

1 both parties would have had “walk away points” beyond which they would not have entered a
2 license. *See* Dkt. No. 403-6 (“Leonard Report”) ¶ 45. For Plexxikon, the walk-away point relates
3 to the drug Zelboraf, which is sold by its licensee, Roche.¹ Zelboraf is not covered by the asserted
4 patents. *See id.* ¶ 78. However, Zelboraf competes directly with Tafenlar as the only other B-Raf
5 inhibitor on the market. *Id.* ¶ 61. Dr. Leonard opines that Plexxikon would have considered the
6 “opportunity cost” of licensing to Novartis in terms of lost royalties from Zelboraf sales. *Id.* ¶ 60.
7 Assuming that Zelboraf would capture the projected Tafenlar sales in the absence of a Novartis
8 license, Dr. Leonard concludes that Plexxikon would not have accepted less than a 5.5% royalty
9 rate. *Id.* ¶ 71.

10 Separately, Dr. Leonard opines that the Roche collaboration agreement that covers
11 Zelboraf is also the most comparable license. *Id.* ¶ 83. Although they involve different patents,
12 Plexxikon’s technical expert opines that the technology is comparable, and Dr. Leonard finds that
13 the markets are similar because Zelboraf and Tafenlar serve the same patients through the same
14 mechanism of action and Roche and Novartis are similarly situated. *Id.* ¶ 103. Since the Roche
15 agreement also involves other types of collaboration (“know-how,” identification of a single lead
16 compound, etc.), Dr. Leonard apportions the value of the intellectual property by comparing
17 royalties in countries that did and did not have patent protection. *Id.* ¶¶ 107-09. Dr. Leonard thus
18 concludes that without these additional factors, the effectively royalty rate for the patents would be
19 6.26%-12.52%. *Id.* ¶ 144.

20 Novartis’ expert, Mr. Malackowski, disagrees that the Roche collaboration agreement is
21 comparable because, among other reasons, it identifies a specific compound and provides broad
22 collaboration benefits. Dkt. No. 393-17 (“Malackowski Report”) at 102-07. By contrast, in a
23 hypothetical negotiation, Plexxikon would have provided only a bare license, leaving the difficult
24 work of identifying and developing a specific compound to Novartis. *Id.* at 107; *see also* Leonard
25 Report ¶ 128 (agreeing that only bare license would be provided). During deposition, Mr.

26
27
28

¹ Specifically, Hoffman-La Roche Inc. and F. Hoffman-La Roche Ltd. (together, “Roche”). Dr. Leonard also refers to Genentech as making the actual sales. *See* Leonard Report ¶ 59.

1 Malackowski testified that narrow patents that identify a specific compound are more valuable
2 than broad genus patents because the latter are “like a state permit to dig for gold in California,”
3 while the former provide “a treasure map with an X on the spot.” Dkt. No. 397-5 (“Malackowski
4 Depo.”) at 37:20-38:3, 146:22-147:1. Instead of the Roche license, Mr. Malackowski opines that
5 three other license agreements between Novartis and Rigel Pharmaceuticals, Inc., Curis, Inc., and
6 Harvard Corporation (the “Rigel,” “Curis,” and “Harvard” licenses, respectively) are comparable.
7 Malackowski Report at 50, 65.

8 All three agreements are “freedom to operate” licenses. *Id.* at 41, 54, 62. The Rigel
9 license arose from a legal settlement based on Novartis’ desire to avoid litigation. *Id.* at 40-41. It
10 licensed patents related to a different kinase inhibitor for a drug used to treat a different cancer
11 type. *Id.* at 46-49. The Curtis license also arose from a settlement of a lawsuit in which Novartis
12 further argued that the patents were invalid. *Id.* at 50. Again, Novartis testified that it agreed to
13 the license because doing so was cheaper than litigation. *Id.* at 53-54. The licensed drug treated
14 skin cancer, not melanoma. *Id.* at 58. Last, the Harvard license arose when Harvard approached
15 Novartis about licensing one of its products. *Id.* at 64. Novartis’ 30(b)(6) witness testified that
16 “Novartis determined that it would be cheaper to take the license than risk litigation for freedom to
17 operate purposes.” Dkt. No. 397-6 (“Waibel Depo.”) at 207:25-208:3. The licensed drug targets
18 multiple myeloma, not cancer, using a different type of inhibitor. Malackowski Report at 68.

19 Mr. Malackowski opines that these licenses are comparable because the parties, the license
20 terms, the patents, and the licensed product are all comparable. Namely, Rigel and Curtis are both
21 biotechnology companies that focus on drug discovery and collaboration, similar to Plexxikon; the
22 agreements provided a bare, non-exclusive license; the patents claim a broad genus of molecules
23 without identifying a specific compound; the licensed products have similar value and were on the
24 market for comparable amounts of time; and the parties were in a similar financial state at the time
25 of the license. *Id.* at 42-50, 54-62, 64-71. Based considerably on these licenses, Mr. Malackowski
26 concludes that a reasonable royalty would be a lump sum of \$3.5 million. *Id.* at 96. However, he
27 also provides an alternative reasonable royalty opinion based on a greater discounting of the
28 Roche license royalty rate. *Id.* at 130.

1 **II. LEGAL STANDARD**

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

- 4 (a) the expert’s scientific, technical, or other specialized knowledge
5 will help the trier of fact to understand the evidence or to determine a
6 fact in issue; (b) the testimony is based on sufficient facts or data; (c)
7 the testimony is the product of reliable principles and methods; and
8 (d) the expert has reliably applied the principles and methods to the
9 facts of the case.

10 Fed. R. Evid. 702. Expert testimony is admissible under Rule 702 if it is both relevant and reliable.
11 See *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579, 597 (1993). “[R]elevance means that the
12 evidence will assist the trier of fact to understand or determine a fact in issue.” *Cooper v. Brown*, 510
13 F.3d 870, 942 (9th Cir. 2007); see also *Primiano v. Cook*, 598 F.3d 558, 564 (9th Cir. 2010) (“The
14 requirement that the opinion testimony assist the trier of fact goes primarily to relevance.”) (quotation
15 omitted). Under the reliability requirement, the expert testimony must “ha[ve] a reliable basis in the
16 knowledge and experience of the relevant discipline.”² *Primiano*, 598 F.3d at 565. To ensure
17 reliability, the Court “assess[es] the [expert’s] reasoning or methodology, using as appropriate such
18 criteria as testability, publication in peer reviewed literature, and general acceptance.” *Id.* at 564.

19 To satisfy these standards, testimony and evidence related to patent damages must be “tied to
20 the facts of the case.” *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1315 (Fed. Cir. 2011)
21 (quoting *Daubert*, 509 U.S. at 591); see *id.* (“If the patentee fails to tie the theory to the facts of
22 the case, the testimony must be excluded.”). “Any evidence unrelated to the claimed invention
23 does not support compensation for infringement but punishes beyond the reach of the statute.”
24 *ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860, 869 (Fed. Cir. 2010). In addition, under Federal
25 Rule of Evidence 403, a court may exclude evidence “if its probative value is substantially
26 outweighed by a danger of . . . unfair prejudice.” See, e.g., *Prism Techs. LLC v. Sprint Spectrum*
27 *L.P.*, 849 F.3d 1360, 1368 (Fed. Cir. 2017). That said, when evidence meets the “minimum

28

² Admission of expert testimony is evaluated under regional circuit law—here, the law of the
Ninth Circuit. See *Micro Chem., Inc. v. Lextron, Inc.*, 317 F.3d 1387, 1391 (Fed. Cir. 2003).

1 threshold” of being based on case-specific data and sound methodology, disagreements as to
2 comparability go to weight, not admissibility. *ActiveVideo Networks, Inc. v. Verizon Commn’s,*
3 *Inc.*, 694 F.3d 1312, 1334 (Fed. Cir. 2012); *accord Primano*, 598 F.3d at 565 (“Shaky but
4 admissible evidence is to be attacked by cross examination, contrary evidence, and attention to the
5 burden of proof, not exclusion.” (quoting *Daubert*, 509 U.S. at 596)).

6 **III. DEFENDANT’S MOTION TO EXCLUDE EXPERT TESTIMONY OF GREGORY**
7 **K. LEONARD, PH.D**

8 Novartis moves to exclude Dr. Leonard’s opinions in their entirety on two grounds. First,
9 Novartis argues that Dr. Leonard’s analysis lacks reliability because he focuses on valuing the
10 exclusionary value of the asserted patents and fails to apportion damages based on the “inventive
11 contribution” of the patents. Second, Novartis argues that Dr. Leonard improperly conducts a lost
12 profit analysis by setting a “minimum” royalty based on lost Zelboraf sales without satisfying the
13 rigorous test for lost profit recovery.

14 **A. Apportionment**

15 A long-standing rule holds that “[t]he patentee . . . must in every case give evidence
16 tending to separate or apportion the defendant’s profits and the patentee’s damages between the
17 patented feature and the unpatented features, and such evidence must be reliable and tangible, and
18 not conjectural or speculative.” *Garretson v. Clark*, 111 U.S. 120, 121 (1884). That is because
19 damages in a patent case are meant to capture “the value of what was taken,” which is the patented
20 invention. *Ericsson, Inc. v. D-Link Sys., Inc.*, 773 F.3d 1201, 1226 (Fed. Cir. 2014). Thus, “where
21 multi-component products are involved, the governing rule is that the ultimate combination of
22 royalty base and royalty rate must reflect the value attributable to the infringing features of the
23 product, and no more.” *Id.*; *see also VirnetX, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308 (Fed. Cir.
24 2014). An exception to this rule, called the “entire market value rule,” permits a patentee to obtain
25 damages based on the value of the accused products as a whole “where the patented feature creates
26 the basis for consumer demand” or “substantially creates the value of the component parts.”
27 *Uniloc*, 632 F.3d at 1318.

28 Even where the patented features are not part of a multi-component product, damages must

1 still reflect “the incremental value that the patented invention adds to the end product.” *Exmark*
 2 *Mfg. Co. Inc. v. Briggs & Stratton Power Prods. Grp., LLC*, 879 F.3d 1332, 1348 (Fed. Cir. 2018).
 3 For example, in *Exmark*, the patent covered a lawn mower as a whole, not any single component.
 4 *See id.* However, the court still held that damages had to be apportioned between the conventional
 5 and inventive aspects of the claim. *Id.* Similarly, in *AstraZeneca AB v. Apotex Corp.*, 782 F.3d
 6 1324, 1338 (Fed. Cir. 2015), the court found that the patents covered an entire pharmacological
 7 compound, not any one component. However, because the active ingredient was covered by a
 8 different, expired patent—and was therefore conventional—damages needed to be apportioned to
 9 account for the “inventive” feature of the patent, which was the subcoating. *Id.* at 1337-38.

10 Apportionment can be addressed “in a variety of ways.” *Exmark*, 879 F.3d at 1348. Aside
 11 from adjusting the royalty base or royalty rate, a proper analysis of the *Georgia-Pacific* factors
 12 may account for the value of the invention. *Id.* at 1348-49.³ That is because the *Georgia-Pacific*
 13 factors already account for the “utility and advantages of the patent property over any old modes
 14 or devices,” “the nature of the patented invention,” and the “portion of the realizable profit that
 15 should be credited to the invention.” *AstraZeneca*, 782 F.3d at 1338; *see also Univ. of Pittsburgh*
 16 *v. Varian Med. Sys., Inc.*, 561 F. Appx 934, 947-50 (Fed. Cir. 2014) (finding that distinguishing
 17 inventive features “is precisely what the *Georgia-Pacific* factors purport to do”). Apportionment
 18 analysis does not require subtraction of the conventional elements where the inventive element is

19
 20
 21 ³ The *Georgia-Pacific* factors include (1) the royalties received by the patent owner for the
 22 licensing of the patent-in suit, proving or tending to prove an established royalty, (2) the rates paid
 23 by the licensee for the use of other patents comparable to the patent-in-suit, (3) the nature and
 24 scope of the license, (4) the licensor’s established policy and marketing program to maintain its
 25 patent monopoly by not licensing others or by granting licenses under conditions, (5) the
 26 commercial relationship between the licensor and licensee, (6) the effect of selling the licensed
 27 inventions on other products sold by the licensee, as well as the value of the invention to the
 28 licensor as a generator of sales of non-patented items, (7) the duration of the patent and the term of
 the license, (8) the established profitability, commercial success, and popularity of the patented
 product, (9) the utility and advantages of the invention over old modes or devices, (10) the nature
 and benefits of the patented invention, (11) the extent to which the infringer had made use of the
 invention, (12) the portion of the profit or of the selling price for comparable businesses to use the
 invention or analogous inventions, (13) the portion of the realizable profit that should be credited
 to the invention as distinguished from non-patented elements, (14) the opinion of qualified
 experts, and (15) the amount that a licensor and licensee would have agreed upon if both had been
 trying to reach a licensing agreement at the time the infringement began. *Georgia-Pacific Corp. v.*
U.S. Plywood Corp., 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970).

1 “substantially responsible for the value of the product.” *AstraZeneca*, 782 F.3d at 1339.

2 Here, Novartis argues that Dr. Leonard testified during deposition that his analysis values
3 Plexxikon’s right to exclude, not the incremental value of the patented inventions. *See* Dkt. No.
4 393-29 (“Leonard Depo.”) at 90:22-25 (describing the purpose of his analysis as “get[ting] a
5 royalty that reflects the value of the licensor’s right to exclude”). Dr. Leonard apparently did not
6 consider the inventive aspects of the patent claims and relied entirely on Plexxikon’s technical
7 expert, Dr. Michael Metzker, for this analysis. *See id.* at 42:23-44:1, 40:4-17. Novartis thus
8 argues that Dr. Leonard fails to account for Novartis’ own inventive contribution in identifying
9 and developing the specific molecule embodied in Tafenlar, which has been separately patented.

10 Plexxikon responds, in the first instance, that the right to exclude is equivalent to the
11 incremental value of the invention because low-value inventions would have many noninfringing
12 alternatives.⁴ That may be true for narrow “improvement” patents, but it would not be true for
13 broad “blocking” patents. *Cf. Acorda Therapeutics, Inc. v. Roxane Labs., Inc.*, 903 F.3d 1310,
14 1337 (Fed. Cir. 2018) (a patent is “blocking” where “practice of a later invention would infringe
15 the earlier patent”). For example, a patent for a car with novel tires can be avoided by making a
16 car without those tires. But a patent for a car could not be avoided by a party that invents novel
17 tires, no matter how innovative the invention. Here, Novartis argues that Plexxikon’s patents
18 cover trillions of compounds that require significant additional research and development to
19 identify specific useful compounds. The right to exclude cannot account for these latter inventive
20 contributions and thus cannot fully apportion value.⁵ *Cf. Exmark*, 879 F.3d at 1350 (finding
21 “problematic” that an expert ignored defendants’ own patents for the accused products).

22 _____
23 ⁴ Plexxikon also argues that Novartis’ cited cases do not apply because they deal with multi-
24 component products. That is incorrect: the principle stated in those cases has been applied to
25 claims that cover the entire product. *See, e.g., AstraZeneca*, 782 F.3d at 1338 (citing *Ericsson*,
773 F.3d at 1233). Plexxikon cites *AstraZeneca* in its brief and presumably knows as much.

26 ⁵ The current case presents an opposite scenario from the one in *AstraZeneca*. There, the active
27 ingredient was known, but the invention provided an improvement in subcoating that made the
28 commercial embodiment viable. 782 F.3d at 1339. Here, Plexxikon invented the ingredient, but
Novartis apparently provided the improvements that allowed the drug to be brought to market.
Since *AstraZeneca* affirmed attributing the value of the entire product to the improvement in the
subcoating, it seems inconsistent to also attribute the entire value to the basic ingredient.

1 Plexxikon further argues that Dr. Leonard nevertheless apportioned damages because he
2 relies on the Roche agreement that provides for royalties reflecting Roche’s development costs
3 and for lower royalties in countries that lack patent protection. While that may be sufficient to
4 distinguish the value of the intellectual property compared to other benefits provided under the
5 collaboration agreement (know-how, etc.), it cannot value the inventions of the asserted patents
6 because the Roche patents cover different technology. Intellectual property is not fungible, and
7 the value of one invention is not indicative of the value of another. *See ResQNet.com*, 594 F.3d at
8 869 (requiring “district courts performing reasonable royalty calculations to exercise vigilance
9 when considering past licenses to technologies other than the patent in suit”); *LaserDynamics, Inc.*
10 *v. Quanta Comp., Inc.*, 694 F.3d 51, 79 (Fed. Cir. 2012) (“alleging a loose or vague comparability
11 between different technologies or licenses does not suffice”).

12 Nevertheless, Plexxikon provides enough evidence to show that these deficiencies are best
13 addressed through cross-examination, rather than exclusion. *See ActiveVideo*, 694 F.3d at 1334.
14 Dr. Leonard opines, as relevant, that both the Roche patents and the asserted patents are “critical
15 to the effectiveness of” their respective products, Zelboraf and Tafenlar. Leonard Report ¶ 103.
16 Dr. Metzker supports this opinion in his technical report. *See* Dkt. No. 441-1 (“Metzker Report”)
17 ¶ 113. Dr. Leonard further opines that Zelboraf and Tafenlar operate in the same competitive
18 space and serve the same patient populations. Leonard Report ¶ 103. The Federal Circuit recently
19 affirmed a jury verdict based on similar evidence of damages, where the plaintiff’s expert testified
20 regarding a license for a related, earlier technology and “the components at issue, for purposes of
21 apportionment to the value of a larger product or service, were comparable.” *Elbit Sys. Land &*
22 *C4I Ltd. v. Hughes Network Sys., LLC*, 927 F.3d 1292, 1300-01 (Fed. Cir. 2019); *see also Summit*
23 *6, LLC v. Samsung Elecs. Co., Ltd.*, 802 F.3d 1283, 1296 (Fed. Cir. 2015) (permitting reasonable
24 royalty value “based upon comparable features in the marketplace”). Because the license
25 agreement “already built in apportionment,” it was sufficient to analyze the asserted patents by
26 adjusting the values of the comparable license for the related patents. *Elbit*, 927 F.3d at 1301.
27 Here as well, Plexxikon provides enough evidence of the comparability of the asserted patents to
28 the Roche technology to make Dr. Leonard’s testimony reliable.

1 Accordingly, the Court **DENIES** Novartis’ motion in this respect.

2 **B. Lost Profits**

3 Under 35 U.S.C. § 284, damages for patent infringement must be “adequate to compensate
4 for the infringement” but “in no event less than the reasonable royalty for the use made of the
5 invention by the infringer.” To prove actual damages in the form of lost profits, the patentee must
6 show but-for causation, which is governed by the rigorous test articulated in *Panduit Corp. v.*
7 *Stahlin Bros. Fibre Works, Inc.*, 575 F.2d 1152 (6th Cir. 1978). *See Rite-Hite Corp. v. Kelley Co.,*
8 *Inc.*, 56 F.3d 1538, 1545 (Fed. Cir. 1005). Alternatively, a reasonable royalty provides a “floor”
9 for damages under the flexible “hypothetical negotiation” framework of *Georgia Pacific*, 318 F.
10 Supp. at 1120-21. *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1324 (Fed. Cir. 2009).
11 Calculating a reasonable royalty “is not an exact science” and permits multiple reliable methods.
12 *Summit 6*, 802 F.3d at 1296.

13 Novartis argues that Dr. Leonard improperly relied on an incomplete lost profits analysis
14 by setting a “floor” for the license based on lost sales of Zelboraf. In particular, Novartis argues
15 that Dr. Leonard did not consider the third element of the *Panduit* test, which concerns Roche’s
16 manufacturing ability to make Tafenlar sales in the absence of a Novartis license. However, the
17 Federal Circuit has approved of consideration of a patent owner’s lost profits in a hypothetical
18 negotiation framework, even without considering the *Panduit* test. *See, e.g., Asetek Danmark A/S*
19 *v. CMI USA Inc.*, 852 F.3d 1352, 1362-63 (Fed. Cir. 2017) (“[A] patent owner participating in a
20 hypothetical negotiation would consider the profits on sales it might lose as a result of granting a
21 license.”); *Rite-Hite*, 56 F.3d at 1554 (finding it reasonable that “an unwilling patentee would only
22 license for one-half of its expected lost profits”). The issue here is not whether Roche would have
23 actually made Tafenlar’s sales, but whether Plexxikon would reasonably believe during a
24 hypothetical negotiation that this would happen. *See SEB S.A. v. Montgomery Ward & Co., Inc.*,
25 594 F.3d 1360, 1380 (Fed. Cir. 2010). Here, Dr. Leonard properly considered Plexxikon’s *ex ante*
26 expectations for lost royalties as part of a hypothetical negotiation framework, and Novartis may
27 attack this evidence on cross examination.

28 Accordingly, the Court **DENIES** this part of Novartis’ motion.

1 **IV. PLAINTIFF’S MOTION TO EXCLUDE THE OPINIONS AND TESTIMONY OF**
2 **JAMES E. MALACKOWSKI**

3 Plexxikon moves to exclude the opinions of Mr. Malackowski regarding three litigation
4 settlement licenses. Plexxikon does not move to exclude Mr. Malackowski’s rebuttal of Dr.
5 Leonard’s opinions, including his alternative royalty calculation based on the Roche collaboration
6 agreement. Instead, Plexxikon argues only that the settlement licenses are unreliable under Rules
7 403 and 408 because they concern different technologies and markets and also reflect Novartis’
8 desire to avoid litigation. Plexxikon also argues that Mr. Malackowski should not be permitted to
9 testify that broad genus patents are worth less than narrower patents.

10 **A. Settlement Licenses**

11 The court has discretion to admit evidence regarding settlement licenses if they are
12 sufficiently probative of the value of the asserted patents. *Prism*, 849 F.3d at 1368-69. As the
13 Supreme Court recognized, litigation settlements typically reflect three components: (1) the
14 predicted judgment, discounted by its probability, (2) the costs of further litigation, and (3) the
15 cost of settlement. *Id.* at 1369 (citing *Evans v. Jeff D.*, 475 U.S. 717, 734 (1986)). In the patent
16 law context, the first element can be further broken down into (a) the expected judgment for
17 infringement, and (b) the expected judgment for invalidity. *See id.* at 1370. Of these, only the
18 first and third elements are relevant for patent valuation, and only in relation to infringement. *See*
19 *id.* at 1369.

20 Thus, the probative value of a settlement license depends on the weight of the other
21 factors. *Id.* at 1370. Where a license was negotiated after a court established validity and
22 infringement, the license is “very probative of reasonable royalty” because it “duplicate[s]” the
23 hypothetical negotiation framework. *AstraZeneca*, 782 F.3d at 1337. On the other hand, where
24 the license was negotiated early in the suit, when expected costs of litigation and uncertainty over
25 the outcome are highest, the license is less probative. *See Prism*, 849 F.3d at 1369. Moreover,
26 additional litigation factors, such as the risk of enhanced damages or sanctions, will further skew
27 the license amount away from proper patent valuation. *Id.* at 1370; *LaserDynamics*, 694 F.3d at
28 78. In short, settlement licenses are treated much like other licenses, requiring the proponent of
29 the license to establish sufficient comparability while accounting for any differences. *See Elbit*,

1 927 F.3d at 1299-1300; *Prism*, 849 F.3d at 1370.

2 Plexxikon argues that settlement licenses must be excluded unless they are “the most
3 reliable” on the record. That is simply not the law. *LaserDynamics*, which Plexxikon cites for
4 this proposition, merely states that settlement licenses have been excluded until recently. *See* 694
5 F.3d at 77. It then distinguishes *ResQNet*, which earlier permitted such licenses based, in part, on
6 the settlement license in that case being “the most reliable” on record.⁶ 594 F.3d 872. Nothing in
7 *LaserDynamics* or *ResQNet* suggests that a settlement license *must* be the most reliable in the
8 record to be admitted. As more recent cases show, there is no such requirement. *See Elbit*, 927
9 F.3d at 1299-1300; *Prism*, 849 F.3d at 1370; *Rembrandt Wireless Techs., LP v. Samsung Elecs.*
10 *Co., Ltd.*, 853 F.3d 1370, 1381 (Fed. Cir. 2017); *AstraZeneca*, 782 F.3d at 1337.⁷

11 Nevertheless, Plexxikon is correct that the settlement licenses here do not appear to be
12 particularly probative. First, they do not involve the asserted patents and Novartis has not shown
13 that the technology is comparable. *See ResQNet.com*, 594 F.3d at 869 (cautioning against reliance
14 on past licenses for technologies other than the patent in suit); *LaserDynamics*, 694 F.3d at 79
15 (finding “vague comparability between different technologies” insufficient). Second, they were
16 entered into early in the cases, and Mr. Malackowski expressly opines that Novartis agreed to the
17 licenses to avoid litigation. The second factor of the “transaction costs of further litigation” is thus
18 a dominant factor in the license values. *Prism*, 849 F.3d at 1369. Third, Mr. Malackowski
19 introduces no evidence that Novartis actually infringed the licensed patents or that the value of
20 potential infringement was comparable to the reasonable value here. Finally, Novartis’ 30(b)(6)
21 witness testified that the patents in the Curtis license were invalid, which means that the patentee
22 further discounted the royalty amount to account for a potential judgment of invalidity if the case
23 continued to trial. The probative value of these licenses is thus limited while the risk of prejudice
24 from skewed damages horizons before the jury is significant. *See Prism*, 849 F.3d at 1370

25

26 ⁶ By contrast, the *LaserDynamics* court excluded a settlement license because it was “the least
27 reliable license by a wide margin.” 694 F.3d at 77-78.

28 ⁷ Plexxikon, again, cites *Prism* in its brief, but ignores its implications for its argument.

1 (permitting exclusion of licenses under Rule 403).⁸

2 Novartis’ evidence for comparability only weakly ties those licenses “to the facts of the
3 case.” *Summit 6*, 802 F.3d at 1296. Although Mr. Malackowski purports to opine on the
4 comparability of the license terms, products, patents, and negotiation positions, much of that
5 evidence is superficial or insufficient to show comparability. For example, Mr. Malackowski
6 opines that the product licensed under the Rigel agreement, Zykadia, is comparable to Tafenlar
7 even through it makes only a fraction of the sales. Malackowski Report at 48. The Curtis and
8 Harvard licenses also relate to different technology and cover products that made less than 5% of
9 Tafenlar’s sales. *Id.* at 60-61, 70. Moreover, the comparability of the patents in all three cases is
10 based on their breadth and relation to each other, rather than the value of the inventions. *Id.* at 49.
11 To be sure, Mr. Malackowski does provide some evidence of comparability, particularly from
12 Novartis’ perspective (where each license provides “freedom to operate” for an already-existing
13 product). *Id.* at 107-08. However, in light of the litigation-focused circumstances of the
14 negotiations of the licenses, as well as the differences of the licensed products and technology, the
15 probative value in those licenses is outweighed by the risk of undue prejudice. Fed. R. Evid. 403.⁹

16 Accordingly, the Court **GRANTS** Plexxikon’s motion to exclude Mr. Malackowski’s
17 testimony regarding the Rigel, Curtis, and Harvard licenses.

18 **B. Genus Patents**

19 Plexxikon argues that Mr. Malackowski should not be permitted to testify that a broad
20 genus patent is less valuable than a narrower one that identifies specific compounds. The issue is
21

22 ⁸ Although the Harvard license was not made in the context of litigation, Novartis’ 30(b)(6)
23 witness testified that the company agreed to the license because “it would be cheaper to take the
24 license than risk litigation for freedom to operate purposes.” Waibel Depo. at 207:25-208:3. The
Harvard license is therefore most probative of litigation costs, not the value of the technology.

25 ⁹ Plexxikon also argues that the settlement licenses are inadmissible under Rule 408. However,
26 the Federal Circuit has recognized that settlement licenses are “sometimes [] admissible and
27 sometimes [] not” and “can be pertinent to the issue of reasonable royalties.” *Prism*, 849 F.3d at
28 1368-69; *In re MSTG, Inc.*, 675 F.3d 1337, 1348 (Fed. Cir. 2012). Because discoverability of
information related to reasonable royalties implicates that circuit’s exclusive jurisdiction, Federal
Circuit law is likely to apply to the admissibility question at issue here as well. *MSTG*, 675 F.3d
at 1341.

1 closely related to the one regarding apportionment discussed *supra* section III.A. Namely,
2 Plexxikon argues that the value of a patent is commensurate with its ability to exclude, while
3 Novartis argues that a broad genus patent provides less of an “inventive contribution” than a
4 patent identifying specific useful compounds.

5 The Court finds, again, that this issue is properly resolved by a proper application of the
6 *Georgia-Pacific* factors. The need for additional development rests, in large part, on the date of
7 the hypothetical negotiation. *See Integra Lifesciences I, Ltd. v. Merck KGaA*, 331 F.3d 860, 870-
8 71 (Fed. Cir. 2003), *rev’d on other grounds* 545 U.S. 193 (2005); *Hitkansut LLC v. U.S.*, 130 Fed.
9 Cl. 353, 393-94 (Ct. Fed. Cl. 2017). In *Integra*, the patents concerned certain peptide sequences
10 that the accused infringer tested as part of its own, largely independent discovery. 331 F.3d at
11 862-63. The Federal Circuit analyzed the peptides as a “research tool” and concluded that their
12 value depended on the date of the negotiation: “At the point before Merck even attempted its first
13 test on [the peptide], it would have assumed all the risks of failure—either scientific failure to
14 identify a suitable therapeutic candidate or economic failure to market a successful product,” while
15 using the tool “to confirm an already recognized drug candidate’s safety or efficacy” would result
16 in a different valuation. *Id.* at 870-71 & n.4. Similarly, in *Hitkansut*, the Court of Federal Claims
17 found that a hypothetical negotiation for patents that provide only “potential” benefits depends on
18 the state of development and commercialization. 130 F. Cl. at 393-94. Thus, the value of patents
19 that require additional development to commercialize rests on the state of the development at the
20 time of the hypothetical negotiation. In all instances, evaluation of the patents must be tied to the
21 facts of the case—broad statements about the value of genus patents in the abstract are largely not
22 helpful. *See Uniloc USA*, 632 F.3d at 1315.

23 Here, the parties appear to agree that the hypothetical negotiation would take place after
24 Novartis already developed Tafenlar, which might increase its willingness to pay. However, Mr.
25 Malackowski provides his opinion as part of the apportionment analysis to distinguish Novartis’
26 own contribution and to show the non-comparability of the Roche license, which identified
27 specific compounds. These are reasonable ways of analyzing the issues, even if more abstract
28 statements concerning the value of genus patents as a whole would not be helpful. Accordingly,

1 the Court **DENIES** this part of Plexxikon’s motion.

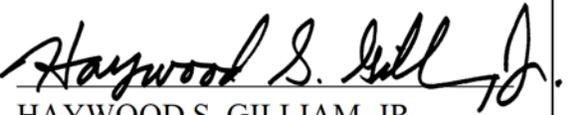
2 **V. CONCLUSION**

3 For the foregoing reasons, the Court **DENIES** Novartis’ motion to exclude the testimony
4 of Dr. Leonard and **GRANTS IN PART** and **DENIES IN PART** Plexxikon’s motion to exclude
5 the testimony of Mr. Malackowski.

6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

IT IS SO ORDERED.

Dated: 1/12/2021


HAYWOOD S. GILLIAM, JR.
United States District Judge