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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

FUJIFILM CORPORATION,
Plaintiff,
v.
MOTOROLA MOBILITY LLC,
Defendant.

Case No. 12-cv-03587-WHO

**ORDER ON DEFENDANT’S MOTION
TO EXCLUDE TESTIMONY OF KEITH
PARDY AND DR. GARETH
MACARTNEY; PLAINTIFF’S AND
DEFENDANT’S OUTSTANDING
MOTIONS IN LIMINE**

Re: Dkt. Nos. 198, 202, 237, 250

INTRODUCTION

This is a patent infringement action. Plaintiff Fujifilm Corporation (“Fujifilm”) accuses defendant Motorola Mobility LLC (“Motorola”) of infringing claims 1, 2, 7, and 11 of U.S. Patent No. 6,144,763 (the ’763 patent); claim 1 of U.S. Patent No. 8,306,285 (the ’285 patent); claim 11 of U.S. Patent No. 7,327,886 (the ’886 patent); and claims 1, 13, and 35 of U.S. Patent No. 6,915,119 (the ’119 patent). Each of the patents in suit concerns technology used in digital cameras and/or cellular telephones. Trial is set for April 20, 2015.

Motorola moves to exclude the testimony of Fujifilm’s damages experts, Keith Pardy and Dr. Gareth Macartney. Because most of Motorola’s arguments go to the weight of this testimony rather than its admissibility, the motion to exclude Pardy’s testimony is DENIED, and the motion to exclude Dr. Macartney’s testimony is GRANTED IN PART and DENIED IN PART.

This order also resolves the parties’ two outstanding motions in limine, Fujifilm’s motion in limine no. 4 and Motorola’s motion in limine no. 5. Fujifilm’s motion no. 4 is GRANTED IN PART and DENIED IN PART. Motorola’s motion no. 5 is GRANTED.

1 **LEGAL STANDARD**

2 **I. FEDERAL RULE OF EVIDENCE 702**

3 Federal Rule of Evidence 702 allows a qualified expert to testify “in the form of an opinion
4 or otherwise” where:

5 (a) the expert’s scientific, technical, or other specialized knowledge
6 will help the trier of fact to understand the evidence or to determine
a fact in issue;

7 (b) the testimony is based on sufficient facts or data;

8 (c) the testimony is the product of reliable principles and methods;
9 and

10 (d) the expert has reliably applied the principles and methods to the
facts of the case.

11 Fed. R. Evid. 702.

12 Expert testimony is admissible under Rule 702 if it is both relevant and reliable. *See*
13 *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579, 589 (1993). “[R]elevance means that the
14 evidence will assist the trier of fact to understand or determine a fact in issue.” *Cooper v. Brown*,
15 510 F.3d 870, 942 (9th Cir. 2007); *see also Primiano v. Cook*, 598 F.3d 558, 564 (9th Cir. 2010)
16 (“The requirement that the opinion testimony assist the trier of fact goes primarily to relevance.”)
17 (internal quotation marks omitted).

18 Under the reliability requirement, the expert testimony must “ha[ve] a reliable basis in the
19 knowledge and experience of the relevant discipline.” *Primiano*, 598 F.3d at 565. To ensure
20 reliability, the court must “assess the [expert’s] reasoning or methodology, using as appropriate
21 such criteria as testability, publication in peer reviewed literature, and general acceptance.” *Id.*
22 These factors are “helpful, not definitive,” and a court has discretion to decide how to test
23 reliability “based on the particular circumstances of the particular case.” *Id.* (internal quotation
24 marks and footnotes omitted). “When evaluating specialized or technical expert opinion
25 testimony, the relevant reliability concerns may focus upon personal knowledge or experience.”
26 *United States v. Sandoval-Mendoza*, 472 F.3d 645, 655 (9th Cir. 2006).

27 The inquiry into the admissibility of expert testimony is “a flexible one” where “[s]haky
28 but admissible evidence is to be attacked by cross examination, contrary evidence, and attention to

1 the burden of proof, not exclusion.” *Primiano*, 598 F.3d at 564. “When the methodology is
2 sound, and the evidence relied upon sufficiently related to the case at hand, disputes about the
3 degree of relevance or accuracy (above this minimum threshold) may go to the testimony’s
4 weight, but not its admissibility.” *i4i Ltd. P’ship v. Microsoft Corp.*, 598 F.3d 831, 852 (Fed. Cir.
5 2010). The burden is on the proponent of the expert testimony to show, by a preponderance of the
6 evidence, that the admissibility requirements are satisfied. *Lust By & Through Lust v. Merrell*
7 *Dow Pharm., Inc.*, 89 F.3d 594, 598 (9th Cir. 1996); *see also* Fed. R. Evid. 702 advisory
8 committee’s note.

9 **II. REASONABLE ROYALTY DETERMINATION**

10 A patentee who prevails in an infringement action is entitled to “damages adequate to
11 compensate for the infringement, but in no event less than a reasonable royalty for the use made of
12 the invention by the infringer.” 35 U.S.C. § 284. Where an established royalty does not exist, a
13 court may determine a reasonable royalty based on a hypothetical negotiation between the parties.
14 *Applied Med. Res. Corp. v. U.S. Surgical Corp.*, 435 F.3d 1356, 1361 (Fed. Cir. 2006). The
15 hypothetical negotiation is a legal construct that “attempts to ascertain the royalty upon which the
16 parties would have agreed had they successfully negotiated an agreement just before infringement
17 began.” *Lucent Technologies, Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1324 (Fed. Cir. 2009). In
18 other words, the “basic question” answered by a hypothetical negotiation is: “if, on the eve of
19 infringement, a willing licensor and licensee had entered into an agreement instead of allowing
20 infringement of the patent to take place, what would that agreement be?” *LaserDynamics, Inc. v.*
21 *Quanta Computer, Inc.*, 694 F.3d 51, 76 (Fed. Cir. 2012). While this analysis “requires sound
22 economic and factual predicates,” *Riles v. Shell Exploration & Prod. Co.*, 298 F.3d 1302, 1311
23 (Fed. Cir. 2002), it also “necessarily involves an element of approximation and uncertainty,”
24 *Interactive Pictures Corp. v. Infinite Pictures, Inc.*, 274 F.3d 1371, 1385 (Fed. Cir. 2001).

25 In determining a reasonable royalty, experts often consider one or more of a nonexhaustive
26 list of fifteen factors set forth in *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116,
27 1120 (S.D.N.Y. 1970). The Federal Circuit “do[es] not require that witnesses use any or all of the
28 *Georgia-Pacific* factors when testifying about damages in patent cases.” *Whitserve, LLC v.*

1 *Computer Packages, Inc.*, 694 F.3d 10, 31 (Fed. Cir. 2012). However, when one or more factors
2 are used, “some explanation of both why and generally to what extent the particular factor impacts
3 the royalty calculation is needed.” *Id.*

4 DISCUSSION

5 I. MOTION TO EXCLUDE TESTIMONY OF KEITH PARDY

6 Keith Pardy is a marketing executive with twenty-five years of “marketing experience
7 involving mobile technology and fast moving consumer goods.” Pardy Rpt. ¶ 6 (Giardina Decl.
8 Ex. A, Dkt. No. 198-6). He worked for Coca-Cola for seventeen years before joining Nokia
9 Corporation in 2004 as Senior Vice President of Strategic Marketing. *Id.* at ¶ 10. In 2009, he
10 joined BlackBerry (then called Research in Motion) as its Chief Marketing Officer and an
11 Executive Board Member. *Id.* at ¶ 11.

12 Motorola contends that each of the four “main” opinions offered by Pardy should be
13 excluded, along with the “multiple subsidiary opinions” on which each main opinion depends.
14 Mot. 3. The four main opinions are: (1) that there was a “deliberate strategy” by smartphone
15 manufacturers to “converge” on the standalone digital camera market; (2) that Motorola relied on
16 various camera features embodying the asserted claims of the ’285, ’886 and ’763 patents (the
17 “camera patents”) to increase the sales volume and profits of its smartphones; (3) that Motorola
18 relied on hotspot and wireless data transfer features embodying the asserted claims of the ’119
19 patent to increase the sales volume and profits of its smartphones; and (4) that various features
20 embodying the patents in suit “contributed in a meaningful way to make smartphone cameras
21 ‘good enough’ to replace digital still cameras for many consumers,” and “helped allow Motorola
22 to successfully compete in the United States smartphone market.” Pardy Rpt. ¶¶ 4-5. I address
23 each of these main opinions in turn.

24 A. Pardy’s opinion that there was a “deliberate strategy” by smartphone 25 manufacturers to “converge” on the standalone digital camera market

26 Motorola contends this opinion is inadmissible under Rule 702 because it will not help the
27 trier of fact to understand the evidence or to determine a fact in issue. Mot. 6-8. Motorola argues
28 there is “no reason a lay juror cannot assess the available evidence and draw his or her own

1 conclusion” as to whether smartphone manufacturers targeted the standalone digital camera
2 market. *Id.* Motorola further argues that the opinion should be excluded because Pardy “cites no
3 empirical data” to support it, and because it is not relevant to any fact of consequence in this case.
4 Mot. 7-8. Motorola states: “There is no issue before the jury regarding any alleged ‘strategy’ by
5 smartphone manufacturers . . . to ‘converge’ upon the . . . digital camera market.” Mot. 8.

6 Fujifilm responds that Pardy’s opinion is not one of a layperson, but “one of a seasoned
7 marketing veteran who thoroughly reviewed smartphone market data, industry reports, [and]
8 contemporaneous accounts of consumer behavior and preferences” in reaching his conclusions.
9 Opp. 3-4. Fujifilm further contends that there is no requirement that expert testimony be
10 supported by empirical data, and that Pardy’s opinion shows how infringement of the asserted
11 claims contributed to the shift of consumer demand from standalone digital cameras to
12 smartphones. Opp. 6. Fujifilm asserts that Pardy’s opinion is thus relevant to establish the value
13 of the asserted claims and, hence, the amount that Motorola hypothetically would have been
14 willing to pay to license them. Opp. 6.

15 Motorola’s motion to exclude this opinion is DENIED. While the opinion is neither
16 scientific nor technical, it is sufficiently specialized to merit admission under Rule 702. It is also
17 sufficiently supported by factual information. The various materials that Pardy identifies in
18 support of his opinion distinguish this case from *Samuels v. Holland Am. Line-USA Inc.*, 656 F.3d
19 948 (9th Cir. 2011), on which Motorola relies, Mot. 7. In that case, the Ninth Circuit affirmed the
20 exclusion of expert testimony “to the effect that entering the water [at a particular beach] is
21 extremely dangerous and that this danger is commonly known throughout the cruise line
22 industry.” 656 F.3d at 952. The court explained that one of the experts “was unable to provide
23 any materials from the cruise line industry to support [his opinion],” and that the expert’s research
24 consisted of “little more than a quick internet search regarding [the beach] and a few telephone
25 calls.” *Id.* at 952-53. The other expert had never worked for a cruise line and “failed to specify in
26 her declaration what information she relied on in reaching her conclusions.” *Id.* at 953. Here, in
27 contrast, Pardy has specifically identified various materials in support his opinion and has worked
28 for the smartphone industry. *See, e.g.*, Pardy Rpt. ¶¶ 25-44. Motorola’s contention that Pardy

1 “cites no empirical data” in support of the opinion is not persuasive given that there is no per se
2 requirement that all expert testimony be supported by empirical data. *See, e.g., Primiano*, 598
3 F.3d at 565 (expert testimony must “ha[ve] a reliable basis in the knowledge and experience of the
4 relevant discipline”); *Sandoval-Mendoza*, 472 F.3d at 655 (“When evaluating specialized or
5 technical expert opinion testimony, the relevant reliability concerns may focus upon personal
6 knowledge or experience.”) (internal quotation marks omitted); *see also* Fed. R. Evid. 702(b)
7 (expert testimony must be based on “sufficient facts *or* data”) (emphasis added).

8 I also agree with Fujifilm that Pardy’s testimony regarding the shift of consumer demand
9 from standalone digital cameras to smartphones, and the efforts of smartphone manufacturers to
10 bring about that shift, is relevant to damages. *See Georgia-Pacific*, 318 F. Supp. at 1120 (factors
11 relevant to determination of reasonable royalty include “[t]he commercial relationship between the
12 licensor and licensee”). But there is potential for Motorola to be unfairly prejudiced by testimony
13 suggesting that smartphone manufacturers acted with nefarious or otherwise “bad” intent in
14 attempting to increase consumer demand for their products. Accordingly, Fujifilm should ensure
15 that Pardy’s testimony on this subject remains closely linked to damages issues, and avoids
16 suggestions of improper intent on the part of Motorola or other smartphone manufacturers.

17 **B. Pardy’s opinion that Motorola relied on various camera features embodying**
18 **the asserted claims of the camera patents to increase the sales volume and**
19 **profits of its smartphones**

20 Motorola offers three arguments for excluding this opinion. None is persuasive, and the
21 opinion will not be excluded at this time.

22 Motorola first contends the opinion is unreliable because Pardy admits he has no personal
23 knowledge of whether the camera features at issue actually embody the asserted claims of the
24 camera patents. Mot. 8. Pardy states in his report that “it is [his] understanding that Fujifilm had
25 at least [five] proprietary camera and communications features that were incorporated into
26 Motorola smartphones.” Pardy Rpt. ¶ 45. The features are (i) “face detection;” (ii) “live
27 viewfinder with thinning technology;” (iii) “monochrome technology;” (iv) “hotspot technology;”
28 and (v) “wireless transfer technology.” *Id.* Pardy admits, however, that his understanding of these

1 features is based exclusively on conversations he had with Fujifilm’s technical experts, and that he
2 has never seen or read the patents in suit. *See* Pardy Rpt. ¶ 45; Pardy Dep. 99-100, 141 (Giardina
3 Decl. Ex. F, Dkt. No. 199-1). Motorola argues this lack of personal knowledge renders the
4 opinion inadmissible. Mot. 8.

5 Pardy’s testimony regarding the “live viewfinder with thinning technology” is properly
6 excluded because that feature corresponds to the ’427 patent, which is no longer at issue in this
7 case. But Pardy’s testimony regarding the other four camera features is admissible. Pardy will be
8 opining not on whether the accused products infringe, but on the value of the asserted claims. It is
9 acceptable for Pardy to rely on Fujifilm’s technical experts in reaching that opinion. *See*
10 *MediaTek inc. v. Freescale Semiconductor, Inc.*, No. 11-cv-05341-YGR, 2014 WL 971765, at *1-
11 2 (N.D. Cal. Mar. 5, 2014) (experts “need not be experts in all fields” or “have personal
12 knowledge of the factual background in the case”); *DataQuill Ltd. v. High Tech Computer Corp.*,
13 887 F. Supp. 2d 999, 1026 (S.D. Cal. 2011) (“It is routine and proper for a damages expert in a
14 technical patent case to rely on a technical expert for background.”); *United States v. 1,014.16*
15 *Acres of Land, More or Less, Situate in Vernon Cnty., State of Mo.*, 558 F. Supp. 1238, 1242
16 (W.D. Mo. 1983) (“An expert cannot be an expert in all fields, and it is reasonable to expect that
17 experts will rely on the opinion of experts in other fields as background material for arriving at an
18 opinion.”). Motorola cites no authority to the contrary. At trial, Motorola will have the
19 opportunity to cross examine Pardy on the factual basis and assumptions for his opinion, and
20 Fujifilm’s technical experts on whether the camera features at issue in fact embody the asserted
21 claims of the camera patents. If the factual basis or assumptions for Pardy’s opinion “are found to
22 be inaccurate or ill-founded, then the jury may afford the opinion less weight, if any.” *MediaTek*,
23 2014 WL 971765, at *2. However, Pardy’s lack of personal knowledge of the relationship
24 between the particular camera features and the asserted claims is not grounds for excluding his
25 testimony.

26 Motorola’s second argument focuses on the following excerpt from Pardy’s report:

27 In my opinion, Motorola would not have been as successful at
28 selling the Droid X and its other smartphones if those phones did not
have a ‘good enough’ camera that allowed users to take high quality

1 images. Indeed, Motorola itself recognized that the camera was a
2 top priority in its phones. As explained above, the Face Detection
3 Technology, Live Viewfinder, and Monochrome Filter were all
4 important features and each contributed meaningfully to creating a
5 ‘good enough’ camera that allowed users to easily take high quality
6 photos and even cause consumers to forgo the purchase of a separate
7 digital camera.

8 Mot. 8-9 (quoting Pardy Rpt. ¶ 71). Motorola contends that this testimony is not reliable because
9 Pardy cites no empirical data in support of it. However, as stated above, empirical data is not
10 always necessary to establish the reliability of expert testimony. *See, e.g., Primiano*, 598 F.3d at
11 565; *Sandoval-Mendoza*, 472 F.3d at 655. Moreover, Pardy does cite empirical data in support of
12 this testimony – specifically, empirical data gleaned from consumer studies conducted by Motorola
13 in 2009 and 2011. *See, e.g., Pardy Rpt. ¶¶ 39, 50.*

14 Finally, Motorola attacks one of the Motorola consumer studies that Pardy cites. The study
15 is dated October 2011 and titled “Imaging Feature Study: Camera Usage & Attitudes.” Giardina
16 Ex. B at 1 (Dkt. No. 198-8); Pardy Rpt. ¶ 50. Motorola identifies two flaws in the Imaging Feature
17 Study: (i) that survey respondents “were not drawn from the pool of all smartphone users” but
18 rather were “mid/high tier smartphone owners” with “above average interest in the [camera]
19 features,” thereby “grossly” distorting the survey results; and (ii) that the camera features the
20 survey presented to consumers “do not correlate to any specific [patent in suit].” Mot. 9-11.

21 Experts regularly base their opinions on survey data. The Ninth Circuit recognizes that “as
22 long as [the survey is] conducted according to accepted principles, survey evidence should
23 ordinarily be found sufficiently reliable under *Daubert*. Unlike novel scientific theories, a jury
24 should be able to determine whether asserted technical deficiencies undermine a survey’s
25 probative value.” *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1143 n.8 (9th Cir.
26 1997) (internal quotation marks and citations omitted); *see also Clicks Billiards, Inc. v.*
27 *Sixshooters, Inc.*, 251 F.3d 1252, 1262 (9th Cir. 2001) (“Technical unreliability goes to the weight
28 accorded a survey, not its admissibility.”). “Treatment of surveys is a two-step process. First, is
the survey admissible? That is, is there a proper foundation for admissibility, and is it relevant and
conducted according to accepted principles? This threshold question may be determined by the
judge. Once the survey is admitted, however, follow-on issues of methodology, survey design, . . .

1 the experience and reputation of the expert, critique of conclusions, and the like go to the weight of
2 the survey rather than its admissibility.” *Clicks*, 251 F.3d at 1263 (internal citations omitted).

3 In line with these principles, courts in this district have recognized that the framing of
4 survey questions “is generally an issue of weight, not admissibility.” *Apple*, 2014 WL 794328, at
5 *18; accord *Sentius Int’l, LLC v. Microsoft Corp.*, No. 13-cv-00825-PSG, 2015 WL 331939, at *3
6 (N.D. Cal. Jan. 23, 2015). However, “there must be outer limits to this principle.” *Apple*, 2014
7 WL 794328, at *18. “At some point, a description of a patent in a survey may vary so much from
8 what is claimed that the survey no longer relates to any issue in the case . . . Such survey evidence
9 would not help the trier of fact and therefore must be excluded under Rule 702(a).” *Id.* (internal
10 quotation marks and modifications omitted). In addition, “discrepancies between the scope of the
11 patent claims and the survey questions may be so confusing to the jury as to substantially outweigh
12 the survey’s probative value, thus requiring the Court to exclude such material under Rule 403.”
13 *Id.* “The precise line between when a survey question’s description of patented technology is
14 ‘close enough’ to the asserted claim as to be an issue of weight and when a survey question so
15 departs from the asserted claim as to be excluded under Rules 702 and 403 has not been defined.”
16 *Id.*

17 That the Imaging Feature Study questioned only “mid/high tier smartphone owners” does
18 not justify excluding Pardy’s testimony. The Imaging Feature Study defines “mid/high tier
19 smartphone owners” as “monthly photo takers.” Giardina Decl. Ex. B at 2. The “Research
20 Methodology” section of the study further explains that 1,003 people between ages 16 and 54 were
21 surveyed, each of whom “take[s] [a photo] at least once a month,” and at least half of whom
22 “intend to spend \$199+ on their next smartphone.” Carr Decl. Ex. 2 at 42 (Dkt. No. 237-6). This
23 population does not appear so unique as to “grossly” distort the survey results and to render the
24 survey either irrelevant or inconsistent with accepted principles. *See Smartflash LLC v. Apple,*
25 *Inc.*, No. 13-cv-00447, 2014 WL 7336213, at *4 (E.D. Tex. Dec. 23, 2014) (rejecting argument
26 that survey evidence should be excluded because the expert “surveyed only ‘regular users’ instead
27 of all ‘purchasers’ of accused devices;” finding that this argument “go[es] to the weight of the
28 survey evidence, not its admissibility”).

1 I am also unconvinced by Motorola’s concern that the features evaluated in the Imaging
 2 Feature Study “do not correlate to any specific [patent in suit].” Mot. 10. The study asked
 3 consumers about “Digital Zoom,” “Red Eye Detection,” “Face Detection,” and “Color/Effects
 4 Filter.” Pardy Rpt. ¶ 50. Pardy correlates “Digital Zoom” with the ’427 patent, “Red Eye
 5 Detection” and “Face Detection” with the ’285 and ’886 patents, and “Color/Effects Filter” with
 6 the ’763 patent. *See id.* Pardy explains in his report that he makes this correlation based on
 7 conversations he had with Fujifilm’s technical experts. *See id.* As noted above, testimony
 8 regarding the correlation between “Digital Zoom” and the ’427 patent is no longer relevant to this
 9 case and is properly excluded from trial. But Motorola’s concern over the stated correlation
 10 between “Red Eye Detection,” “Face Detection,” and “Color/Effects Filter,” on the one hand, and
 11 the asserted claims of the camera patents, on the other, goes to the weight of Pardy’s testimony,
 12 not its admissibility. This is particularly so given that Motorola cites no evidence in support of its
 13 assertion that the features evaluated in the Imaging Feature Study do not “correlate” to the patents
 14 in suit. *See* Mot. 9-11; Reply 3-4; *Apple*, 2014 WL 794328, at *20 (rejecting Samsung’s argument
 15 that survey’s alleged mischaracterization of patented features rendered survey evidence
 16 inadmissible where briefing was “wholly inadequate to draw the line between admissible [and
 17 inadmissible] survey evidence . . . Samsung merely string cites a series of expert reports in a
 18 footnote with no explanation of the similarities and differences between [the survey’s] description
 19 of the patents and the asserted claims”). Moreover, Motorola admits that one aspect of the
 20 “Color/Effects Filter” feature is the conversion of a digital image to monochrome, the subject
 21 matter of the ’763 patent. *See* Mot 10. Motorola cannot persuasively argue that the Imaging
 22 Feature Study “no longer relates to any issue in the case” when Motorola admits that the study
 23 asked about a feature that includes the subject matter of one of the patents in suit. *See Sentius*,
 24 2015 WL 331939, at *4 (“Survey questions about the background spell and grammar check
 25 features are not unrelated to any issue in the case because, as [defendant] acknowledges, [plaintiff]
 26 alleges that specific aspects of the spell and grammar check features infringe its patents.”) (internal
 27 quotation marks omitted).

28 The motion to exclude Pardy’s opinion that Motorola relied on various camera features

1 embodying the asserted claims of the camera patents to increase the sales volume and profits of its
2 smartphones is DENIED.

3 **C. Pardy’s opinion that Motorola relied on hotspot and wireless data transfer**
4 **features embodying the asserted claims of the ’119 patent to increase the sales**
5 **volume and profits of its smartphones**

6 Motorola takes issue with Pardy’s opinion that “[b]ecause [the hotspot and wireless data
7 transfer features] allowed consumers to easily ‘free’ photos and other data stored on their devices
8 without having to connect to the internet or cellular network in order to print photos at a local
9 printer, store kiosk, etc. or to complete the transfer of data, in my opinion [these features] offered
10 substantial benefits and value to consumers.” Mot. 11 (quoting Pardy Rpt. ¶ 64). Motorola argues
11 that this opinion is inadmissible because it is “not based on data or facts” and because hotspot and
12 wireless data transfer capabilities “were never featured in Motorola’s marketing.” Mot. 11-12.

13 These arguments are not supported by the record. Pardy’s opinion is based on “data or
14 facts.” The relevant portion of Pardy’s report cites to a number of sources, including a Motorola
15 “Product Potential Assessment Report” finding that the hotspot feature generated a “Very High
16 Motivation” for the target product, a Motorola “consumer feedback study” finding that wireless
17 data transfer functionality “serves to heighten . . . appeal,” and a survey finding that 62 percent of
18 smartphone users “leveraged their devices’ hotspot capabilities.” Pardy Rpt. ¶¶ 56-57, 63.
19 Motorola contends these studies are not relevant or reliable but provides no explanation as to why
20 they are either irrelevant or unreliable. *See* Reply 5.

21 Motorola’s assertion that the hotspot and wireless data transfer capabilities were never
22 featured in Motorola’s marketing is also incorrect. Motorola’s own marketing expert states in his
23 report that hotspot functionality was featured in the original advertising campaign for the Droid X
24 telephone. J. Le Cannellier Rebuttal Rpt. 34 (Carr. Decl. Ex. 5, Dkt. No. 237-9). In any event,
25 Motorola cites no authority for its apparent position that product features must have been
26 specifically and explicitly featured in advertising to be found to have driven consumer demand.
27 *See* Mot. 11-12.

28 The motion to exclude Pardy’s opinion that Motorola relied on hotspot and wireless data

1 transfer features embodying the asserted claims of the '119 patent to increase the sales volume and
2 profits of its smartphones is DENIED.

3 **D. Pardy’s opinion that smartphone features embodying the patents in suit**
4 **“contributed in a meaningful way to make smartphone cameras ‘good enough’**
5 **to replace digital still cameras for many consumers,” and “helped allow**
6 **Motorola to successfully compete in the U.S. smartphone market”**

7 Motorola contends this opinion is inadmissible because Pardy offers “no basis” for it. Mot.
8 12-13. Motorola is wrong. The opinion is supported by much of the testimony and other evidence
9 discussed above. It is also supported by Pardy’s observation that Motorola launched the Droid X
10 (which is accused of infringing each of the patents in suit) and subsequently became the fastest
11 growing smartphone manufacturer in the United States within a year of a 2009 Motorola study that
12 criticized the Droid’s camera as being “disappointing” and having “fuzzy images.” Pardy Rpt. ¶
13 70.

14 Motorola further contends that the opinion is inadmissible because Pardy fails to explicitly
15 address a number of factual circumstances that might weaken the causal connection between
16 Motorola’s alleged infringement of the patents in suit and its increase in sales volume. For
17 example, Pardy does not appear to consider “whether Motorola was using the same technology
18 before 2010,” or “whether Motorola did anything else different between 2009 and 2010 that might
19 explain its increase in sales volume.” Mot. 12; Reply 6. While Pardy’s opinion would be
20 strengthened if it addressed these and other potential counters to his analysis, his failure to
21 explicitly address them does not render his opinion inadmissible. Indeed, Motorola offers no
22 evidentiary support for any of the factual circumstances it faults Pardy for failing to consider. *See*
23 Mot. 12; Reply 6. Questions regarding which facts are most relevant or reliable for calculating a
24 reasonable royalty go the weight of expert opinion, not its admissibility, and are properly left to the
25 jury. *Apple Inc. v. Motorola, Inc.*, 757 F.3d 1286, 1315 (Fed. Cir. 2014). Motorola will have an
26 opportunity to present evidence refuting Pardy’s opinion at trial.

27 The motion to exclude Pardy’s opinion that smartphone features embodying the patents in
28 suit “contributed in a meaningful way to make smartphone cameras ‘good enough’ to replace
digital still cameras for many consumers,” and “helped allow Motorola to successfully compete in

1 the U.S. smartphone market” is DENIED.

2 **II. MOTION TO EXCLUDE TESTIMONY OF DR. GARETH MACARTNEY**

3 Dr. Gareth Macartney holds a Ph.D. in Economics and is a Senior Economist and Director
4 of Competition at the consulting firm OnPoint Analytics, Inc. Macartney Rpt. 2. Motorola
5 identifies five problems with his testimony: (i) he relies on “irrelevant surveys” and other
6 irrelevant or unreliable data in determining the value of the camera patents; (ii) he improperly
7 bases his \$2.95 royalty rate on a variation of the 25 percent rule; (iii) he attempts to bolster his
8 royalty rate though the entire market value rule without the required showing that the patented
9 features drove consumer demand for the accused products; (iv) he calculates a reasonable royalty
10 based on a hypothetical bundled license specifying the same per-unit royalty payment for each
11 accused product, even though most of the accused products are accused of infringing only a subset
12 of the patents in suit; and (v) he applies the wrong damages period. Mot. 13. I address each
13 alleged problem in turn.

14 **A. Surveys and other data used to determine the value of the camera patents**

15 Motorola faults Dr. Macartney for relying on two irrelevant and/or unreliable Motorola
16 consumer studies in ascertaining the approximate value of the asserted claims. The studies are the
17 Imaging Feature Study described above, and a “Product Potential Assessment” dated September
18 2011 (the “September 2011 Study”). Motorola also contends that Dr. Macartney’s opinions
19 regarding the value of the ’119 patent are based on irrelevant and/or unreliable data.

20 **1. Imaging Feature Study**

21 Motorola’s arguments regarding Dr. Macartney’s use of the Imaging Feature Study largely
22 overlap with its arguments regarding Pardy’s use of the study. Motorola contends the Imaging
23 Feature Study is irrelevant because “it was not designed to study functionality enabled by the
24 [camera patents]” and did not “list any feature that was only possible through use of the [camera
25 patents].” Mot. 16. Motorola also recycles its contention that the study’s exclusive questioning of
26 “mid/high tier smartphone owners” renders it inadmissible. Mot. 17.

27 These arguments are without merit. Wherever the line is “between when a survey
28 question’s description of patented technology is ‘close enough’ to the asserted claim as to be an

1 issue of weight and when a survey question so departs from the asserted claim as to be excluded
2 under Rules 702 and 403,” *Apple*, 2014 WL 794328, at *18, the Imaging Feature Study does not
3 cross it. That the study was not specifically designed for the purpose of evaluating the patents in
4 suit does not render it inadmissible. The test for admissibility of survey evidence is whether the
5 survey is “relevant and conducted according to accepted principles.” *Clicks*, 251 F.3d at 1263.
6 Motorola cites no authority indicating that a survey must be designed with the asserted claims in
7 mind to qualify as either relevant or consistent with accepted principles.

8 Motorola also fails to cite evidence in support of its assertion that the Imaging Feature
9 Study did not list any feature that “was only possible” through use of the camera patents. Even if
10 Motorola had established this purported mismatch between survey and claims, there is no
11 requirement that a survey’s description of the patented technology correspond precisely to the
12 underlying invention. *See Sentius*, 2015 WL 331939, at *4 (while the patentee’s expert “could
13 have more narrowly tailored his survey questions to isolate the accused aspects of [defendant’s
14 product], . . . this defect is not sufficient to establish that the survey’s description of the claimed
15 invention varied so much from what is claimed that the survey no longer relates to any issue in the
16 case”) (internal quotation marks and modifications omitted); *see also Apple*, 757 F.3d at 1318
17 (approving expert’s use of an “existing product containing features he contended were similar to
18 the asserted features” to determine reasonable royalty; stating that the opposing party “may
19 address any technical differences between [the existing product] and the asserted features . . .
20 during cross-examination”).

21 Motorola’s argument that the Imaging Feature Study is inadmissible because only
22 “mid/high tier smartphone owners” were surveyed fails for the reasons stated above with respect to
23 Pardy’s testimony.

24 Motorola additionally contends that Dr. Macartney’s use of the Imaging Feature Study
25 must be excluded because the study employs a statistical methodology called “Maximum
26 Difference Scaling,” or “MaxDiff.” Mot. 18. Motorola states that in MaxDiff studies, survey
27 respondents are shown a set of items and asked to select from the set a pair comprising the best and
28 worst items (or the most and least important items, or the most and least appealing items, etc.).

1 Mot. 5 n.4. MaxDiff operates under the assumption that survey respondents “evaluate all possible
2 pairs of items within the . . . set and choose the pair that reflects the maximum difference in
3 preference or importance.” *Id.* Motorola contends that the Imaging Feature Study’s use of
4 MaxDiff renders it inadmissible because Dr. Macartney stated at his deposition that he could not
5 recall any article in which a MaxDiff survey has been used in determining a reasonable royalty
6 where the survey includes multiple product features, only some of which correlate to the patents in
7 suit. Mot. 18 (citing Macartney Dep. 195-96). According to Motorola, while MaxDiff and
8 “conjoint analysis”¹ may be applied together to value patented features, the Imaging Feature
9 Study’s “naked” MaxDiff analysis is “valueless” for this purpose. Reply 8-9.

10 In defense of the Imaging Feature Study’s use of MaxDiff, Fujifilm submits a declaration
11 by Dr. Macartney explaining that “MaxDiff survey results are often used and relied upon by
12 experts to determine the relative importance and values of product features. In fact, it is
13 considered by some authors to be the ‘most accurate and valid research method available’ for that
14 purpose.”² Macartney Decl. ¶ 10 (Dkt. No. 238-1) (quoting Michael S. Garver, “A Maximum
15 Difference Scaling Application for Customer Satisfaction Researchers,” *International Journal of*
16 *Market Research*, Vol. 51, No. 4 (2009) at 482). Three publications attached to the declaration
17 further describe how MaxDiff surveys work and the advantages of this approach to assessing
18 consumer preferences. *See id.* at ¶¶ 10-13, Exs. 1-3.

19 The Imaging Feature Study’s use of MaxDiff does not render it, or Dr. Macartney’s
20 testimony regarding it, inadmissible. The record indicates, and Motorola does not dispute, that
21 MaxDiff is a commonly used and well regarded statistical methodology that was properly applied
22 (by Motorola) when the Imaging Feature Study was conducted. Motorola repeatedly emphasizes
23 that Dr. Macartney was unable to identify an article in which a MaxDiff survey has been used in
24 determining a reasonable royalty where the MaxDiff survey includes multiple product features,
25 only some of which correlate to the patents in suit. But just because Dr. Macartney’s particular use

26 _____
27 ¹ Motorola describes “conjoint analysis” as “a statistical analysis tool used to determine how
28 people value features or a product or service.” Reply 8.

² Motorola’s request to strike this declaration and the documents attached to it is DENIED.

1 of a MaxDiff survey has not been featured in a published article does not mean it is unreliable.
 2 Motorola offers no explanation as to why MaxDiff may only be used to value patented features if it
 3 is applied together with conjoint analysis, or why a “naked” MaxDiff analysis is “valueless” in
 4 determining a reasonable royalty. Absent an explanation of why Dr. Macartney’s reliance on a
 5 MaxDiff survey in this context is unreliable, I do not find it appropriate to preclude this testimony
 6 at this time. *See Apple*, 2014 WL 794328, at *15-17 (denying motion to exclude expert’s use of
 7 “conjoint surveys” to quantify demand for allegedly infringing features, even though conjoint
 8 surveys in prior cases had not been used for that purpose, where movant “provide[d] no basis for
 9 why this distinction is material”).

10 At oral argument, Motorola took a slightly different approach to attacking Dr. Macartney’s
 11 reliance on the Imaging Feature Study, asserting that it amounts to the sort of “black box” damages
 12 analysis that judges in this district have found inadmissible under Rule 702. *See, e.g., Open Text*
 13 *S.A. v. Box, Inc.*, No. 13-cv-04910-JD, 2015 WL 349197, at *6 (N.D. Cal. Jan. 23, 2015)
 14 (excluding royalty rate testimony where expert failed to “spel[l] out the steps she took to go from
 15 the data to the royalty rate opinion,” such that “the jury cannot see how the pieces fit together or
 16 how the data drives the conclusion”); *GPNE Corp. v. Apple, Inc.*, No. 12-cv-02885-LHK, 2014
 17 WL 1494247, at *4 (N.D. Cal. Apr. 16, 2014) (excluding royalty rate testimony where expert
 18 “advance[d] no reasoned basis for deriving his \$1 per unit royalty from the \$86 average net
 19 incremental profit” and instead stated that his opinion was based on “all of the evidence in the
 20 record” and his “30 years of experience”). However, as exemplified by Motorola’s detailed
 21 recitation of the precise steps that Dr. Macartney took in using the Imaging Feature Study to
 22 inform his conclusions, *see Mot. 14*, this is not a case where the expert failed to follow any
 23 “discernible methodology,” or is essentially “a black box into which data is fed at one end and
 24 from which an answer emerges at the other.” *GPNE*, 2014 WL 1494247, at *4. Dr. Macartney
 25 specifically describes in his report how he used the Imaging Feature Study to determine the value
 26 of the camera patents, and how that determination fits into his overall reasonable royalty opinion.
 27 *See Macartney Rpt. 69-74*. Motorola will have an opportunity to expose any flaws in Dr.
 28 Macartney’s use of the Imaging Feature Study during cross examination. In contrast with the

1 expert testimony at issue in *Open Text* and *GPNE*, Dr. Macartney’s methodology is sufficiently
2 transparent for cross examination to highlight its deficiencies, if any. *See GPNE*, 2014 WL
3 1494247, at *6 (noting that cross examination would be “futile” where expert’s assertions
4 “fundamentally reduce to taking his opinion based on 30 years of experience for granted”). The
5 motion to exclude Dr. Macartney’s testimony regarding the Imaging Feature Study is DENIED.

6 **2. September 2011 Survey**

7 Macartney relies on the September 2011 Study as the basis for his conclusion that
8 consumers value a “high quality camera” at \$50. Macartney Rpt. 68-69. He explains in his report
9 that the September 2011 Study

10 determined that 84 percent of consumers preferred a 13 megapixel
11 camera over an 8 megapixel camera, “even given a . . . higher
12 price.” Because consumers equate megapixel size with camera
13 quality, this demonstrates that consumers highly value high quality
14 cameras in their smartphone[s].

15 The [September 2011 Study] further found that the preference for a
16 13 megapixel camera over an 8 megapixel camera “remains strong
17 even if consumers have to pay \$50 more,” with an astonishing 77
18 percent of consumers choosing to pay \$50 more for the 13
19 megapixel size. This \$50 can be used as a proxy for the value of a
20 high quality camera.

21 Macartney Rpt. 68-69 (internal footnotes omitted).

22 Motorola argues the September 2011 Survey is irrelevant and unreliable because (i) its 122
23 person sample size “is not big enough to be statistically significant;” (ii) all survey respondents
24 were “high income;” (iii) the accused product that survey respondents were asked about is not
25 accused of infringing all the camera patents; and (iv) survey respondents were asked about the
26 additional value they placed on a camera with a high megapixel count, but none of the camera
27 patents have to do with high megapixel count, and “there is no basis for Dr. Macartney’s opinion
28 that megapixel counts are an accurate proxy for a ‘high quality camera.’” Mot. 16.

Each of these challenges goes to weight, not admissibility. *See Clicks*, 251 F.3d at 1263
 (“follow-on issues of methodology, survey design, . . . the experience and reputation of the expert,
 critique of conclusions, and the like go to the weight of the survey rather than its admissibility).
 Motorola does not explain why the sample size of 122 respondents, in a study that Motorola

1 conducted itself, is “not big enough to be statistically significant” or is in any other way contrary
2 to accepted principles. Nor does Motorola explain why the survey respondents being “high
3 income” renders the study inadmissible. Moreover, the respondents to the September 2011 Study
4 were not “high income” – rather, they were “high tier,” meaning that they “expect[ed] to pay”
5 \$199 or more for their next smartphone. Carr Decl. Ex. 6 at 3 (Dkt. No. 237-10).

6 Motorola also fails to articulate why the September 2011 Study’s focus on a single accused
7 product makes the study irrelevant or unreliable, given that Dr. Macartney uses the study
8 exclusively for the purpose of assigning a particular monetary value to consumers’ desire for a
9 “high quality camera.” If Motorola believes the study’s focus on a single accused product
10 adversely impacts the significance of its results as used by Dr. Macartney, Motorola may raise this
11 alleged deficiency on cross examination.

12 Finally, Dr. Macartney’s opinion that consumers equate megapixel count with camera
13 quality is sufficiently supported by the record to merit admission. Dr. Macartney explained at his
14 deposition that he reads megapixel count (as used in the September 2011 Study) as a proxy for
15 camera quality because when entities “like Motorola . . . make presentations to consumers, they
16 present megapixels as being a proxy for a high quality camera ” Macartney Dep. 149 (Carr Decl.
17 Ex. 7, Dkt. No. 237-11). Also at his deposition, Dr. Macartney referenced multiple Motorola
18 documents indicating that consumers perceive megapixel count as an indicator of overall camera
19 quality. *See, e.g.*, Carr Decl. Ex. 10 at 3 (“Consumers have historically based camera image
20 quality perceptions on megapixels.”).

21 **3. Data regarding the value of the ’119 patent**

22 Dr. Macartney calculates the value of the ’119 patent by the following analysis: He first
23 explains that while service plans for AT&T and Verizon require consumers to pay an additional
24 \$20 per month for a standalone hotspot device, consumers do not have to pay an additional fee to
25 use the hotspot feature on their smartphones. Macartney Rpt. 75. Consumers employing the
26 hotspot feature on their smartphones thus save the \$20 per month they would otherwise need to
27 spend for a standalone hotspot device. *Id.* “This \$20 per month charge is essentially built into the
28 price of the smartphone over the duration of its use.” *Id.*

1 The \$20 per month charge is not all profit for smartphone manufacturers, however.
2 Macartney Rpt. 76. Macartney opines that the profit margin on the \$20 per month charge is fifty
3 percent, and that smartphone manufacturers and service providers generally share profits. *Id.*
4 Macartney then determines that at least 25 percent of the profit earned on the hotspot feature
5 would be taken by Motorola, while at least 75 percent would be taken by the service provider. *Id.*
6 He bases this 25/75 split on his “computation that, in general, at least 25 percent of revenue
7 received from cellphone customers of the major [service providers] is passed on to cellphone
8 manufacturers.” *Id.* This computation is based, in turn, on his analysis of 10-Ks from AT&T,
9 Sprint, T-Mobile, and Verizon. *Id.* at 76-77.

10 Using this analysis, Macartney determines that Motorola earns profits of \$2.50 per month
11 per smartphone attributable to the hotspot feature. Macartney Rpt. 78. Macartney notes that the
12 average lifespan of a smartphone is eighteen months but makes a “conservative downward
13 adjustment” to one year, yielding profits of \$30 per smartphone attributable to the hotspot feature.
14 *Id.* He then acknowledges that the value of the hotspot feature should be “adjusted according to
15 actual use.” *Id.* at 79. Based on a December 2012 survey conducted by United Sample, Inc. and
16 commissioned by Smith Micro Software, Inc., Macartney determines that approximately 31.8
17 percent of smartphone owners frequently use their smartphone’s hotspot feature. *Id.* Macartney
18 then takes 31.8 percent of \$30 to reach his opinion on the per-smartphone value of the ’119 patent,
19 \$9.54. *Id.*

20 Motorola argues this testimony is inadmissible because (i) Macartney’s assumption that the
21 \$20 per month charge is “essentially built into the price” of smartphones is unfounded because
22 federal law prohibits service providers from charging consumers for the use of smartphone hotspot
23 features; (ii) Macartney’s opinion that the profit margin on the \$20 per month charge is 50 percent
24 is based on “an internal Motorola document” that “speculates” that profit margins “might” be 50
25 percent, not on direct evidence from any service provider; (iii) Macartney’s determination of the
26 25/75 percent split is not adequately supported by the 10-Ks he reviewed; and (iv) the December
27 2012 survey Macartney cites to support his determination that approximately 31.8 percent of
28 smartphone users frequently use hotspot functionality is unreliable. Mot. 19-20.

1 None of these arguments warrants excluding Dr. Macartney’s testimony. Motorola’s
2 disagreements with Dr. Macartney’s interpretation of the evidence raise questions regarding
3 which facts are most relevant or reliable for calculating the reasonable royalty in this case. *See*
4 *Apple*, 757 F.3d at 1315. Such questions go to the weight of expert opinion, not its admissibility.
5 *Id.* The motion to exclude Dr. Macartney’s testimony on the value of the ’119 patent is DENIED.

6 **B. 25 percent rule**

7 The 25 percent rule was a tool used to approximate the reasonable royalty an accused
8 infringer would be willing to pay the patentee during a hypothetical negotiation. *See Uniloc USA,*
9 *Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1312 (Fed. Cir. 2011). Under the rule, the reasonable
10 royalty analysis would begin at a 25 percent baseline and then adjust up or down according to the
11 *Georgia-Pacific* factors. *See id.* at 1314-15. In *Uniloc*, the Federal Circuit rejected use of the rule,
12 holding that it is a “fundamentally flawed tool for determining a baseline royalty rate in a
13 hypothetical negotiation” and is thus inadmissible at trial. *Id.* at 1315. After *Uniloc*, expert
14 testimony aimed at establishing a reasonable royalty rate cannot start from an arbitrary baseline; it
15 must be based on “the relevant facts and circumstances of the particular case at issue and the
16 hypothetical negotiations that would have taken place in light of those facts and circumstances.”
17 *Id.* at 1318.

18 Motorola contends that Dr. Macartney’s opinion that the parties would have agreed on a
19 10 percent royalty rate is inadmissible under *Uniloc* because it is simply a “variation of the 25
20 percent rule.” Mot. 20. What Motorola appears to mean is that Dr. Macartney does not
21 adequately explain how he arrived at the 10 percent figure. Motorola asserts that Dr. Macartney
22 purports to base the figure on Motorola’s research and development expenses, but his report
23 “contains no analysis of how Motorola’s total research and development expenditures . . . relate in
24 any way to how Motorola would be willing to pay . . . for the patents in suit.” Mot. 21. Motorola
25 contends that Dr. Macartney provides no other basis for a 10 percent royalty rate and that the
26 opinion is thus inadmissible. *See Whitserve*, 694 F.3d at 31 (“[W]hile mathematical precision is
27 not required, some explanation of both why and generally to what extent the particular [*Georgia*
28 *Pacific*] factor impacts the royalty calculation is needed.”); *Open Text*, 2015 WL 349197, at *6;

1 GPNE, 2014 WL 1494247, at *4.

2 Fujifilm responds that the 10 percent royalty rate is adequately explained in Dr.
3 Macartney’s report. In the pages cited by Fujifilm, Dr. Macartney states in relevant part:

4 Based on my analysis in the preceding sections (summarized in
5 Table 10 above) which demonstrates the strength of Fujifilm’s
6 bargaining position relative to Motorola in the hypothetical
7 negotiation . . . , I propose a highly conservative royalty rate of
8 \$2.95 per unit (i.e., 10 percent of \$29.54).

9 In order to see that it is highly conservative that Motorola would
10 have passed 10 percent of the incremental profits from the patented
11 inventions to Fujifilm in the form of royalties, it is instructive to
12 investigate Motorola’s customary expenditures on innovation in the
13 form of research and development (R&D) expenditure and royalties
14 as a percentage of profits. In general, Motorola’s R&D expenses
15 (including royalty payments) represent far more than 10 percent of
16 their gross profits . . . Even if we compare the R&D expenses to net
17 sales instead of gross profits, the R&D expenses are still greater than
18 10 percent of the company’s net sales in every year from 2007
19 through 2013.

20 [. . .]

21 Given these results, it is reasonable to conclude that Motorola would
22 have passed at least 10 percent of the incremental profits from the
23 patents in suit to Fujifilm in the form of royalties. If Motorola had
24 licensed the patents in suit from Fujifilm, its royalty payments to
25 Fujifilm would have constituted its primary R&D costs for
26 incorporating the patents-in-suit into the accused products. As
27 shown above, Motorola customarily incurs R&D and royalty
28 expenses much greater than 10% of its gross profits. Thus, in the
hypothetical negotiation, Motorola would have agreed to pay a
royalty to Fujifilm at least equal to 10% of its expected incremental
profits from using the licensed technology.

Macartney Rpt. 144-46.

“Table 10,” referenced in the first paragraph of the above excerpt, summarizes Dr.
Macartney’s analysis of thirteen of the fifteen *Georgia-Pacific* factors and explains their effect, in
general terms, on the parties’ respective bargaining positions. *See* Macartney Rpt. 41. For
example, with respect to *Georgia-Pacific* factors 9 and 10, Dr. Macartney explains that
“alternatives exist, but they are all inferior to the infringing technology and commercially
unacceptable.” *Id.* He states that this would result in the “[s]trengthening of Fujifilm’s bargaining
position at the expense of Motorola.” *Id.*

While Dr. Macartney’s determination of a 10 percent royalty rate could be better

1 supported, he provides sufficient explanation of his analysis to distinguish this case from those
2 like *Open Text* and *GPNE*, where the expert fails to follow any “discernable methodology” and is
3 essentially “a black box into which data is fed at one end and from which an answer emerges at
4 the other.” *GPNE*, 2014 WL 1494247, at *4. Dr. Macartney does not state that the 10 percent
5 royalty rate is based on “all of the evidence in the record,” his “years of experience,” or other
6 similarly vague and unverifiable sources. *See id.* Rather, Dr. Macartney links his royalty rate
7 opinion both to Motorola’s research and development expenses and to the *Georgia-Pacific* factors.
8 Viewed in a vacuum, Dr. Macartney’s *Georgia-Pacific* analysis might be too generalized to
9 support his royalty rate opinion. But that analysis combined with Dr. Macartney’s review of
10 Motorola’s research and development expenses makes the 10 percent figure sufficiently linked to
11 “the relevant facts and circumstances of [this case]” to be presented to the jury. *Uniloc*, 632 F.3d
12 at 1318. Motorola’s motion to exclude this testimony is DENIED.

13 **C. Entire market value rule**

14 Motorola next accuses Dr. Macartney of improperly attempting “to bolster his analysis by
15 comparing the royalties he calculates to all of Motorola’s revenues from sales of the accused
16 products.” Mot. 21. Dr. Macartney opines in his report that

17 “[c]ombined sales of the accused products generated large profits for
18 Motorola – profits that would in large part have been unavailable in
19 the absence of patent infringement . . . Motorola’s profits on the
20 infringing sales have been more than \$3.1 billion. The \$63,725,372
of royalties proposed in this report represents 2.7 percent of the
profits earned on the accused products.”

21 Macartney Rpt. 149. Dr. Macartney also states that the royalties he proposes “comprise only 0.71
22 percent of the net sales of the accused products since April 2011.” *Id.* at 151. At his deposition,
23 Dr. Macartney explained that these statements were intended as “a sort of reasonableness check”
24 on his actual reasonable royalty analysis. Macartney Dep. 271. Motorola argues that the
25 statements violate the entire market value rule. Mot. 21.

26 Motorola is right. “The entire market value rule allows a patentee to assess damages based
27 on the entire market value of the accused product only where the patented feature creates the basis
28 for customer demand or substantially creates the value of the component parts.” *Uniloc*, 632 F.3d

1 at 1318 (internal quotation marks and modifications omitted). “[I]t is not enough to merely show
2 that the patented feature is viewed as valuable, important, or even essential to the use of the
3 overall product.” *Virnetx, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308, 1326-27 (Fed. Cir. 2014).
4 “These strict requirements limiting the entire market value exception ensure that a reasonable
5 royalty does not overreach and encompass components not covered by the patent.” *Id.* at 1326.

6 Fujifilm has not established that the entire market value exception applies here. Fujifilm
7 does not identify any evidence in Dr. Macartney’s report indicating that any of the patented
8 features either “creat[e] the basis for customer demand” for the accused products or “substantially
9 creat[e] the value of the component parts.” *Uniloc*, 632 F.3d at 1318. Indeed, Dr. Macartney
10 testified at his deposition that he did not apply the entire market value approach in reaching his
11 reasonably royalty opinion. Macartney Dep. 266. Fujifilm makes a half-hearted attempt in its
12 opposition brief to identify evidence to support an entire market value theory, but the evidence it
13 cites falls far short of satisfying the “strict requirements” limiting application of the exception.
14 *See Opp.* 23.

15 Fujifilm also contends that Dr. Macartney’s reliance on the total sales of the accused
16 products should be excused because he references the total sales only as “a sort of reasonableness
17 check” of his actual reasonably royalty analysis. *Opp.* 22. But this is precisely what the
18 patentee’s expert did in *Uniloc*. The expert there “performed a check to determine whether his
19 \$564,946,803 royalty figure was reasonable by comparing it to his calculation of Microsoft’s
20 approximate total revenue for Office and Windows.” 632 F.3d at 1318 (internal quotation marks
21 omitted). On appeal, the patentee argued the total revenue figure “was used only as a ‘check’ and
22 the jury was instructed not to base its damages determination on the entire market value, an
23 instruction it should be presumed to have followed.” *Id.* at 1319. The Federal Circuit disagreed,
24 reasoning that “[e]ven if the jury’s damages calculation was not based wholly on the entire market
25 value check, the award was supported in part by the faulty foundation of the entire market value.”
26 *Id.* at 1321.

27 Dr. Macartney’s testimony regarding the total revenue from sales of the accused products
28 “cannot help but skew the damages horizon for the jury.” *Uniloc*, 632 F.3d at 1320. Motorola’s

1 motion to exclude this testimony is GRANTED.

2 **D. Bundled license**

3 Dr. Macartney asserts that the parties would have agreed to a “bundled license for all
4 [patents in suit] that would have specified a single fixed payment for each infringing unit sold,
5 regardless of the number of patents it infringes.” Macartney Rpt. 152. Motorola does not
6 challenge the factual basis for this opinion – that is, Motorola does not argue that Dr. Macartney’s
7 opinion that the parties would have agreed to a bundled license specifying “a single fixed payment
8 for each infringing unit sold” lacks evidentiary support. *See* Mot. 23-24; Reply 14-15. Rather,
9 Motorola argues the opinion is improper because it effectively assigns to each accused product
10 liability for infringement of all patents in suit, even though the majority of the accused products
11 are accused of infringing only a subset of the patents in suit. Mot. 23-24.

12 The motion to exclude this opinion is DENIED. Motorola’s position is based principally
13 on the text of 35 U.S.C. § 284, which provides that a patentee who prevails in an infringement
14 action is entitled to damages “adequate to compensate for the infringement, but in no event less
15 than a reasonable royalty for the use made of the invention by the infringer.” 35 U.S.C. § 284.
16 According to Motorola, by assigning to each accused product the same per-unit royalty payment –
17 irrespective of how many of the patents in suit that product is actually accused of infringing – Dr.
18 Macartney’s bundled license opinion awards to Fujifilm a reasonable royalty in excess of that
19 adequate to compensate “for the use made of the invention.” *See* Mot. 23-24. In *Oracle Am., Inc.*
20 *v. Google Inc.*, 798 F. Supp. 2d 1111 (N.D. Cal. 2011), Judge Alsup applied similar reasoning in
21 precluding a patentee’s damages expert from opining that the parties would have agreed to a
22 license for “all” of the Java software platform, where the asserted claims were directed at only
23 certain improvements to Java. *Id.* at 1115. He stated: “Java was not the invention. Only the
24 claims asserted were the invention. Therefore, the hypothetical license must be limited to the
25 asserted claims.” *Id.* (emphasis omitted).

26 I am not persuaded that section 284 requires the exclusion of Dr. Macartney’s bundled
27 license testimony. Dr. Macartney provides substantial evidence in support of his opinion that the
28 parties would have agreed to a bundled license specifying the same per-unit royalty payment for

1 each accused product, including a review of more than twenty-five bundled license agreements
2 previously entered into by either Fujifilm or Motorola. *See* Macartney Rpt. 136-39. As stated
3 above, Motorola does not challenge the sufficiency or reliability of this evidence. *See* Mot. 23-24;
4 Reply 14-15. The goal of the hypothetical negotiation analysis is to determine “the royalty upon
5 which the parties would have agreed had they successfully negotiated an agreement just before
6 infringement began.” *Lucent*, 580 F.3d at 1324. Dr. Macartney’s testimony provides an adequate
7 basis for a jury to find that, in this case, the royalty the parties would have agreed upon would
8 have involved a bundled license specifying the same per-unit payment for each accused product.
9 Contrary to Motorola’s position, such a finding would not conflict with section 284’s directive to
10 base the reasonable royalty award on the “the use made of the invention by the infringer.” Rather,
11 it would indicate that, in this case, in exchange for the right to “make use” of each of the
12 inventions claimed by the patents in suit, Motorola would have been willing to pay the same per-
13 unit royalty for each accused product.

14 The motion to exclude Dr. Macartney’s bundled license opinion is DENIED.

15 **E. Damages period**

16 Motorola’s final argument raises another issue arising from Dr. Macartney’s opinion that
17 the parties would have agreed to a bundled license. Under 35 U.S.C. § 287, where, as here, the
18 patentee has failed to “mark” the claimed invention, “no damages shall be recovered by the
19 patentee in any action for infringement, except on proof that the infringer was notified of the
20 infringement and continued to infringe thereafter, in which event damages may be recovered only
21 for infringement occurring after such notice.” *Id.* Fujifilm does not dispute that Motorola did not
22 receive notice of the ’285 patent until November 8, 2012, two days after the ’285 patent was
23 issued on November 6, 2012. *See* Opp. 24-25. Nevertheless, Dr. Macartney calculates damages
24 for the ’285 patent, along with the three other patents in suit, beginning in April 2011. Macartney
25 Rpt. 151. Motorola argues this opinion is so “fundamentally flawed” as to justify excluding all of
26 Dr. Macartney’s testimony from trial. Mot. 25.

27 Fujifilm responds that calculating damages for the ’285 patent beginning in April 2011 is
28 proper because, according to Dr. Macartney’s analysis, the ’285 patent would have been part of

1 the same bundled license agreement as the other patents in suit. Opp. 24. Fujifilm also notes that
2 the '285 patent is part of the same patent family as the '886 patent, and that the asserted claims
3 from the two patents are “substantially identical.” Opp. 25.

4 Fujifilm’s position on this issue is far from convincing. The law is clear that, absent
5 marking, damages may not be recovered for infringement occurring before the infringer was
6 notified of the infringement. 35 U.S.C. § 287; *Minks v. Polaris Indus., Inc.*, 546 F.3d 1364, 1376
7 (Fed. Cir. 2008) (“Section 287(a) requires actual notice to the accused to assure that the recipient
8 knew of the adverse patent during the period in which liability accrues, when constructive notice
9 by marking is absent.”) (internal quotation marks omitted). Fujifilm nevertheless contends that
10 because Dr. Macartney believes the parties would have entered a single bundled license for all
11 patents in suit, Fujifilm may recover damages for infringement of the '285 patent that occurred
12 more than a year before Motorola received the requisite notice (and more than a year before the
13 '285 patent had even been issued). Fujifilm’s position is essentially that where section 287
14 conflicts with a patentee’s hypothetical negotiation analysis, the hypothetical negotiation analysis
15 controls. Fujifilm cites no authority for this position, and I am not aware of any. That the '285
16 and '886 patent are from the same patent family and contain substantially identical asserted claims
17 is also an insufficient basis for allowing Fujifilm to recover damages in contravention of section
18 287.

19 The motion to exclude this particular opinion is GRANTED. However, because I do not
20 find that the defects in this particular opinion render the rest of Dr. Macartney’s testimony
21 inadmissible, the motion to exclude all of Dr. Macartney’s testimony is DENIED.

22 **II. OUTSTANDING MOTIONS IN LIMINE**

23 On March 19, 2015, I issued an order addressing the bulk of the parties’ motions in limine.
24 Dkt. No. 256. On March 25, 2015, the parties filed a stipulation resolving a number of their other
25 motions in limine. Dkt. No. 259. Two motions in limine remain outstanding: Fujifilm’s motion
26 no. 4 and Motorola’s motion no. 5.

27 Fujifilm’s motion no. 4 is GRANTED IN PART and DENIED IN PART. The motion
28 seeks to preclude Dr. James Lansford from testifying regarding the scope of the Bluetooth Patent

1 Copyright License Agreement (“BPLA”) that provides the basis for Motorola’s licensing defense.
2 Dkt. No. 211 at 7. The motion also seeks to preclude Dr. Lansford from testifying regarding the
3 general nature of standard setting organizations. *Id.*

4 Dr. Lansford may not testify regarding the scope of the BPLA. It is undisputed that Dr.
5 Lansford is not an expert on contract interpretation. *See, e.g.,* Lansford Dep. 62 (Dkt. No. 211-7).
6 It is also undisputed that he was not present during the drafting of the BPLA and did not base his
7 opinion regarding its meaning on information obtained from its drafters. *See, e.g., id.* at 39-40.
8 Rather, his understanding of the BPLA is based on discussions with various attorneys, including
9 Motorola’s attorneys in this case. *See id.* at 67, 71-72. Because Dr. Lansford’s opinion regarding
10 the scope of the BPLA concerns a subject on which he is not an expert and of which he has no
11 personal knowledge, I agree with Fujifilm that it is inadmissible at trial.³

12 On the other hand, Dr. Lansford’s extensive experience working with standard setting
13 organizations qualifies him to speak to their general purposes and operations. His testimony on
14 that subject will not be excluded at this time.

15 Motorola’s motion no. 5 is GRANTED. The motion seeks to preclude Dr. Macartney from
16 referencing the alleged cost of Motorola’s recent acquisition of Viewdle. Dkt. No. 9. Dr.
17 Macartney states in his report that “Motorola’s acquisition of Viewdle was rumored to be at a cost
18 of [\$30 to \$45 million].” Macartney Rpt. 46 n.148. In support of this statement, Dr. Macartney
19 points to a quote from the October 4, 2012 article, “Motorola Acquires Viewdle for Face
20 Recognition Technology,” published in the *International Business Times*, which reports that while
21 the cost of acquisition “is not available, rumor has it that it is between \$30 million and \$45
22 million.” *Id.* Dr. Macartney cites no other sources in support of his opinion on the cost of
23 acquisition. In light of the absence of verifiable evidence showing how much Motorola actually
24

25 ³ Even if Dr. Lansford were an expert on contract interpretation, his opinion on the BPLA’s
26 meaning would still be inadmissible. “Absent any need to clarify or define terms of art, science,
27 or trade, expert [] testimony to interpret contract language is inadmissible.” *TCP Indus., Inc. v.*
28 *Uniroyal, Inc.*, 661 F.2d 542, 549 (6th Cir. 1981); *see also Marx & Co. v. Diners’ Club Inc.*, 550
F.2d 505, 509-10 (2d Cir. 1977) (holding that district court erred in admitting expert statements
which “did not concern practices in the securities business, on which [the expert] was qualified [to
testify], but were rather legal opinions as to the meaning of the contract terms at issue”).

1 paid for Viewdle, I agree with Motorola that Dr. Macartney’s opinion on this subject is
2 inadmissible under Rule 403.

3 **IV. ADMINISTRATIVE MOTIONS TO FILE UNDER SEAL**

4 The parties submitted three administrative motion to file under seal in connection with
5 Motorola’s motion to exclude. Dkt. Nos. 198, 237, 250. Each of these motions is DENIED
6 WITHOUT PREJUDICE.

7 Because the motion to exclude is aimed at preventing Fujifilm’s damages experts from
8 presenting most, if not all, of their opinions at trial, all sealing motions filed in connection with it
9 are subject to the “compelling reasons” standard. *See Open Text S.A. v. Box, Inc.*, No. 13-cv-
10 04910-JD, 2014 WL 7368594, at *2 (N.D. Cal. Dec. 26, 2014) (applying compelling reasons
11 standard to *Daubert* motions “aimed squarely at the other side’s damages methodology”). This
12 standard requires the party seeking sealing to “articulate compelling reasons supported by specific
13 factual findings,” identifying the particular interests favoring sealing and showing how those
14 interests outweigh the “strong presumption” favoring disclosure. *Kamakana v. City & Cnty. of*
15 *Honolulu*, 447 F.3d 1172, 1178-81 (9th Cir. 2006). Compelling reasons sufficient to justify
16 sealing exist when the materials may “become a vehicle for improper purposes, such as . . . to
17 gratify private spite, promote public scandal, circulate libelous statements, or release trade
18 secrets.” *Id.* at 1179. “The mere fact that the production of records may lead to a litigant’s
19 embarrassment, incrimination, or exposure to further litigation will not, without more, compel the
20 court to seal its records.” *Id.* “An unsupported assertion of unfair advantage to competitors
21 without explaining how a competitor would use the information to obtain an unfair advantage is
22 insufficient.” *Hodges v. Apple Inc.*, No. 13-cv-01128-WHO, 2013 WL 6070408, at *2 (N.D. Cal.
23 Nov. 18, 2013) (internal quotation marks and modifications omitted).

24 The parties’ sealing motions do not satisfy this standard. They are for the most part
25 grossly overbroad, and the vast majority of their proffered justifications for sealing fall into the
26 category of “unsupported assertion[s] of unfair advantage to competitors without expla[nation]
27 [of] how a competitor would use the information to obtain an unfair advantage.” *Hodges*, 2013
28 WL 6070408, at *2. Accordingly, the motions are DENIED WITHOUT PREJUDICE.

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If either party still wants any of the materials that are the subject of the three sealing motions to be filed under seal, that party shall file a declaration within seven days of the date of this order identifying the particular documents or portions thereof to be sealed, and articulating “compelling reasons supported by specific factual findings” to justify sealing. *Kamakana*, 447 F.3d at 1178. As the parties consider which of the materials, if any, are in fact sealable, they are advised that none of the information discussed and/or quoted in this order is sufficiently sensitive to warrant sealing under the compelling reasons standard.

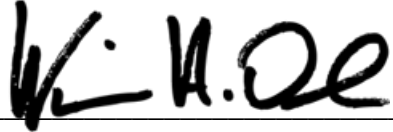
CONCLUSION

For the foregoing reasons:

- (i) Motorola’s motion to exclude the testimony of Keith Parady is DENIED. Dkt. No. 202.
- (ii) Motorola’s motion to exclude the testimony of Dr. Gareth Macartney is GRANTED IN PART and DENIED IN PART. Dkt. No. 202.
- (iii) Fujifilm’s motion in limine no. 4 is GRANTED IN PART and DENIED IN PART.
- (iv) Motorola’s motion in limine no. 5 is GRANTED.
- (v) All motions to seal filed in connection with Motorola’s motion to exclude are DENIED WITHOUT PREJUDICE. Dkt. Nos. 198, 237, 250.

IT IS SO ORDERED.

Dated: April 8, 2015



WILLIAM H. ORRICK
United States District Judge