverse tax consequences to
11 repatriating the cash held by the subsidiaries. See Defendants' Summary Judgment/*Daubert*
12 Motion at 25 n. 97 (citing Wille Motion Decl., Ex. Q (Reams Dep.) at 33:12-35:3). Dr. Meyer,
13 however, appears to have simply assumed that the amount of the lost cash held by the subsidiaries
14 is the same as the direct harm suffered by Volterra Semiconductor. The Court finds that her
15 approach does not meet the requirement under *Daubert* that an expert's opinions must be based on
16 an accepted methodology.

17 6. Conclusion

18 The Court GRANTS Defendants Summary Judgment/*Daubert* Motion as to the Volterra
19 Asia damages because: 1) the opinions expressed by Dr. Meyer are based on a theory of damages
20 that is barred under applicable Federal Circuit case law; and 2) Dr. Meyer's expert opinions do not
21 satisfy the requirements of Rule 702 and *Daubert*. The Court DENIES Defendants' Summary
22 Judgment/*Daubert* Motion as to the Volterra Semiconductor damages. The Court also overrules
23 Defendants' objections to Mr. Wagner's opinions under Rule 702 and *Daubert*.

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⁸ The fact that Dr. Meyer took into account the amounts that Volterra's subsidiaries would have paid in taxes and royalties to determine the amount by which the cash value of the subsidiaries was reduced as a result of the infringement does not change the Court's analysis. The shortcoming in Dr. Meyer's methodology is not the manner in which she calculated the reduction in the cash value of the subsidiaries but rather, her failure to show that she applied an acceptable methodology in concluding that the magnitude of that reduction was the same as the consequent reduction in value of Volterra Semiconductor.

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C. Plaintiff's *Daubert* Motion

Plaintiff's challenges to Dr. Lynde's opinions fall into two broad categories: 1) challenges relating to opinions that contradict the testimony of Volterra's witnesses, mainly on the question of why Volterra lowered its prices on certain products; and 2) challenges relating to opinions that are based on Dr. Lynde's understanding that a plaintiff must demonstrate price erosion occurred as a result of "direct competition." As to the latter category, the Court has already concluded that there is no such requirement, as discussed above, and therefore, Plaintiff's *Daubert* Motion is GRANTED to the extent that Dr. Lynde may not testify as to such a requirement or offer opinions that are likely to suggest to the jury that the law imposes such a requirement. As to the objections in the former category of challenges, the Court finds that the majority go to the weight of Dr. Lynde's opinions and not their admissibility but sustains certain objections, as set forth below.

First, the Court rejects Volterra's assertion that Dr. Lynde's opinions are inadmissible because he did not reconstruct the market to show hypothetically the profits the patentee would have made but for the infringement, as is required under *Crystal Semiconductor Corp. v. Tritech Microelectronics Int'l, Inc.*, 246 F.3d 1336, 1355 (Fed. Cir. 2001). Dr. Lynde, like Mr. Wagner, considered a wide variety of factors, including macroeconomic factors, in arriving at his opinions about Volterra's pricing and the profits that would have been made absent infringement. The fact that Dr. Lynde reached different conclusions than Mr. Wagner is not a basis for exclusion but rather, should be the subject of cross-examination.

Second, the Court is not persuaded that Dr. Lynde has impermissibly opined about the "motivations" of Volterra in offering opinions about what caused Volterra to take certain actions. To determine whether price erosion damages are available, an expert is required to address the factors that led the patentee to act as it did. *See Ericsson, Inc. v. Harris Corp.*, 2001 WL 3613193, at * 7 (E.D. Tex., Mar. 13, 2001) (finding that expert who opined as to price erosion damages did not satisfy requirements of *Daubert* based, in part, on the fact that the expert had not "in his analysis, sufficiently taken into consideration all of the many other factors that could cause a manufacturer of a product to lower prices"). While Volterra is correct that an expert cannot opine about the subjective intent of a corporation or individual, *see, e.g., Therasense, Inc. v. Becton*,

1 *Dickinson & Co.*, 2008 WL 2037732, at *5 (N.D. Cal. May 12, 2008), that rule should not be read
2 so broadly as to prohibit an expert from opining as to causation. Therefore, the Court concludes
3 that Dr. Lynde’s opinions about causation should not be excluded under Rule 702 and *Daubert*.⁹

4 The Court also rejects Volterra’s challenge based on Dr. Lynde’s “subjective interpretation”
5 of Volterra documents and deposition testimony in support of his opinions. Experts generally base
6 their opinions, in part, on review of the relevant documents and testimony in a case and courts
7 generally find that this is an appropriate basis for expert opinion. *See, e.g., Playtex Prods., Inc. v.*
8 *Proctor & Gamble Co.*, 126 Fed. App’x 32, 35 (2d Cir. 2005) (finding Dr. Lynde’s expert opinion
9 on lost profits to be admissible where he had relied on “party declarations and deposition
10 testimony, as well as documents from both parties”). Further, while Volterra suggests Dr. Lynde
11 did not perform an extensive review and that he reviewed only documents selected by counsel, it
12 does not make a persuasive showing on this point in light of Dr. Lynde’s deposition testimony
13 describing the documents to which he had access and how he conducted his review. *See* Morando
14 Motion Decl., Ex. 2 (Lynde Dep.) at 10-11, 276-277. Thus, Dr. Lynde may rely on Volterra’s
15 documents, including the Product Vision Statements.

16 The Court also is not persuaded that Dr. Lynde should not be permitted to testify that the
17 global recession may have affected Volterra’s pricing. As discussed above, to determine whether
18 a patentee is entitled to damages based on price erosion, macroeconomic factors must be
19 considered. Given that Dr. Lynde offers his opinion as a criticism of Mr. Wagner’s opinions, Dr.
20 Lynde is not required to quantify the impact the recession may have had on Volterra’s pricing.
21 Again, to the extent the experts disagree as to whether the global recession affected Volterra’s
22 pricing, this question can be addressed through cross-examination at trial.

23 Turning to Volterra’s objection that Dr. Lynde’s expert report contains impermissible
24 opinions about the credibility of Volterra’s witness, the Court finds this objection has some

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28 ⁹ Defendants are cautioned, however, that Dr. Lynde must be mindful when offering testimony at trial of the line between causation and subjective intent, which is not always easy to draw. *Therasense* illustrates this point. There, the court found that an expert could not opine that a particular device was “designed to infringe” the patent but could testify that the device was “specifically adapted for use” in an infringing manner. *Id.*

1 weight. *See, e.g.*, Morando Motion Decl., Ex. 1 (Lynde Report), ¶¶ 237 (“Given this, it is not
 2 credible to believe his more recent inconsistent statement that Volterra set its pricing in response
 3 to [the competitive threat from the infringing products]”), ¶ 249 (“Given all this, Mr. Teuscher’s
 4 current testimony lacks documentary corroboration”), ¶ 315 (“Teuscher’s declaration
 5 suggests a different course of events than I have observed in my review of the contemporaneously-
 6 created record of Volterra emails, memos, and presentations”). It is well-established that an expert
 7 may not invade the province of the jury by testifying about the credibility of witnesses. *In re*
 8 *Cypress Semiconductor Sec. Litig.*, 891 F. Supp. 1369, 1373 (N.D. Cal. 1995) (“[c]redibility
 9 determinations and weighing of the evidence are solely jury functions”), *aff’d sub nom Eisenstadt*
 10 *v. Allen*, 113 F.3d 1240 (9th Cir. 1997). Therefore, Volterra’s objection on this ground is
 11 sustained.¹⁰

12 Finally, while Dr. Lynde may testify about what is contained in relevant contemporaneous
 13 documents, or even as to the absence of contemporaneous documents on a particular subject
 14 matter, he will not be permitted to testify as to what type of documents one would *expect* to find
 15 under the circumstances. Dr. Lynde’s reports do not reflect any expertise in this area.

16 **IV. CONCLUSION**

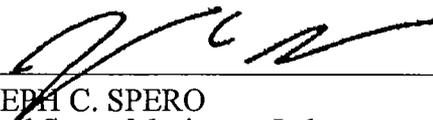
17 Defendants’ Summary Judgment/*Daubert* Motion is GRANTED in part and DENIED in
 18 part. Plaintiff’s *Daubert* Motion is GRANTED in part and DENIED in part. A Case

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23 ¹⁰ The Court notes, however, that “an expert is not foreclosed from offering an opinion based on a
 24 set of facts assumed to be credible—provided the opinion is based on the expert’s ‘knowledge,
 25 skill, experience, training, or education.’” *Ellis v. Navarro*, 2012 WL 3580284, at *6 (N.D.Cal.,
 26 Aug. 17, 2012) (citing Fed.R.Evid. 702; *United States v. Romo*, 413 F.3d 1044, 1049 (9th
 27 Cir.2005)). Further, it certainly is *not* the law that any opinion by Dr. Lynde that contradicts the
 28 testimony of Volterra’s witness is impermissible because it may lead the *jury* to conclude the
 witness is not credible. Thus, the Court sustains Volterra’s objection only to the extent that Dr.
 Lynde will not be permitted on direct examination to express opinions that directly state or
 strongly imply that Volterra’s witnesses are not credible. On cross-examination, however, he may
 explain why he reached conclusions that are inconsistent with the testimony of Volterra’s
 witnesses if Volterra opens the door to such testimony.

1 Management Conference shall be held on Friday, September 27, 2013 at 1:30 p.m. The parties are
2 requested to submit a joint case management statement by September 26, 2013.

3 **IT IS SO ORDERED.**

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5 Dated: September 24, 2013

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10 JOSEPH C. SPERO
11 United States Magistrate Judge

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