

United States District Court  
For the Northern District of California

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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE DIVISION

GOOD TECHNOLOGY CORPORATION and )	Case No. 5:12-cv-05826-PSG
GOOD TECHNOLOGY SOFTWARE, INC., )	
) )	<b>ORDER GRANTING-IN-PART</b>
) )	<b>MOTION TO EXCLUDE</b>
) )	<b>TESTIMONY</b>
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) )	<b>(Re: Docket No. 294)</b>

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From all the chatter about the Federal Circuit’s guidance in recent years on the entire market value rule, you’d think the court had unveiled a completely new framework for assessing patent damages from products with both infringing and non-infringing features. While providing much appreciated clarification, a careful inspection of *Lucent*, *LaserDynamics*, *VirnetX* and the rest shows the basic methodological rule for expert analysis remains the same: calculate the value of those features that infringe, and cut out the value of all the rest. The Supreme Court essentially said the same thing in *Garretson* in 1884.<sup>1</sup> But as this case illustrates, this longstanding patent damages principle continues to be ignored in too many patent cases.

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<sup>1</sup> See *Garretson v. Clark*, 111 U.S. 120, 121 (1884) (“The patentee . . . must in every case give evidence tending to separate or apportion the defendant’s profits and the patentee’s damages between the patented feature and the unpatented features, and such evidence must be reliable and tangible, and not conjectural or speculative, or he must show by equally reliable and satisfactory evidence that the profits and damages are to be calculated on the whole machine, as a marketable article, is properly and legally attributable to the patented feature.”).

1 Convinced that Plaintiffs Good Technology Corporation and Good Technology Software,  
2 Inc.'s damages expert, Roy Weinstein, fails this longstanding test, and others, Defendant  
3 MobileIron, Inc. moves to exclude certain of his opinions from the upcoming trial. MobileIron  
4 also seeks to exclude certain opinions of Good's technical expert Hugh Smith. Recognizing its  
5 responsibility to keep methodologically unsound opinion testimony from the jury, while being  
6 "cautious not to overstep its gatekeeping role and weigh facts,"<sup>2</sup> the court agrees that certain expert  
7 opinions should not be presented to the jury: Weinstein's first, second and fourth royalty scenarios  
8 for MobileIron's alleged infringement, his opinion regarding damages for Good's alleged  
9 infringement and Smith's disputed opinions.

10 **I.**

11 Despite significant reforms in the America Invents Act of 2011, the key damages provision  
12 remains. As before, 35 U.S.C. § 284 provides that upon "finding for the claimant, the court shall  
13 award the claimant damages adequate to compensate for the infringement, but in no event less than  
14 a reasonable royalty for the use made of the invention by the infringer, together with interest and  
15 costs as fixed by the court." The goal of the damages award is not to punish the infringer, but  
16 rather to make the patentee whole by ascertaining what the patent holder would have made had the  
17 infringer not infringed.<sup>3</sup> Damages may take the form of "reasonable royalty [the patentee] would  
18 have received through arms-length bargaining" in a hypothetical negotiation.<sup>4</sup> The hypothetical  
19 negotiation approach "attempts to ascertain the royalty upon which the parties would have agreed  
20 had they successfully negotiated an agreement just before infringement began."<sup>5</sup>

21 Good develops and sells mobile data and device management technologies.<sup>6</sup> Good owns  
22 United States Patent Nos. 6,151,606, 7,702,322, 7,970,386 and 8,012,219.<sup>7</sup> The '606 patent

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24 <sup>22</sup> *Apple Inc. v. Motorola, Inc.*, 757 F.3d 1286, 1314 (Fed. Cir. 2014).

25 <sup>3</sup> *Id.* (citing *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 507 (1964)).

26 <sup>4</sup> *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1324 (Fed. Cir. 2009).

27 <sup>5</sup> *Id.*

28 <sup>6</sup> *See* Docket No. 32 at ¶ 2.

1 teaches disabling access to data on a mobile device after the user has finished using the data.<sup>8</sup> The  
2 '219 patent teaches a server system that can be used to prevent access to data stored on a mobile  
3 device through encryption or deletion.<sup>9</sup> The '386 patent teaches a rules engine on a wireless device  
4 that can receive a set of rules from a server and execute the set of rules so as to monitor and take  
5 action on the wireless device based on policies.<sup>10</sup> The '322 patent teaches distribution of software  
6 updates for wireless devices that are governed by customer-defined software policies and  
7 communicated over the internet.<sup>11</sup> Good's products include Good for Enterprise, Good for  
8 Government, Good Dynamics, BoxTone and AppCentral.<sup>12</sup>

9 MobileIron is an enterprise mobility management solutions provider, which enables  
10 companies to secure, control and manage mobile devices, mobile apps and mobile content.  
11 MobileIron owns United States Patent No. 8,359,016, which teaches filtering a catalog of mobile  
12 device applications based on a set of policies applied to a user profile and a mobile device profile  
13 to select a set of applications to return to the user.<sup>13</sup>

14 MobileIron offers two EMM solutions: MobileIron Core and MobileIron Cloud.  
15 MobileIron Core is comprised of three primary components: the Core server, the Sentry server and  
16 the Mobile@Work client. The Core server enables IT administrators to define security policies and  
17 to take actions upon mobile devices, apps and content. Sentry is a gateway server that manages  
18 and secures network traffic between the mobile devices and corporate systems, such as email and  
19 document repository servers. The Mobile@Work client is installed on the mobile device, enforces  
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21 <sup>7</sup> See *id.* at ¶¶ 18-21.

22 <sup>8</sup> See Docket Nos. 32-1, 32-2. The court previously ruled that the '606 patent is neither valid nor  
23 infringed by the accused MobileIron products. See Docket No. 424.

24 <sup>9</sup> See Docket No. 32-5.

25 <sup>10</sup> See Docket No. 32-4.

26 <sup>11</sup> See Docket No. 32-3.

27 <sup>12</sup> See Docket No. 191-10.

28 <sup>13</sup> See Docket No. 41 at 10.

1 the security policies received from the Core server and also sends device information back to the  
2 Core server.

3 MobileIron Cloud is MobileIron’s cloud-based EMM solution and also has three main  
4 software components. The MobileIron Cloud server is the central location from which security  
5 policies and actions are defined and implemented. MobileIron Cloud also includes a Sentry  
6 gateway server that manages network traffic between the mobile devices and corporate systems.  
7 MobileIron Go, the client software, is installed on the mobile device, enforces security policies  
8 received from the MobileIron Cloud server and also sends device information back to the  
9 MobileIron Cloud server. MobileIron also offers other various products and features such as  
10 Docs@Work, Apps@Work, AppConnect and Email+.<sup>14</sup>

11 In late 2012, Good sued MobileIron alleging both infringement of the ’606, ’322, ’386 and  
12 ’219 patents and violations of the Lanham Act and California Business and Professions Code  
13 Section 17200.<sup>15</sup> To support its claims for damages arising from MobileIron’s alleged  
14 infringement, Good disclosed proposed opinion testimony from Roy Weinstein.<sup>16</sup> Weinstein  
15 includes estimates in what he calls four alternative reasonable royalty “scenarios” that focus on 103  
16 MobileIron Core and Cloud SKUs (stock keeping units).<sup>17</sup> Each of these SKUs includes at least  
17 the accused MDM and app store functionality, referred to now by MobileIron as EMM Silver and  
18 previously as Advanced Management. Although MobileIron’s sales sheets do not identify any  
19 smaller portions of Advanced Management offered for sale,<sup>18</sup> Advanced Management includes  
20 many features not accused of infringement in this case, including Atlas (reporting), Security

21 <sup>14</sup> See Docket No. 219-5 at 3.

22 <sup>15</sup> MobileIron counterclaimed, alleging that Good’s AppCentral product infringes MobileIron’s  
23 ’016 patent.

24 <sup>16</sup> See Docket No. 199-16, Exh. 9 at ¶ 4.

25 <sup>17</sup> See Docket No. 199-17, Exh. 13. Weinstein also offers two scenarios of Good’s lost profits from  
26 MobileIron’s alleged infringement. In addition, Weinstein also opines on the reasonable royalty  
27 Good would owe MobileIron for Good’s alleged infringement of MobileIron’s ’016 patent.  
Weinstein concluded that Good would agree to pay, at most, 50 percent of the profits from its  
28 accused sales. See Docket No. 293-34, Exh. 21 at ¶ 154.

<sup>18</sup> See Docket No. 293-11, Exh. 5 at Exh. 2.

1 (certificate management feature) and Enterprise Integration (application program interface  
2 feature).<sup>19</sup>

3 In Weinstein’s first royalty scenario, he calculates the royalty rate by taking the weighted  
4 average selling price of Advanced Management products and multiplying it by 100 percent of  
5 MobileIron’s weighted profit margin.<sup>20</sup> This produces a royalty rate per accused perpetual license  
6 and per accused subscription license.<sup>21</sup> For the royalty base, Weinstein adds the number of licenses  
7 for Advanced Management to the number of licenses for product bundles including Advanced  
8 Management.<sup>22</sup> Multiplying the rate and the base produces a total royalty amount.<sup>23</sup>

9 Weinstein’s second royalty scenario alternatively estimates that Good would only be able to  
10 negotiate for 30 percent of MobileIron’s weighted profit margin.<sup>24</sup> Here, Weinstein reasons that  
11 the parties would agree to a profit split that reflects the “relative importance of the accused  
12 functionality”<sup>25</sup> within Advanced Management. He begins his profit split calculation with the  
13 Nash Bargaining Solution,<sup>26</sup> in which Good and MobileIron negotiate a 50/50 profit split.<sup>27</sup> He  
14 then adjusts this split by measuring the relative importance of the patents-in-suit using the Gartner  
15 Magic Quadrant for 2011 and Gartner’s 2011 Critical Capabilities for Mobile Device Management.  
16 In these industry reports, Gartner lists ten criteria necessary for any MDM product to compete in  
17 the market.<sup>28</sup> After determining the functionality of Good’s patents-in-suit covers at least three of  
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19 <sup>19</sup> *Id.* at ¶¶ 62-68.

20 <sup>20</sup> *See id.* at ¶ 257 n.366.

21 <sup>21</sup> *See id.* at ¶ 256.

22 <sup>22</sup> *See id.* at ¶ 238.

23 <sup>23</sup> *See id.* at Exh. 13.

24 <sup>24</sup> *See id.* at ¶¶ 259, 264.

25 <sup>25</sup> *See id.* at ¶ 259.

26 <sup>26</sup> *Id.*

27 <sup>27</sup> *See id.* at ¶ 112.

28 <sup>28</sup> *See id.* at ¶ 261.

1 those categories,<sup>29</sup> Weinstein adjusts the profit split so that Good received 30 percent of the  
2 profits.<sup>30</sup> The royalty base is the same as in Weinstein’s first royalty scenario.

3 Weinstein’s third royalty scenario is a slight modification of his first scenario. In this third  
4 scenario, Good only receives 18.75 percent of the profits associated with MobileIron’s accused  
5 sales.<sup>31</sup> To calculate this royalty rate, Weinstein assumes MobileIron only infringes the ’322  
6 patent.<sup>32</sup> He then treats MobileIron’s app store as the smallest MobileIron product that infringes  
7 the ’322 patent.<sup>33</sup> The app store is not sold by itself—it is part of Advanced Management.<sup>34</sup> To  
8 calculate the app store’s share of Advanced Management’s value, Weinstein considers  
9 MobileIron’s offering of a cheaper version of Advanced Management that lacked the app store and  
10 Sentry.<sup>35</sup> Weinstein takes the price differential between the two versions and splits the difference  
11 between the app store and Sentry to arrive at a per unit valuation of the app store of 18.75  
12 percent.<sup>36</sup> Weinstein takes that fraction of his first royalty scenario amount to produce a royalty  
13 amount for this third scenario.<sup>37</sup>

14 Weinstein’s fourth royalty scenario is a slight modification of his second scenario. As in  
15 method three, Weinstein assumes MobileIron only infringes the ’322 patent.<sup>38</sup> Using the same  
16 valuation of the app store, he took 18.75 percent of his second scenario amount to arrive at his  
17 fourth royalty amount.<sup>39</sup>

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18 <sup>29</sup> *Id.*

19 <sup>30</sup> *See id.* at ¶ 264.

20 <sup>31</sup> *See id.* at ¶ 256 n.365.

21 <sup>32</sup> *Id.*

22 <sup>33</sup> *Id.*

23 <sup>34</sup> *Id.*

24 <sup>35</sup> *Id.*

25 <sup>36</sup> *Id.*

26 <sup>37</sup> *See id.* at ¶ 256 n.365, Exh. 13b.

27 <sup>38</sup> *See id.* at ¶ 256 n.365, Exh. 13C.

28 <sup>39</sup> *Id.*

1 Good's technical expert, Hugh Smith, opines on the willfulness of MobileIron's alleged  
2 infringement and the commercial acceptability of proposed non-infringing alternatives. The part of  
3 his report at issue identifies a variety of actions MobileIron takes to provide its customers with  
4 allegedly infringing software.<sup>40</sup> Smith interprets these actions as revealing intent to engage in  
5 them.<sup>41</sup> Elsewhere in his report, Smith assessed design arounds for the '219 patent proposed by  
6 MobileIron's experts.<sup>42</sup> He criticizes the design arounds' negative impact on the software's data  
7 security.<sup>43</sup> Based on these perceived flaws, Smith concludes that none of the design arounds are  
8 acceptable non-infringing substitutes.<sup>44</sup>

9 **II.**

10 This court has subject matter jurisdiction pursuant to 15 U.S.C. § 1125 and  
11 28 U.S.C. §1367. The parties further consented to the jurisdiction of the undersigned magistrate  
12 judge pursuant to 28 U.S.C. §636(c) and Fed. R. Civ. P. 72(a).

13 Expert testimony may only be admitted in a manner consistent with the Federal Rules of  
14 Evidence, *Daubert*,<sup>45</sup> *Kumho*<sup>46</sup> and more recent appellate court progeny.<sup>47</sup> Federal Rule of  
15 Evidence 702 allows admission of "scientific, technical, or other specialized knowledge" by a  
16 qualified expert if it will help "the trier of fact to understand the evidence or to determine a fact in  
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20 <sup>40</sup> These actions include providing customers with allegedly infringing software, instructing  
21 customers on installation and instructing customers how to use the software. *See* Docket  
22 No. 293-17, Exh. 9 at ¶¶ 310-14.

23 <sup>41</sup> *Id.*

24 <sup>42</sup> *See id.* at ¶¶ 61-66.

25 <sup>43</sup> *See id.* at ¶ 64.

26 <sup>44</sup> *See id.* at ¶ 61.

27 <sup>45</sup> *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579 (1993).

28 <sup>46</sup> *Kumho Tire Co., Ltd. v. Carmichael*, 526 U.S. 137 (1999).

<sup>47</sup> *See, e.g., Apple Inc. v. Motorola, Inc.*, 757 F.3d 1286 (Fed. Cir. 2014).

1 issue.”<sup>48</sup> When considering expert testimony, the trial court serves “as a ‘gatekeeper’ to exclude  
2 junk science that does not meet Federal Rule of Evidence 702’s reliability standards.”<sup>49</sup>

3 An expert witness may provide opinion testimony if: (1) “the testimony is based upon  
4 sufficient facts or data;” (2) “the testimony is the product of reliable principles and methods; and”  
5 (3) “the expert has reliably applied the principles and methods to the facts of the case.”<sup>50</sup> “Under  
6 *Daubert*, the district judge is ‘a gatekeeper, not a fact finder.’ When an expert meets the threshold  
7 established by Rule 702 as explained in *Daubert*, the expert may testify and the jury decides how  
8 much weight to give that testimony.”<sup>51</sup> The inquiry into the admissibility of an expert opinion is a  
9 “flexible one” where shaky “but admissible evidence is to be attacked by cross examination,  
10 contrary evidence, and attention to the burden of proof, not exclusion.”<sup>52</sup>

11 A trial court must be sure that its review of expert testimony focuses “solely on principles  
12 and methodology, not on the conclusions that they generate.”<sup>53</sup> “A judge must be cautious not to  
13 overstep its gatekeeping role and weigh facts, evaluate the correctness of conclusions, impose its  
14 own preferred methodology, or judge credibility, including the credibility of one expert over  
15 another. These tasks are solely reserved for the fact finder.”<sup>54</sup> The Federal Circuit recently

16 <sup>48</sup> See *Daubert*, 509 U.S. at 589.

17 <sup>49</sup> *Estate of Barabin v. AstenJohnson, Inc.*, 740 F.3d 457, 463 (9th Cir. 2014) (citing *Ellis v. Costco*  
18 *Wholesale Corp.*, 657 F.3d 970, 982 (9th Cir. 2011)). A district court’s decision to admit expert  
19 testimony under *Daubert* in a patent case must follow the law of the regional circuit. See *Micro*  
20 *Chem., Inc. v. Lextron, Inc.*, 317 F.3d 1387, 1390-91 (Fed. Cir. 2003) (“Whether proffered  
21 evidence should be admitted in a trial is a procedural issue not unique to patent law, and therefore  
22 we review the district court’s decision whether to admit expert testimony under the law of the  
23 regional circuit, here the Fifth Circuit.”).

24 <sup>50</sup> Fed. R. Evid. 702; see also *Sundance, Inc. v. DeMonte Fabricating Ltd.*, 550 F.3d 1356, 1360  
25 (Fed. Cir. 2008) (“Patent cases, like all other cases, are governed by Rule 702. There is, of course,  
26 no basis for carving out a special rule as to experts in patent cases.”).

27 <sup>51</sup> *Primiano v. Cook*, 598 F.3d 558, 564-65 (9th Cir. 2010) (citing *United States v. Sandoval-*  
28 *Mendoza*, 472 F.3d 645, 654 (9th Cir. 2006)).

<sup>52</sup> *Id.* at 564 (citing *Daubert*, 509 U.S. at 592-96).

<sup>53</sup> *Daubert*, 509 U.S. at 592-94, 596.

<sup>54</sup> *Apple Inc. v. Motorola, Inc.*, 757 F.3d at 1314.



1 clarified that this limitation of the gatekeeping role of the judge to the exclusion of “testimony  
2 based on unreliable principles and methods is particularly essential in the context of patent  
3 damages.”<sup>55</sup> This is because “questions regarding which facts are most relevant or reliable to  
4 calculating a reasonable royalty are ‘for the jury.’”<sup>56</sup>

### 5 III.

6 To the extent there was ever a question, the Federal Circuit has made clear several essential  
7 elements of a sound patent damages methodology that are ignored in a variety of Weinstein’s  
8 royalty scenarios. Smith’s disputed opinions suffer from other problems.

9 *First*, Weinstein’s first royalty scenario does not sufficiently apportion the royalty base. In  
10 *LaserDynamics*, the Federal Circuit “reaffirm[ed] that in any case involving multi-component  
11 products, patentees may not calculate damages based on sales of the entire product, as opposed to  
12 the smallest salable patent-practicing unit, without showing that the demand for the entire product  
13 is attributable to the patented feature.”<sup>57</sup> To be fair, even though Weinstein’s deposition testimony  
14 suggests otherwise,<sup>58</sup> Weinstein’s analysis does focus on Advanced Management rather than the  
15 broader bundles in which it is sold,<sup>59</sup> and Good offers evidence that no smaller unit is available for  
16 purchase.<sup>60</sup> But the Federal Circuit requires that Weinstein further apportion to exclude from the  
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18 <sup>55</sup> *Id.* at 1315.

19 <sup>56</sup> *Id.* (“When the methodology is sound, and the evidence relied upon sufficiently related to the  
20 case at hand, disputes about the degree of relevance or accuracy (above this minimum threshold)  
21 may go to the testimony’s weight, but not its admissibility.”) (citing *i4i Ltd. Partnership v.*  
*Microsoft Corp.*, 598 F.3d 831, 852 (Fed. Cir. 2010)).

22 <sup>57</sup> *LaserDynamics, Inc. v. Quanta Computers, Inc.*, 694 F.3d 51, 67-68 (Fed. Cir. 2012); *see also*  
*Golden Bridge Tech. v. Apple Inc.*, Case No. 12-cv-04882, 2014 U.S. Dist. LEXIS 68564, at \*14-  
23 18 (N.D. Cal. May 18, 2014); *Dynetix Design Solutions, Inc. v. Synopsys, Inc.*, Case No. 5:11-cv-  
05973, 2013 WL 4538210, at \*3 (N.D. Cal. Aug. 22, 2013).

24 <sup>58</sup> Docket No. 293-6, Exh. 1 at 131:19-22 (“Q: Do you know what the smallest saleable component  
25 is that MobileIron sells that practices the patents-in-suit? A: I can’t say.”).

26 <sup>59</sup> *See* Docket No. 316-8, Exh. 1 at ¶¶ 80-81.

27 <sup>60</sup> *See id.* at ¶ 81 (“MobileIron’s most basic VSP [Virtual Smartphone Platform] bundle is called  
28 ‘Advanced Management’ and includes use of the VSP server component, VSP client component  
(called Mobile@Work), and an enterprise app store functionality called Apps@Work.”).

1 Advanced Management products the value of unpatented functionalities.<sup>61</sup> This he plainly fails to  
2 do.<sup>62</sup>

3 Good justifies this omission by arguing alternatively that (1) Sentry has no independent  
4 value as a stand-alone product<sup>63</sup> and (2) Weinstein could not calculate any value of Sentry—a  
5 component that undisputedly does not infringe—in order to exclude it from the royalty rate because  
6 MobileIron failed to provide any information as to its market value.<sup>64</sup> A patentee may not,  
7 however, “hide behind [the defendant’s] sales model to avoid the task of apportionment.”<sup>65</sup> Even if  
8 it could, Weinstein’s own report actually includes opinions on the value of undeniably non-  
9 infringing features. In his second royalty scenario, he attributes no less than 70 percent of the  
10 value of Advanced Management to features that do not infringe.<sup>66</sup> In his third and fourth scenarios,  
11 he finds that Sentry—again a functionality that plainly does not infringe—accounts for 18.75  
12 percent of the price of Advanced Management.<sup>67</sup> As such, his failure to apportion in his first  
13 scenario beyond Advanced Management was not methodologically sound.

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16 <sup>61</sup> See *VirnetX, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308, 1327 (Fed. Cir. 2014); see also  
*LaserDynamics*, 694 F.3d at 70.

17 <sup>62</sup> See Docket No. 293-6, Exh. 1 at 58:13-15 (“Q: Did you evaluate whether there were unpatented  
18 features in the MobileIron products? A: I did not. Q: And did you evaluate or seek guidance from  
19 Dr. Smith or Mr. Herrema as to whether there were features in the MobileIron products offering  
20 that were unrelated to the patented features? . . . A: No. Q: Did you seek to isolate or remove the  
unpatented features in either your reasonable royalty or lost profits calculation? A: I did not.”); see  
*also id.* at 141:3-10.

21 <sup>63</sup> Docket No. 316-8, Exh. 1 at ¶ 84 (“The device is also able to communicate with backend content  
22 repositories . . . through the MobileIron Sentry, which is configured using the VSP server.”);  
Docket No. 316-12, Exh. 5 at 72:6-11 (MobileIron’s CTO described Sentry as “an inline proxy that  
23 works with the instructions from the VSP to allow or not allow certain traffic”); Docket No. 316-  
11, Exh. 4 at 28:5-10 (MobileIron’s Senior VP of sales testified that Sentry is “the traffic c[o]p for  
24 your mobile devices accessing the network, the corporate network.”).

25 <sup>64</sup> See Docket No. 316-5 at 4.

26 <sup>65</sup> *VirnetX, Inc.*, 767 F.3d at 1329 (holding that a patentee must be reasonable when seeking to  
27 identify a patent-practicing unit with a close relation to the patented feature).

28 <sup>66</sup> See Docket No. 293-11, Exh. 5 at ¶ 261.

<sup>67</sup> See *id.* at 94, n.365.

1 In the absence of any apportionment, the EMVR requires that Weinstein prove that the  
2 patented features are the primary driver of demand for the entire Advanced Management product.<sup>68</sup>  
3 “To employ the entire market value rule, plaintiffs first must show that the infringing feature is the  
4 primary reason that consumers buy the product.”<sup>69</sup> Notably, the Federal Circuit has emphasized  
5 that “[i]t is not enough to merely show that the [patented feature] is viewed as valuable, important  
6 or even essential to the use of the [entire accused product.]”<sup>70</sup> The more essential inquiry, rather, is  
7 whether the plaintiff can show that each or any of the patented features “creates the basis for  
8 customer[] demand.”<sup>71</sup>

9 Good relies on Gartner reports, customer testimony and MobileIron employee testimony to  
10 show that customers would not have purchased the MobileIron products if they did not have the  
11 ability to practice the claimed functionality, such as remotely retiring a device or performing  
12 application distribution.<sup>72</sup> But these are baseline functionalities of the products at-issue, not drivers  
13 of demand for the product as a whole. Weinstein himself admits that there are multiple drivers of

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15 <sup>68</sup> See *Ericsson, Inc. v. D-Link Sys., Inc.*, 773 F.3d 1201, 1226 (Fed. Cir. 2014); *VirnetX, Inc.*, 767  
16 F.3d at 1326; see also *Seymour v. McCormick*, 57 U.S. 480, 491 (1853) (explaining that it is “grave  
17 error” to instruct a jury that damages may be awarded for an entire machine for infringement of a  
18 patent that covers only an improvement to the machine.).

19 <sup>69</sup> *Brocade Commc’ns Sys., Inc. v. A10 Networks, Inc.*, Case No. 10-cv-03428, 2013 U.S. Dist.  
20 LEXIS 8113, at \*50 (N.D. Cal. Jan. 10, 2013); see also *Ericsson, Inc.*, 773 F.3d at 1226; *VirnetX,*  
21 *Inc.*, 767 F.3d at 1326.

22 <sup>70</sup> *LaserDynamics, Inc.*, 694 F.3d at 67-68 (“It is not enough to merely show that the disc  
23 discrimination method is viewed as valuable, important, or even essential to the use of the laptop  
24 computer. Nor is it enough to show that a laptop computer without an ODD practicing the disc  
25 discrimination method would be commercially unviable. Were this sufficient, a plethora of  
26 features of a laptop computer could be deemed to drive demand for the entire product.”). Earlier,  
27 in *Marine Polymer Techs. v. Hemcon, Inc.*, 672 F.2d 1350, 1360 (Fed. Cir. 2012), the Federal  
28 Circuit declined to disturb a damages award under the EMVR where there was “evidence  
pertaining to the importance” of the patented feature, as well as its “significance for market  
demand.” But even if not followed by *LaserDynamics*, as an equally divided opinion, the  
affirmance in *Marine Polymer* is not entitled to precedential weight. See *Neil v. Biggers*, 409 U.S.  
188, 192 (1972).

<sup>71</sup> *VirnetX, Inc.*, 767 F.3d at 1326. In most cases, demand for the entire apparatus is not  
interchangeable with demand for a patented component of the larger apparatus. See *Uniloc USA,*  
*Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1320 (Fed. Cir. 2011); *Lucent Techs., Inc.*, 580 F.3d at  
1337–38.

<sup>72</sup> See Docket No. 293-11, Exh. 5 at ¶¶ 223-28.

1 demand.<sup>73</sup> That customers find these features important merely confirms that they are trying to  
2 purchase a specific kind of product. That the Gartner reports identify these characteristics as  
3 “critical”<sup>74</sup> only serves to classify the products as within a certain category. As was true in  
4 *LaserDynamics*, “[t]here is no evidence that th[ese] feature[s] alone motivate[] consumers to  
5 purchase” the accused MobileIron products.<sup>75</sup> In the absence of a sufficient apportionment, this  
6 lack of demand evidence renders Weinstein’s first royalty scenario methodology unsound.<sup>76</sup>

7 **Second**, Weinstein’s second royalty scenario improperly applies the Nash Bargaining  
8 Solution. In *VirnetX*, the Federal Circuit rejected Weinstein’s NBS analysis, holding that a default  
9 assumption of a 50/50 split was an impermissible “rule of thumb.”<sup>77</sup> The court explained that the  
10 NBS cannot be assumed to apply in every case and that the 50/50 split, even if later modified,  
11 impermissibly risked skewing the baseline assumptions of the jury.<sup>78</sup> The court ultimately held  
12 that NBS theories should be excluded except in the unlikely circumstance that a 50/50 split is

13 <sup>73</sup> Docket No. 293-6, Exh. 1 at 56:16-21.

14 <sup>74</sup> See Docket No. 293-11, Exh. 5 at ¶ 229 (explaining that absent the inclusion of certain “critical”  
15 patented features, companies would not be allowed to be in Gartner’s Magic Quadrant report).

16 <sup>75</sup> *LaserDynamics, Inc.*, 694 F.3d at 69.

17 <sup>76</sup> In a final stab at saving Weinstein’s first royalty scenario, Good argues that Weinstein may  
18 nevertheless “apply the EMVR where the products in question perform as ‘a single functioning  
19 unit.’” Docket No. 316-5 at 6 (citing *Juicy Whip, Inc. v. Orange Bang, Inc.*, 382 F.3d 1367, 1371  
20 (Fed. Cir. 2004); *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1550 (Fed. Cir. 1995) (en banc)).  
21 But neither Weinstein nor Smith offer any such opinion—in fact, Weinstein concedes that the  
22 components of Advanced Management are sold together for a business convenience. See Docket  
23 No. 293-6, Exh. 1 at 98:21-99:4; Docket No. 197 at 5:11-16. Even if they did, Weinstein is still  
24 required to show that the patented features drive demand. See *Cornell Univ. v. Hewlett-Packard  
25 Co.*, 609 F. Supp.2d 279, 286-87 (N.D.N.Y. 2009) (Rader, J.).

26 <sup>77</sup> *VirnetX, Inc.*, 767 F.3d at 1332.

27 <sup>78</sup> *Id.* at 1332-33 (“Anyone seeking to invoke the [NBS] theorem as applicable to a particular  
28 situation must establish that fit, because the 50/50 profit-split result is proven by the theorem only  
on those premises. Weinstein did not do so. This was an essential failing in invoking [NBS].  
Moreover, we do not believe that the reliability of this methodology is saved by Weinstein’s  
attempts to account for the unique facts of the case in deviating from the 50/50 starting point. . . .  
Indeed, Weinstein’s thin attempts to explain his 10% deviation from the 50/50 baseline in this case  
demonstrates how this methodology is subject to abuse. His only testimony on the matter was that  
although he ‘considered other splits,’ he ultimately determined that a 10% deviation—resulting in a  
45/55 split—was appropriate ‘to reflect the fact that Apple would have additional bargaining power  
over VirnetX back in . . . 2009. Such conclusory assertions cannot form the basis of a jury’s  
verdict.” (internal citations omitted)).

1 shown to fit the particular facts of a case.<sup>79</sup> In *VirnetX* and *Suffolk Tech*, the Federal Circuit and  
2 the district court, respectively, took issue with Weinstein’s failure to explain why the parties would  
3 have agreed to a 50/50 split in the first instance.<sup>80</sup> Here, once again, Weinstein similarly fails to tie  
4 the 50/50 split to the specifics of this case or to explain why such a split would be reasonable—  
5 other than to invoke a boilerplate assertion about the relative bargaining powers of the parties.<sup>81</sup>  
6 What he does is nothing more than to start with an assumed 50/50 split—exactly what the Federal  
7 Circuit found erroneous in his *VirnetX* analysis.

8 Separate and apart from the NBS analysis, the second scenario reflects an insufficiently  
9 sound methodology to get to the jury. While Weinstein avoids the fatal mistake of his first royalty  
10 scenario by further apportioning Advanced Management by considering what the Gartner  
11 documents list as “inclusion criteria”<sup>82</sup> in arriving at a 30/70 split of incremental profit,<sup>83</sup> he relies  
12 on no analysis of what weight to assign to what feature. He conducts no survey and consults no  
13 technical experts.<sup>84</sup> In fact, at his deposition he could not explain how he made the determination  
14 or whether any of the inclusion criteria were implicated by a specific patent.<sup>85</sup>

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18 <sup>79</sup> *Id.* See also *Suffolk Techs. LLC v. AOL Inc.*, Case No. 12-cv-00625, 2013 U.S. Dist. LEXIS 64630, at \*1-2 (E.D. Va. Apr. 12, 2013).

19 <sup>80</sup> *VirnetX, Inc.*, 767 F.3d at 1332-33; *Suffolk Techs. LLC*, 2013 U.S. Dist. LEXIS 64630, at \*1  
20 (“Weinstein does not explain why *these* parties would have accepted a 50/50 split. Thus, the  
21 ‘50/50 split’ is plainly not tied to the facts of this case and is essentially no different from the 25%  
22 rule of thumb rejected in *Uniloc*.” (emphasis in original)).

23 <sup>81</sup> See Docket No. 293-11, Exh. 5 at ¶ 259 (assuming that MobileIron would agree to a split of  
24 incremental profits to account for “the relative importance of the accused functionality and for  
25 various MDM/EMM functionality supplied by MobileIron” but failing to explain why MobileIron  
26 would be interested in a 50/50 split in the first instance).

27 <sup>82</sup> *Id.* at ¶¶ 215-17, 263.

28 <sup>83</sup> *Id.* at ¶ 264.

<sup>84</sup> <sup>84</sup> See Docket No. 293-6, Exh. 1 at 137:9-16 (Q. Did you ever sit down with Mr. Herrema or Dr.  
Smith and have the Gartner inclusion criteria and their patents and say which of these patents have  
to do with which of these criteria? A. No., we did not do that.”).

<sup>85</sup> *Id.* at 134:12-137:8.

1 This is no different than the methodology rejected by Judge Dyk in *Stragent, LLC v. Intel*  
2 *Corp.*<sup>86</sup> There, the damages expert determined that the patent-in-suit related to one of 19 product  
3 features on a list, arbitrarily assigned an equal value to each product feature and used the resulting  
4 percentage to apportion the price of the infringer’s product. Judge Dyk held that this methodology  
5 lacked “the requisite indicia of expert reliability.”<sup>87</sup> Here, Weinstein similarly counts up the ten  
6 Gartner inclusion criteria, assigns equal value to each one, and uses the resulting 30 percent to  
7 apportion MobileIron’s profits. Weinstein does no investigation into whether any of the criteria is  
8 more important than others, or how strongly each criterion is tied to the patents. This is  
9 insufficient.<sup>88</sup>

10 **Third**, Weinstein’s third royalty method avoids the fatal errors of the first two by  
11 apportioning the average sales price of Advanced Management to estimate a reasonable royalty for  
12 the app store contained within, which allegedly infringes the ’322 patent alone. Weinstein first  
13 considers the price differential between an old version of Advanced Management that did not  
14 include the app store or Sentry and the most recent version of Advanced Management that includes  
15 both of those features and sells for a higher price.<sup>89</sup> Then, based on witness testimony that the app  
16 store was more important than Sentry,<sup>90</sup> such that it could not account for less than half the value,  
17 Weinstein applied half of the price differential between the two versions of Advanced Management  
18 to the app store feature, thereby determining 18.75 percent is attributable to the app store.<sup>91</sup> While  
19 MobileIron argues that Weinstein fails to appropriately apportion—mirroring his flawed first  
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22 <sup>86</sup> Case No. 11-cv-00421, 2014 U.S. Dist. LEXIS 106167, at \*14-18 (E.D. Tex. Mar. 6, 2014).

23 <sup>87</sup> *Id.* at \*15.

24 <sup>88</sup> Weinstein also provided an alternative analysis in which Good would negotiate for all  
25 incremental profits to be included in the royalty. *See* Docket No. 293-11, Exh. 5 at ¶ 255.  
MobileIron does not appear to challenge this particular theory.

26 <sup>89</sup> *See id.* at 94, n. 365.

27 <sup>90</sup> *See* Docket No. 316-11, Exh. 4 at 43:8-16.

28 <sup>91</sup> *See* Docket No. 293-11, Exh. 5 at 94, n.365.

1 method—here Weinstein does consider only the feature of the product alleged to infringe the  
2 disputed patent. His analysis on this discreet issue passes muster.<sup>92</sup>

3 **Fourth**, Weinstein’s fourth royalty scenario as to the ’322 patent must be excluded to the  
4 extent it relies on the NBS to reach a 50/50 split. Good argues that Weinstein determined that  
5 Good would have a better bargaining position based on its two operable, non-infringing  
6 alternatives in BoxTone and Good for Enterprise.<sup>93</sup> He opined that Good would have been able to  
7 argue for a split that would give less than 33 percent of the profits to MobileIron, but he adjusted  
8 upward to a 50/50 split to be conservative.<sup>94</sup> As discussed above, such a split is improper absent a  
9 showing that the assumptions underlying the NBS are present here, which Weinstein has not  
10 done.<sup>95</sup>

11 **Fifth**, Hugh Smith’s expert opinions about the commercial acceptability of non-infringing  
12 alternatives is excluded as improper expert testimony. Under Fed. R. Evid. 702, expert testimony  
13 must be based on “the expert’s scientific, technical or other specialized knowledge.”<sup>96</sup> Smith’s  
14 proffered testimony on customer expectations and preferences in the enterprise mobility  
15 management market is not based in any market research or particular expertise in the area.<sup>97</sup> Good  
16 counters that Smith’s technical expertise in the industry qualifies him to opine on non-infringing  
17 alternatives.<sup>98</sup> Smith has worked in the software industry for over 30 years and has taught classes  
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19 <sup>92</sup> Weinstein’s royalty opinion regarding damages for Good’s alleged infringement of MobileIron’s  
20 ’016 patent also is excluded to the extent it improperly relies on the NBS. As with his second  
21 royalty scenario for damages for MobileIron’s alleged infringement of Good’s patents, Weinstein  
22 fails to justify relying on a rule of thumb of a 50/50 split of profits from Good’s sales.

23 <sup>93</sup> See Docket No. 293-34, Exh. 21 at ¶¶ 152-54.

24 <sup>94</sup> See *id.*

25 <sup>95</sup> See *VirnetX, Inc.*, 767 F.3d at 1332. Weinstein’s NBS opinion as to the ’322 patent is out, but  
26 Weinstein’s alternate theory that rests on an award of the entire incremental profit does not suffer  
27 the same defect and can be presented at trial. See Docket No. 294, Exh. 21 at ¶ 193.

28 <sup>96</sup> Fed. R. Evid. 702.

<sup>97</sup> See Docket No. 293-36, Exh. 23 at 406:4-408:4.

<sup>98</sup> See Docket No. 294, Exh. 22 at ¶¶ 52, 57, 64.

1 on computer security.<sup>99</sup> While Smith is more than qualified technically, experience with the  
2 technology does not give an individual expertise in consumer demand related to those non-  
3 infringing alternatives.<sup>100</sup> It would be improper to present such testimony to the jury cloaked in the  
4 guise of expert opinion.<sup>101</sup>

5 **IV.**

6 The motion is GRANTED-IN-PART.

7 **SO ORDERED.**

8 Dated: July 5, 2015

9   
10 PAUL S. GREWAL  
11 United States Magistrate Judge

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<sup>99</sup> See Docket No. 315-10, Exh. 8.

24 <sup>100</sup> Cf. *Brandeis Univ. v. Keebler Co.*, Case No 12-cv-01508, 2013 U.S. Dist. LEXIS 1898, 27-28  
25 (N.D. Ill. Jan. 18, 2013) (Posner, J.) (excluding damages expert testimony when expert had no  
26 expertise in consumer demand of product at issue).

27 <sup>101</sup> MobileIron also raises objections to Weinstein's lost profits theories and to Smith's expert  
28 testimony about willfulness and indirect infringement. Because the court has granted summary  
judgment on willfulness, indirect infringement and lost profits, the motion as to these discreet  
issues is DENIED AS MOOT.