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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

ACCESSORIES MARKETING, INC.,)

Plaintiff,)

v.)

TEK CORPORATION,)

Defendant.)

Case No.: C 11-4773 PSG

ORDER ON MOTIONS IN LIMINE**(Re: Docket Nos. 138, 139, 146)**

Before the court are the parties' in limine motions. Plaintiff Accessories Marketing, Inc. ("AMI") brings two motions in limine, but they have been resolved by the parties.¹ Defendant Tek Corporation ("TEK") brings one motion in limine. On April 2, 2013, the parties appeared for a hearing. Having reviewed the papers and considered the arguments of counsel,

IT IS HEREBY ORDERED that TEK's motion in limine to exclude expert evidence and testimony on reasonable royalty damages is DENIED.

AMI's damages expert John Hansen ("Hansen") analyzed the reasonable royalty owed to AMI based on a hypothetical negotiation between AMI and TEK for a license of the '581 patent. TEK objects on four grounds: (1) Hansen improperly considered the competitive position of SSI, AMI's sister company to which AMI sells its tire repair kits; (2) Hansen improperly relied on

¹ See Docket No. 168, 169.

1 information he learned from Brett Mueller (“Mueller”); (3) AMI failed to disclose its reasonable
2 royalties damages theory in discovery; and (4) Hansen did not properly follow the Georgia-Pacific
3 factors in making his expert report.

4 Although Hansen considered the competitive position of SSI, this was not improper in light
5 of the relationship between SSI and AMI. Both SSI and AMI are owned by Illinois Toolworks;
6 AMI is the exclusive supplier of tire repair kits to SSI, who then sells the tire repair kits to the
7 OEM market. Because SSI and TEK are competitors in the tire repair kit market, a license to TEK
8 could very well impact SSI’s profits, which could itself impact AMI’s profits from SSI’s sales.²
9 Even though AMI cannot collect damages on behalf of SSI,³ robust cross-examination should be
10 more than sufficient to clear up any ambiguities.
11

12 As for Hansen’s reliance on Mueller, although TEK argues that Hansen should not have
13 relied upon Mueller’s statement that the purchase price of the ‘581 patent was not based on
14 potential royalties, Mueller has been designated as an expert witness and experts may rely on the
15 opinion of other experts to formulate their opinions.⁴ In addition, Mueller was AMI’s designated
16 30(b)(6) witness and was in an appropriate position to testify as to the events of AMI’s negotiation
17

18 ² See *Union Carbide Chemicals & Plastics Tech. Corp. v. Shell Oil Co.*, 425 F.3d 1366, 1378 (Fed.
19 Cir. 2005) (overruled on other grounds) (where the patentholder was a holding company whose
20 parent company was a competitor of the infringer, the patentholder properly introduced evidence
21 regarding the impact of the infringer’s sales on the parent company’s sales in evaluating a
22 hypothetical negotiation between the holding company and the infringer). See also *Synthes U.S.A.
23 LLC v. Spinal Kinetics, Inc.*, Case No. 5:09-CV-01201 RMW, 2012 WL 4483158, at *12 (N.D.
24 Cal. Sept. 27, 2012) (“[the patentee] is a mere holding company and any negotiation on its behalf
25 would be conducted by and for the benefit of its corporate parent”).

26 ³ Cf. *Poly-Am., L.P. v. GSE Lining Tech., Inc.*, 383 F.3d 1303, 1311 (Fed. Cir. 2004) (rejecting
27 patentholder’s argument that it could recover lost profits on behalf of its sister corporation, where
28 the two sister corporations were different “arms” for the purposes of manufacture and sale, and
remanding to lower court to determine whether patentholder itself suffered lost profits).

⁴ See *O2 Micro Int’l Ltd. v. Monolithic Power Sys., Inc.*, 420 F. Supp. 2d 1070, 1088 (N.D. Cal.
2006) aff’d, 221 F. App’x 996 (Fed. Cir. 2007) (“an expert is not required to testify only upon data
the expert has personally gathered or tested” and may properly rely on data normally relied on by
experts in the field).

1 in purchasing the patent, even if he himself was not involved in said negotiation. TEK had the
2 opportunity to depose Mueller, and may be cross-examined at trial by TEK regarding the
3 negotiation.

4 As for TEK's complaint that AMI did not clearly disclose its reasonable royalties theory in
5 discovery, while AMI's interrogatory response is undeniably silent on the theory, AMI did state in
6 its complaint that AMI seeks "general and/or specific damages adequate to compensate AMI for
7 Defendant's infringement, including a reasonable royalty and/or lost profits..."⁵ Moreover, AMI's
8 initial disclosures, served on September 30, 2011, also stated that AMI "may be seeking its lost
9 profits, price erosion, and/or reasonable royalty for sales."⁶ In any event, TEK has not identified
10 any particular discovery it needed and was not able to obtain as a result of the interrogatory
11 response, and Hansen was available for deposition to mitigate prejudice.

12
13 With regard to TEK's final complaint, although TEK claims Hansen's reasonable royalty
14 analysis is "outright speculation" and will not aid the jury, Hansen properly considered a
15 hypothetical negotiation between AMI and TEK for a license of the '581 patent that would have
16 taken place at the time TEK supposedly began infringing.⁷ Once again, cross-examination should
17 provide a more than sufficient opportunity for TEK to expose any inadequacies in Hansen's views
18 to the jury.
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25 ⁵ Docket No. 37 at 8.

26 ⁶ Docket No. 157, Ex. 6 at 5.

27 ⁷ See, e.g., *ResQNet.com v. Lansa, Inc.*, 594 F.3d 860, 868 (Fed. Cir. 2010) ("A 'reasonable
28 royalty' derives from a hypothetical negotiation between the patentee and the infringer when the
infringement began.").

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IT IS SO ORDERED.

Dated: April 2, 2013



PAUL S. GREWAL
United States Magistrate Judge