

United States District Court  
Northern District of California

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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA

GSI TECHNOLOGY, INC.,  
Plaintiff,  
v.  
UNITED MEMORIES, INC., et al.,  
Defendants.

Case No. [5:13-cv-01081-PSG](#)  
**ORDER DENYING GSI'S MOTION  
FOR NEW TRIAL**  
**(Re: Docket No. 1071)**

Plaintiff GSI Technology, Inc. moves for a new trial under Fed. R. Civ. P. 59.<sup>1</sup> GSI's motion is DENIED.

**I.**

The background of this dispute is described in the accompanying order on GSI and Defendant United Memories, Inc.'s renewed motions for judgment as a matter of law.<sup>2</sup> The facts underlying each of GSI's arguments for a new trial are discussed below where relevant.

**II.**

This court has jurisdiction under 28 U.S.C. § 1331. The parties further consented to the jurisdiction of the undersigned under 28 U.S.C. § 636(c) and Fed. R. Civ. P. 72(a).<sup>3</sup>

Fed. R. Civ. P. 59(a)(1)(A) provides that the court may order a new trial "for any reason

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<sup>1</sup> See Docket No. 1071.

<sup>2</sup> See Docket No. 1118 at 3-8.

<sup>3</sup> See Docket No. 236 at 11.

1 for which a new trial has heretofore been granted in an action at law in federal court.” Although  
2 “Rule 59 does not specify the grounds on which a motion for a new trial may be granted,” courts  
3 are “bound by those grounds that have been historically recognized.”<sup>4</sup> These grounds “include,  
4 but are not limited to, claims ‘that the verdict is against the weight of the evidence, that the  
5 damages are excessive, or that, for other reasons, the trial was not fair to the party moving.’”<sup>5</sup> The  
6 Ninth Circuit has elaborated that “[t]he trial court may grant a new trial only if the verdict is  
7 contrary to the clear weight of the evidence, is based upon false or perjurious evidence, or to  
8 prevent a miscarriage of justice.”<sup>6</sup> “Therefore, in a nutshell, the district court may grant a new  
9 trial ‘[i]f, having given full respect to the jury’s findings, the judge on the entire evidence is left  
10 with the definite and firm conviction that a mistake has been committed.’”<sup>7</sup>

11 In making this determination, the court “is not required to view the trial evidence in the  
12 light most favorable to the verdict.”<sup>8</sup> “Instead, the district court can weigh the evidence and assess  
13 the credibility of the witnesses.”<sup>9</sup> The court may “set aside the verdict of the jury, even though  
14 supported by substantial evidence, where, in [the court’s] conscientious opinion, the verdict is  
15 contrary to the clear weight of the evidence.”<sup>10</sup> However, “a district court may not grant a new  
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17 <sup>4</sup> Zhang v. Am. Gem Seafoods, Inc., 339 F.3d 1020, 1035 (9th Cir. 2003).

18 <sup>5</sup> Molski v. M.J. Cable, Inc., 481 F.3d 724, 729 (9th Cir. 2007) (quoting Montgomery Ward & Co.  
19 v. Duncan, 311 U.S. 243, 251 (1940)).

20 <sup>6</sup> Id. (quoting Passantino v. Johnson & Johnson Consumer Prods., Inc., 212 F.3d 493, 510 n.15  
21 (9th Cir. 2000)).

22 <sup>7</sup> Tortu v. Las Vegas Metro. Police Dep’t, 556 F.3d 1075, 1087-88 (9th Cir. 2009) (alterations in  
23 original) (quoting Landes Constr. Co. v. Royal Bank of Canada, 833 F.2d 1365, 1371-72 (9th Cir.  
24 1987)).

25 <sup>8</sup> Experience Hendrix L.L.C. v. Hendrixlicensing.com Ltd, 762 F.3d 829, 842 (9th Cir. 2014)  
26 (citing Kode v. Carlson, 596 F.3d 608, 612 (9th Cir. 2010) (per curiam)).

27 <sup>9</sup> Id.

28 <sup>10</sup> Molski, 481 F.3d at 729 (alteration in original) (quoting Murphy v. City of Long Beach, 914 F.2d  
183, 187 (9th Cir. 1990)).

1 trial simply because it would have arrived at a different verdict.”<sup>11</sup>

2 **III.**

3 GSI argues that the court committed several errors that require a new trial. None of them,  
4 however, satisfies the threshold for that relief.

5 *First*, the court’s decision to try ISSI’s bad faith contention in the same proceeding as  
6 GSI’s trade secret misappropriation claims does not merit a new trial. As a procedural note, the  
7 court addresses this argument even though GSI and ISSI have settled,<sup>12</sup> because GSI argues that  
8 trying the bad faith contention affected the jury’s ability to fairly consider the misappropriation  
9 claims, which were against UMI as well as ISSI.<sup>13</sup>

10 By way of recap: after GSI sued UMI and ISSI for trade secret misappropriation,<sup>14</sup> ISSI  
11 responded that GSI’s misappropriation claim was raised in bad faith within the meaning of Cal.  
12 Civ. Code § 3426.4.<sup>15</sup> GSI moved for summary judgment on the bad faith contention, but the  
13 court denied summary judgment because “a host of underlying factual issues remain[ed] in  
14 dispute.”<sup>16</sup> In its trial brief, GSI then asked the court to decide the bad faith contention after the  
15 trial, because presenting the bad faith contention to the jury would distract and bias them on an  
16 issue that GSI argued was not relevant to Defendants’ liability.<sup>17</sup> At the same time, GSI moved in  
17 limine to exclude evidence and argument about GSI’s reasons for filing suit, arguing that evidence  
18 about its motivations was not relevant to any facts at issue before the jury (because the bad faith  
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<sup>11</sup> Silver Sage Partners, Ltd. v. City of Desert Hot Springs, 251 F.3d 814, 819 (9th Cir. 2001).

21 <sup>12</sup> See Docket No. 1098 at 2.

22 <sup>13</sup> See Docket No. 1105 at 1.

23 <sup>14</sup> See Docket No. 196 at ¶¶ 214-230.

24 <sup>15</sup> See Docket No. 242 at 44-45.

25 <sup>16</sup> See Docket No. 570-5 at 11-18; Docket No. 807 at 21-22.

26 <sup>17</sup> See Docket No. 799-4 at 22-23.

1 contention should not go to the jury) and was prejudicial (because the bad faith contention, if  
2 presented to the jury, would bias the jury against GSI).<sup>18</sup> The court ruled that the bad faith  
3 contention would be presented to the jury and denied GSI's motion in limine because the evidence  
4 might be probative of bad faith, as well as Defendants' affirmative defenses.<sup>19</sup> At trial, the jury  
5 found that GSI owned four trade secrets, which UMI had misappropriated, and that ISSI had not  
6 misappropriated any of GSI's trade secrets.<sup>20</sup> The jury then found that GSI had not "initiate[d]  
7 and/or maintain[ed] its claim of trade secret misappropriation against ISSI in bad faith."<sup>21</sup>

8 GSI now makes three arguments that the court committed prejudicial error by not trying  
9 bad faith separately. The first is that in *Cargill v. Progressive Dairy Solutions, Inc.*, the Ninth  
10 Circuit cautioned against trying bad faith with the plaintiff's claims.<sup>22</sup> *Cargill*, however, is an  
11 unpublished, non-precedential decision.<sup>23</sup> Moreover, *Cargill* held that the district court did not  
12 abuse its discretion in submitting the bad faith contention and the plaintiff's claims to the jury at  
13 the same time, because the verdict form clearly directed the jury "to consider first the merits of  
14 Cargill's misappropriation claim and second—and only if the jury rejected the misappropriation  
15 claim on its merits—Cargill's putative bad faith in bringing this claim."<sup>24</sup> In GSI's case, the  
16 verdict form also directed the jury to consider the merits of GSI's misappropriation claims first,  
17 and to consider the bad faith contention only if it rejected the misappropriation claims.<sup>25</sup>

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19 <sup>18</sup> See Docket No. 769.

20 <sup>19</sup> See Docket No. 906 at 61:5-8; Docket No. 896 at 1-2.

21 <sup>20</sup> See Docket No. 1055 at 4-6.

22 <sup>21</sup> *Id.* at 14.

23 <sup>22</sup> 362 Fed. App'x 731 (9th Cir. 2010); see Docket No. 1070 at 1-2.

24 <sup>23</sup> See Ninth Circuit Rule 36-3.

25 <sup>24</sup> See *Cargill*, 362 Fed. App'x at 734.

26 <sup>25</sup> See Docket No. 1055 at 4-14.

1 GSI's second argument is that because the court did not try bad faith in a separate  
2 proceeding, it erroneously denied GSI's motion in limine to exclude evidence and argument of its  
3 iterative trade secret disclosures, narrowed claims or dismissed claims.<sup>26</sup> GSI argues that pretrial  
4 orders dismissing or narrowing GSI's claims should have been excluded because they were not  
5 relevant, because the jury might have given the court's rulings excessive weight and accepted  
6 them as true without doing its own fact-finding, and because UMI and ISSI selectively quoted the  
7 court's orders at trial to portray GSI in a bad light and insinuate that its claims were invalid.<sup>27</sup>

8 The court denied GSI's motion in limine because the evidence "[might] be probative of  
9 ISSI's claim of bad faith . . . and UMI's defense of unclean hands and defenses against trade secret  
10 misappropriation."<sup>28</sup> Because the bad faith contention went to the jury, ISSI was entitled to  
11 present evidence relevant to that contention. The court's pretrial orders were relevant evidence  
12 because a plaintiff's conduct both in bringing and maintaining its trade secret claims—including  
13 claims that ultimately are dismissed—is evidence that can be considered in deciding bad faith  
14 under Cal. Civ. Code § 3426.4.<sup>29</sup> GSI cites two cases holding that evidence of dismissed claims is  
15 not relevant, but those cases are factually inapposite.<sup>30</sup> Evidence of dismissed claims may be

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17 <sup>26</sup> See Docket No. 1070 at 2-4.

18 <sup>27</sup> See *id.*

19 <sup>28</sup> Docket No. 896 at 1-2.

20 <sup>29</sup> See *VSL Corp. v. Gen. Tech., Inc.*, 46 U.S.P.Q.2d 1356, 1359 (N.D. Cal. 1998) (bad faith to  
21 claim secrets in product already marketed and information freely disclosed by plaintiff); *Stilwell*  
22 *Dev., Inc. v. Chen*, 11 U.S.P.Q. 2d 1328, 1331 (C.D. Cal. 1989) (bad faith to assert secrets in a  
23 product already sold to customers before alleged misappropriation); *FLIR Systems, Inc. v. Parrish*,  
174 Cal. App. 4th 1270, 1281 (2009) ("Subjective bad faith was also established by appellants'  
24 failure to identify what trade secrets would be subject to the permanent injunction. Appellants'  
25 experts testified that appellants had a mix of trade secrets and nonsecret information and that no  
26 list was prepared to identify the trade secrets."); *Computer Economics, Inc. v. Gartner Group,*  
*Inc.*, Case No. 98-cv-0312 TW (CGA), 1999 U.S. Dist. LEXIS 22204, at \*20–21 (S.D. Cal. Dec.  
14, 1999) (one factor in the finding of bad faith was that the plaintiff had resisted the defendant's  
efforts to identify the alleged trade secrets).

27 <sup>30</sup> See Docket No. 1070 at 2 (citing *Digital Reg of Texas, LLC v. Adobe Sys., Inc.*, Case No. C 12-  
1971 CW, 2014 WL 4090550, at \*13 (N.D. Cal. Aug. 19, 2014) (excluding mention of the court's

1 irrelevant if no aspect of those claims is at issue—but where the plaintiff’s bad faith in bringing  
2 dismissed claims to begin with is disputed, the evidence of those claims is clearly relevant.

3 In the face of the relevance of the evidence of the dismissed and narrowed claims, GSI’s  
4 argument that the jury could have given the court’s orders too much weight and failed to do its  
5 own fact-finding also flops. GSI does not cite a single case that is binding on this court or that  
6 presents similar facts for this proposition.<sup>31</sup> GSI also does not present any evidence even hinting  
7 that the jury abdicated its fact-finding and analytical responsibilities. While excluding evidence of  
8 prior rulings may be appropriate in some cases,<sup>32</sup> in this case, where the evidence was relevant to a  
9 disputed issue, GSI needed to prove that the probative value of the evidence was “substantially

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11 prior rulings because dismissed claims were not relevant to remaining patent infringement claims);  
12 *Brown v. Kavanaugh*, Case No. 1:08-CV-01764-LJO, 2013 WL 1819796, at \*2 (E.D. Cal. Apr.  
13 30, 2013) (granting-in-part motion in limine to exclude evidence relating to dismissed claims in a  
14 retaliation case—but allowing plaintiff to present evidence of the dismissed claims to explain what  
15 defendants were allegedly retaliating against)).

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17 <sup>31</sup> See Docket No. 1070 at 2-3. GSI cites several cases, but none of them apply to this situation,  
18 where the evidence that GSI wanted excluded clearly was relevant. Taking GSI’s citations in  
19 order: GSI distorts the holding of *Greycas, Inc. v. Proud*, 826 F.2d 1560, 1566-67 (7th Cir. 1987),  
20 describing it as holding that it is “court policy to prevent juries from hearing statements by courts  
21 because of the risk juries will give [sic] such statements undue weight,” when the court actually  
22 held that the district court, in a bench trial, did not err in relying on a judgment in another case to  
23 determine damages. Docket No. 1070 at 2. In GSI’s sole N.D. Cal. case, *Digital Reg*, the court  
24 denied defendant’s request to present the court’s claim construction order at trial because “[t]his  
25 would confuse the jury; one object of claim construction is to simplify the definitions of these  
26 terms for the jury.” 2014 WL 4090550, at \*13. GSI does not suggest, however, how the court’s  
27 orders in this case could have confused the jury. *Krys v. Aaron*, Case No. CIV.A. 14-2098 JBS,  
28 2015 WL 3857085, at \*3 (D.N.J. June 22, 2015), excluded evidence of dismissed claims as unduly  
prejudicial under Fed. R. Evid. 403—because the evidence was not at all relevant, which is not the  
case here. *Wilson v. Hartford Ins. Co. of the Midwest*, Case No. C10-993RAJ, 2011 WL 2670199,  
at \*4 (W.D. Wash. July 7, 2011), excluded evidence of the court’s summary judgment rulings  
without any discussion of why.

<sup>32</sup> GSI argues that “[e]xcluding evidence of prior rulings is sound, accepted trial practice.” Docket  
No. 1070 at 3 (citing *Silicon Knights, Inc. v. Epic Games, Inc.*, Case No. 5:07-CV-275-D, 2011  
WL 5439156, at \*5 (E.D.N.C. Nov. 8, 2011)). In *Silicon Knights*, the court’s reasoning for  
excluding its summary judgment rulings was that both parties asked for that relief. Here, ISSI and  
UMI strenuously opposed GSI’s motion in limine. See Docket No. 829 at 1-3; Docket No. 835-4  
at 13-15.

1 outweighed by a danger of one or more of the following: unfair prejudice, confusing the issues,  
2 misleading the jury, undue delay, wasting time, or needlessly presenting cumulative evidence.”<sup>33</sup>  
3 And it did not. At best, GSI has suggested that there might have been a danger of the Rule 403  
4 risks, but it has not shown that those risks outweighed the probative value of the evidence, let  
5 alone substantially outweighed it. GSI complains that UMI and ISSI selectively quoted bits of the  
6 court’s pretrial orders and created a “circus-like trial;”<sup>34</sup> while the court strives for decorum in its  
7 proceedings, no rule of procedure or evidence bars a looser atmosphere. Moreover, GSI also took  
8 advantage of the court’s motion in limine ruling to question witnesses about pretrial orders.<sup>35</sup>

9 GSI’s third argument on the bad faith contention is that the court improperly asked fact  
10 witnesses Mary Tong, a Cisco executive, and Scott Howarth, ISSI’s CEO, questions seeking a  
11 legal opinion on the bad faith contention. The witness testimony was proper under Fed. R. Evid.  
12 701, was not unfairly prejudicial and does not warrant a new trial.

13 Fed. R. Evid. 701 governs opinion testimony by lay witnesses. It says,  
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15 If a witness is not testifying as an expert, testimony in the form of an opinion is  
16 limited to one that is:  
17  
18 (a) rationally based on the witness’s perception;  
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20 (b) helpful to clearly understanding the witness’s testimony or to determining a fact  
21 in issue; and  
22  
23 (c) not based on scientific, technical, or other specialized knowledge within the  
24 scope of Rule 702.

25 The jury submitted a question to the court for Tong: “Do you believe GSI brought this  
26 lawsuit in good faith? If not, why not?”<sup>36</sup> GSI objected because the question asked a lay witness  
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<sup>33</sup> Fed. R. Evid. 403.

<sup>34</sup> Docket No. 1070 at 3.

<sup>35</sup> See Trial Tr. at 2113:6-2114:7.

<sup>36</sup> Trial Tr. at 2579:7-8.

1 to give a legal opinion and called for speculation, and because Tong did “not have all the facts.”<sup>37</sup>  
2 The court proceeded with the question and asked Tong, “Do you believe that GSI brought this  
3 lawsuit in good faith?”<sup>38</sup> Tong answered,

4 I don’t know GSI’s intent of this lawsuit. I don’t know the good faith of that. I just  
5 – I just don’t see – Cisco does have a lot of award of business to our suppliers. If  
6 every supplier sues the suppliers and started to have a lawsuit, it is very concerning.  
7 So I can’t say it’s good faith. I just think it’s unusual to, to be — to be to that  
8 extent.<sup>39</sup>

9 It is not even clear that Tong offered an opinion on GSI’s intent; at most, she suggested  
10 that this lawsuit was “unusual.”<sup>40</sup> Assuming she did, however, her testimony passes Fed. R. Evid.  
11 701: the testimony was helpful to determining GSI’s motivations and was not based on scientific,  
12 technical or other specialized knowledge within Fed. R. Evid. 702. The strongest challenge to  
13 Tong’s opinion is that she lacked personal knowledge of behavior among suppliers—despite her  
14 position as director of Cisco’s global supply management division<sup>41</sup>—but GSI did not make that  
15 objection at trial and so waived it.

16 The jury also submitted a question to the court for Howarth: “Why do you think GSI  
17 brought this lawsuit against ISSI?”<sup>42</sup> GSI objected that the question called for speculation, and the  
18 court said it would ask the question in a way that would address the speculation concern.<sup>43</sup> The  
19 court asked Howarth, “Do you have any understanding why GSI brought this lawsuit against  
20 ISSI?”<sup>44</sup> Howarth answered,

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21 <sup>37</sup> Id. at 2580:12-15.

22 <sup>38</sup> Id. at 2585:16-17.

23 <sup>39</sup> Id. at 2585:20-2586:2.

24 <sup>40</sup> Id.

25 <sup>41</sup> See id. at 2537:7-11.

26 <sup>42</sup> Id. at 3112:13-14.

27 <sup>43</sup> See id. at 3112:16-19.

28 <sup>44</sup> Id. at 3119:19-20.

1 Well, my, my personal opinion is that . . . they lost the Cisco bid, so the only way  
2 that they felt they could try to get it back was by filing a lawsuit. That's the only  
3 conclusion I can come up with. This is clearly just to block us from delivering to  
4 Cisco. I can't come up with any other conclusion at this point.

5 . . . [W]hen they filed the case, there was three months left on their non-compete  
6 agreement. That's really insignificant at that point in time.

7 Anybody could have communicated with me. Pat Lasserre knew me. Leelean knew  
8 me. Doug, their CFO, knew me. Didier knew me and [k]new people inside our  
9 company.

10 Anybody could have reached out and said, look, we see there's a legal problem here  
11 or we see there's a conflict, and we would have done everything to avoid it.

12 So the only conclusion I have is their intent was to disrupt our design to Cisco, try  
13 to win it back themselves, and do everything they could then to block us.<sup>45</sup>

14 The court then asked, "Do you base any of your conclusions on any statements you have  
15 heard from GSI?"<sup>46</sup>

16 Howarth answered,

17 I did have a conversation with Didier Lasserre, and I think this was in 2013, at an  
18 investor conference, B. Riley in southern California, and I think—I approached  
19 him, he and Doug, and I said, look, is there a way that we can settle this? I don't  
20 want to see us keep wasting money on the lawsuit.

21 And Didier's response to me said, well, we want Atris. I said, I can't give that to  
22 you. That was Cisco's decision.

23 He said, well, that's the only way we'll be able to settle this.<sup>47</sup>

24 Howarth's testimony also passes Fed. R. Evid. 701. When asked for the basis of his  
25 conclusions, he testified that it was based on a personal conversation with Didier Lasserre (GSI's  
26 vice president of sales). His testimony about GSI's motivations was helpful to determining GSI's  
27 motivations and was not based on scientific, technical or other specialized knowledge within Fed.  
28 R. Evid. 702. Because Tong and Howarth's testimony was proper, it did not taint the jury and  
prevent them from considering GSI's misappropriation claims fairly and neutrally.

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30 <sup>45</sup> Id. at 3119:21-3120:14.

31 <sup>46</sup> Id. at 3120:21-22.

32 <sup>47</sup> Id. at 3120:23-3121:7.

1           **Second**, GSI argues that the court erred in both instructions that it denied and instructions  
2 that it gave.<sup>48</sup> “[E]rroneous jury instructions, as well as the failure to give adequate instructions,  
3 are . . . bases for a new trial.”<sup>49</sup> “Jury instructions must fairly and adequately cover the issues  
4 presented, must correctly state the law, and must not be misleading.”<sup>50</sup> The court may not reject a  
5 proposed jury instruction “if it is supported by law and has foundation in the evidence.”<sup>51</sup> A new  
6 trial is not required, however, if the error in the jury instruction was harmless.<sup>52</sup> “In evaluating  
7 jury instructions, prejudicial error results when, looking to the instructions as a whole, the  
8 substance of the applicable law was not fairly and correctly covered.”<sup>53</sup> Under these standards,  
9 neither the jury instructions that the court gave nor the ones it declined to give warrants a new  
10 trial.

11           The court denied several proposed instructions from all parties, and GSI challenges the  
12 denial of its proposed instructions on agency and partial use misappropriation.<sup>54</sup> The agency  
13 instructions were directed at ISSI’s liability, and since GSI and ISSI have settled, GSI no longer  
14 pursues this argument.<sup>55</sup>

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18 <sup>48</sup> See Docket No. 1070 at 7-17.

19 <sup>49</sup> Murphy, 914 F.2d at 187.

20 <sup>50</sup> White v. Ford Motor Co., 312 F.3d 998, 1012 (9th Cir. 2002) (citing Chuman v. Wright, 76 F.3d  
21 292, 294 (9th Cir. 1996)).

22 <sup>51</sup> Clem v. Lomeli, 566 F.3d 1177, 1181 (9th Cir. 2009) (quoting Dang v. Cross, 422 F.3d 800,  
23 804-05 (9th Cir. 2005)).

24 <sup>52</sup> See id. (quoting Dang, 422 F.3d at 805).

25 <sup>53</sup> Gantt v. City of Los Angeles, 717 F.3d 702, 707 (9th Cir. 2013) (quoting Swinton v. Potomac  
26 Corp., 270 F.3d 794, 802 (9th Cir. 2001)).

27 <sup>54</sup> See Docket No. 1070 at 9-12, 15-17.

28 <sup>55</sup> See Docket No. 1105 at 5 n.2.

1 As for the partial use instruction, GSI proposed this instruction on misappropriation by use  
2 of a portion of a trade secret:

3 Misappropriation by use includes employing GSI’s trade secrets in manufacturing,  
4 production, research or development, or marketing goods that embody the trade  
5 secret. GSI need not establish that defendants copied every element of GSI’s trade  
6 secrets. Use of any substantial portion of a trade secret constitutes  
7 misappropriation.<sup>56</sup>

8 The court did not err in denying this instruction. GSI argues that misappropriation can  
9 occur by partial use in some circumstances,<sup>57</sup> but the instruction was overbroad and incorrect for  
10 this case. GSI claimed that each schematic was a trade secret, and testimony at trial showed that  
11 the schematics contained UMI intellectual property and publicly available information. The  
12 proposed instruction states that use of any substantial portion of a claimed trade secret—i.e., part  
13 of a schematic—is misappropriation, but in this case, that would have encompassed making UMI  
14 or ISSI liable for using the parts of the schematics that are UMI intellectual property or publicly  
15 available information.

16 As for the instructions that the court gave, GSI challenges three of them: amended jury  
17 instruction no. 33 on breach of contract and amended jury instructions nos. 26.1 and 26.2 on  
18 damages.

19 GSI argues that amended jury instruction no. 33 misinterprets the contract between GSI  
20 and UMI.<sup>58</sup> Instruction no. 33 states, in relevant part,

21 I have already found that GSI entered into a contract with UMI in which UMI  
22 agreed (1) not to compete with GSI, directly or indirectly, for the design of a  
23 LLDRAM chip until at least April 30, 2013; (2) to protect GSI’s confidential  
24 information; and (3) that GSI would own all circuit schematics and associated  
25 intellectual property, excluding Project Patents and intellectual property developed  
26 prior to or independent from the contract between GSI and UMI, as “deliverables”  
27 under the contract.<sup>59</sup>

28 <sup>56</sup> Docket No. 834-1 at 93.

<sup>57</sup> Docket No. 1070 at 16.

<sup>58</sup> See Docket No. 1070 at 7-9.

<sup>59</sup> Docket No. 1047 at 36.

1 GSI objects to part (3), which excludes “intellectual property developed prior to or independent  
2 from the contract between GSI and UMI” excluded from the “associated intellectual property” that  
3 GSI owns.<sup>60</sup> GSI asserts that the contract’s ownership clause gives it ownership of all intellectual  
4 property rights associated with the deliverables, including UMI intellectual property incorporated  
5 into the schematics, and excludes only UMI’s Project Patents.<sup>61</sup> The court’s instruction, says GSI,  
6 “affected GSI’s contract claim” and contributed to the jury finding that GSI owned the information  
7 in only four schematics.<sup>62</sup>

8 Section III.1, the ownership clause, explicitly grants GSI a non-exclusive license to UMI  
9 intellectual property incorporated in the Product or deliverables,<sup>63</sup> meaning GSI holds only a non-

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11 <sup>60</sup> See Docket No. 1070 at 7-9; Docket No. 1047 at 36.

12 <sup>61</sup> See Docket No. 1070 at 7-9.

13 <sup>62</sup> Id. at 9.

14 <sup>63</sup> See Docket No. 196, Ex. 1 at § III.1

15 (“GSI shall have sole ownership of all deliverables and the Product, and all  
16 associated intellectual property rights (excluding solely any Project Patents that  
17 UMI owns under the terms of Article IV) and all other works of authorship,  
18 information fixed in any tangible medium of expression (whether or not protectable  
19 under copyright laws), inventions (whether or not protectable under patent laws),  
20 discoveries, designs, developments, suggestions, ideas, improvements, know-how,  
21 and other intellectual property rights conceived, developed or reduced to practice by  
22 GSI, alone or with others, during the course of the Project (collectively, the “GSI  
23 IP”) This includes, without limitation, the following: the specification of the  
24 Product, the layout (database) of the Product, circuit simulations and/or HDL  
25 descriptions of the Product. UMI hereby irrevocably transfers, conveys and assigns  
26 to GSI all of its right, title and interest in and to all GSI IP. . . . *UMI hereby grants  
27 to GSI, under all of UMI’s intellectual property rights, a worldwide, non-exclusive,  
28 perpetual, irrevocable, fully paid, royalty-free, transferable license, under all  
29 UMI’s intellectual property rights (including, without limitation, any Project  
30 Patents) to (a) make, have made, use, offer for sale, sell, have sold and import  
31 products and to practice any methods, and (b) use, reproduce, modify, distribute,  
32 perform, display, create derivative works of, offer for sale, sell, have sold, import,  
33 make, have made and otherwise fully exploit any and all intellectual property that  
34 has been created, conceived, developed, reduce [sic] to practice, licensed, or  
35 otherwise acquired by UMI prior to the execution of, or independent from, this  
36 Agreement that is incorporated by UMI into the Product or other deliverables*

1 exclusive license to UMI intellectual property incorporated in the schematics, rather than owning  
2 it outright. GSI tries to nullify the meaning of this license by arguing that Section III.1 granted it  
3 “sole ownership of all deliverables and the Product, and all associated intellectual property rights  
4 (excluding solely any Project Patents that UMI owns under the terms of article IV).”<sup>64</sup> GSI must  
5 own all the information in the schematics, and the non-exclusive license merely overlaps with  
6 GSI’s ownership, goes GSI’s argument.<sup>65</sup> The license clause clearly states, however, that it grants  
7 GSI a license to UMI intellectual property “that is incorporated by UMI into the Product or other  
8 deliverables owned by GSI.”<sup>66</sup> When all clauses of Section III.1 are read together, the effect is  
9 that GSI owns the schematics as deliverables, but to the extent that information contained in the  
10 schematics is UMI intellectual property that was “created, conceived, developed, reduce [sic] to  
11 practice, licensed, or otherwise acquired by UMI prior to the execution of, or independent from”  
12 the contract, UMI retains ownership over that information as UMI intellectual property, and GSI  
13 holds only a non-exclusive license to that information.<sup>67</sup> GSI’s interpretation of Section III.1  
14 would remove all meaning to the licensing clause, because if GSI had sole ownership over both  
15 the schematics and the UMI intellectual property contained in them, then UMI could not grant GSI  
16 a license to that intellectual property, and GSI would not need the license anyway. GSI’s own  
17 argument shows the problem with its interpretation of the licensing clause: “what the license does  
18 is give GSI the right to use UMI’s intellectual property outside the 576Mb schematics. . . . The  
19 notion that GSI could own a schematic but not the information in it makes no sense and is contrary  
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*owned by GSI hereunder in any manner and through any medium, whether known  
or to become known.”)*

(emphasis added).

<sup>64</sup> Docket No. 196, Ex. 1 at § III.1.

<sup>65</sup> See Docket No. 1101 at 3.

<sup>66</sup> Docket No. 196, Ex. 1 at § III.1.

<sup>67</sup> Docket No. 196, Ex. 1 at § III.1.

1 to the terms of the agreement.”<sup>68</sup> If GSI owned all the information in the schematics, including  
2 UMI intellectual property, then it would not need a license to use that information in other  
3 projects, and the licensing clause would be devoid of meaning. Such a result is something this  
4 court must strive to avoid.<sup>69</sup> Amended jury instruction no. 33 correctly stated the terms of the  
5 ownership clause.

6 GSI also objects to amended jury instructions nos. 26.1 and 26.2, on damages for trade  
7 secret misappropriation. These instructions implicate Section V.3 of the contract, a liability  
8 limitation clause:

9 Except for a breach of confidentiality obligations under Article 6 [or another clause  
10 not at issue], a party shall not be liable to the other for any consequential,  
11 incidental, special or punitive losses or damages under any circumstances whatever,  
12 whether asserted as a claim in contract, tort, negligence, product liability or strict  
13 liability and whether arising out of or resulting from any matter, information or  
14 thing made available or not made available under this Agreement or the use  
15 thereof.<sup>70</sup>

16 Neither UMI nor GSI raised the liability clause at any point before trial. It first arose when  
17 UMI cross-examined GSI’s damages expert, James Malackowski, about how the liability clause  
18 affected GSI’s damages and how he had failed to consider the clause in his damages opinion.<sup>71</sup> At  
19 the time, GSI did not make any objections based on the arguments it makes in its motion for new  
20 trial; it raised the issue of surprise several days later, during jury deliberations.<sup>72</sup>

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21 <sup>68</sup> Docket No. 1070 at 8.

22 <sup>69</sup> See Cal. Civ. Code § 1641 (“The whole of a contract is to be taken together, so as to give effect  
23 to every part, if reasonably practicable, each clause helping to interpret the other.” *Concerning  
24 Application for Water Rights v. N. Colo. Water Conservancy Dist.*, 677 P.2d 320, 326 (Colo.  
25 1984) (same).

26 <sup>70</sup> *Id.* at § V.3.

27 <sup>71</sup> See Trial Transcript at 2805:3-2812:9.

28 <sup>72</sup> GSI’s sole objection during cross-examination was that UMI’s questioning was based on  
motions and other matters “irrelevant to the loss and the size of the loss.” Trial Tr. at 2810:10-25.  
See Trial Tr. at 3729:12-17 (GSI arguing during deliberations that Section V.3 had not been raised  
prior to trial).

1 At UMI’s urging, the court later held that the liability clause limited consequential  
2 damages, including lost profits and unjust enrichment, arising out of any trade secret  
3 misappropriation.<sup>73</sup> In the final verdict form, the court only asked the jury about “general  
4 damages” for misappropriation by UMI,<sup>74</sup> removing a pair of questions about UMI’s unjust  
5 enrichment arising from the misappropriation.<sup>75</sup> GSI objected to that omission, and the court  
6 overruled the objection.<sup>76</sup> Despite that decision, however, the court’s final instructions to the jury  
7 retained references to damages against UMI for lost profits and unjust enrichment.<sup>77</sup> (UMI had  
8 filed written objections to these instructions when they were proposed by the court.<sup>78</sup>)

9 A few days into deliberations, the jury asked how to “calculate GSI’s general damages for  
10 misappropriation of trade secrets” and, more specifically, for a “definition of general damages.”<sup>79</sup>  
11 After consulting with the parties, and over GSI’s strenuous objections,<sup>80</sup> the court told the jury to  
12 disregard jury instruction no. 26—which covered lost profits arising from UMI’s  
13 misappropriation—and provided new amended jury instructions nos. 26.1 and 26.2.<sup>81</sup> Amended  
14 jury instruction no. 26.1 said,

15 If GSI proves that UMI misappropriated a GSI trade secret, then GSI is entitled to

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18 <sup>73</sup> See Docket No. 1061 at 57:19-22.

19 <sup>74</sup> Docket No. 1044 at 25.

20 <sup>75</sup> See Docket No. 1023 at 13.

21 <sup>76</sup> See Trial Transcript at 3441:23-3442:24.

22 <sup>77</sup> See Docket No. 1043 at 29-30.

23 <sup>78</sup> See Docket No. 1028 at 7-8 (objecting to proposed final jury instructions nos. 25, 26). For  
24 proposed final jury instructions nos. 25, 26, see Docket No. 1018 at 28-29.

25 <sup>79</sup> Docket No. 1054, Note 2.

26 <sup>80</sup> See Trial Transcript at 3728:5-3732:15.

27 <sup>81</sup> See *id.*; Docket No. 1050.

1 recover damages if the misappropriation caused GSI to suffer an actual loss.<sup>82</sup>  
2 Amended jury instruction no. 26.2 said,

3 Actual loss means any loss to GSI caused by any misappropriation, excluding any  
4 GSI lost profits or unjust enrichment.<sup>83</sup>

5 The jury promptly returned a verdict in which it found that UMI had misappropriated four GSI  
6 trade secrets, but awarded GSI no general damages for the misappropriation.<sup>84</sup>

7 GSI argues that amended jury instruction nos. 26.1 and 26.2 were prejudicial for three  
8 reasons: first, they contradicted jury instructions nos. 24, 26 and 27.<sup>85</sup> Second, they disregarded  
9 evidence presented at trial of agency liability.<sup>86</sup> Third, amended jury instruction 26.2 removed lost  
10 profits as a form of damages, based on Section V.3, but UMI should not have been allowed to  
11 raise Section V.3 at trial.<sup>87</sup>

12 For its first argument, GSI relies on *Pollock v. Koehring Co.*<sup>88</sup> and argues that the  
13 inconsistency of the jury instructions was prejudicial error, and that the error was exacerbated  
14 because the amended jury instructions were issued during deliberations.<sup>89</sup> The dispute in *Pollock*  
15 centered on the district court's instructions on the burden of proof with respect to assumption of  
16 risk.<sup>90</sup> Although part of the instructions were correct, the district court also gave two incorrect  
17 instructions and then "compounded the error" by misstating the law in response to a jury question

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18 <sup>82</sup> Docket No. 1050 at 2.

19 <sup>83</sup> *Id.* at 3.

20 <sup>84</sup> See Docket No. 1055 at 6, 13.

21 <sup>85</sup> See Docket No. 1070 at 12-13.

22 <sup>86</sup> See *id.* at 13.

23 <sup>87</sup> See *id.* at 13-15.

24 <sup>88</sup> 540 F.2d 425 (9th Cir. 1976).

25 <sup>89</sup> See Docket No. 1070 at 12-13.

26 <sup>90</sup> See *Pollock*, 540 F.2d at 426.

1 near the close of evidence.<sup>91</sup> The Ninth Circuit noted that “both inconsistent or equivocal  
2 instructions and incorrect statements of the law may be prejudicially erroneous” and that “the  
3 portions of the instructions read shortly before the jury retires are critical.”<sup>92</sup> Because the district  
4 court had given instructions that, “[t]aken as a whole, . . . were both erroneous and inconsistent,”  
5 the Ninth Circuit ordered a retrial.<sup>93</sup>

6 *Pollock* does not govern here: although the first set of instructions was inconsistent with  
7 the verdict form, the court’s response to the jury questions was unambiguous. More importantly,  
8 in contrast to *Pollock*, the court’s amended instructions gave the correct law. GSI’s contention  
9 that the second set of instructions confused the jury gives the jury too little credit and it is belied  
10 by the result. The jury’s award of no general damages obviously excluded the lost profits and  
11 unjust enrichment that the court had instructed the jury to leave out. Far from being confused, the  
12 jury appears to have followed the court’s second set of instructions and thus the correct law. Any  
13 error in the court’s instructions was not prejudicial to the outcome.

14 In its second challenge to the amended instructions, GSI argues that the court’s instructions  
15 cutting off lost profits and unjust enrichment disregarded evidence presented at trial showing that  
16 UMI and ISSI were in an agency relationship, and so both UMI and ISSI should be liable for lost  
17 profits and unjust enrichment.<sup>94</sup> However, as discussed below, Section V.3 limited UMI’s  
18 liability, and amended instructions nos. 26.1 and 26.2 reflect that.<sup>95</sup> And because GSI and ISSI  
19 have settled, ISSI’s agency liability no longer is at issue.<sup>96</sup>

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<sup>91</sup> Id.

<sup>92</sup> Id. at 426-27 (citations omitted).

<sup>93</sup> Id. at 427.

<sup>94</sup> See Docket No. 1070 at 13.

<sup>95</sup> See *infra* at 18-20.

<sup>96</sup> See Docket No. 1105 at 5 n.2

1 GSI’s third argument on the amended instructions is that the court should not have  
2 excluded lost profits and unjust enrichment based on the liability clause, because UMI had not  
3 raised it prior to trial, this was trial by ambush and Colorado law considers lost profits a form of  
4 direct damages.<sup>97</sup>

5 GSI is correct that UMI never raised the liability clause in its answer, motion to dismiss,  
6 summary judgment motion, trial brief or anywhere else prior to trial.<sup>98</sup> However, GSI does not  
7 identify any positive obligation UMI had to raise the liability clause sooner. GSI cites several  
8 cases where a court barred a defendant from introducing an affirmative defense for the first time at  
9 trial,<sup>99</sup> but it points to no precedent for the proposition that a liability clause is an affirmative  
10 defense subject to waiver if not timely raised. GSI also cites *Royalty Petroleum Co. v. Arkla, Inc.*,  
11 in which the Western District of Oklahoma prohibited the defendant from bringing in new  
12 evidence at trial that it had not previously produced even though it was responsive to an  
13 interrogatory.<sup>100</sup> Here, by contrast, GSI has not identified any discovery responses in which UMI  
14 was obligated to raise the liability clause. GSI also complains that the clause was just a single  
15 sentence “buried in a long warranty disclaimer provision” within a “17-page, single-spaced  
16 contract with 10 articles,”<sup>101</sup> but the court is not persuaded that GSI could not have found the  
17 provision—which appears a few pages into a contract that GSI negotiated and attached to every  
18 version of its complaint<sup>102</sup>—without UMI’s help. GSI’s argument is further weakened by the fact  
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21 <sup>97</sup> See Docket No. 1070 at 13-15.

22 <sup>98</sup> See Docket No. 563-4 at 15-17.

23 <sup>99</sup> See *Katt v. City of New York*, 151 F. Supp. 2d 313, 347-50 (S.D.N.Y. 2001); *In re Snelson*, 305  
24 B.R. 255, 263-64 (Bankr. N.D. Tex. 2003).

25 <sup>100</sup> 129 F.R.D. 674, 675-78 (W.D. Okla. 1990).

26 <sup>101</sup> Docket No. 1105 at 8.

27 <sup>102</sup> See Docket Nos. 1, 159, 196.

1 that the same law firm advised GSI on the contract negotiations and represented GSI in this  
2 lawsuit.<sup>103</sup>

3 GSI also is right to point out that the Federal Rules of Civil Procedure sought to eliminate  
4 what GSI calls trial by ambush.<sup>104</sup> It does not follow, however, that courts have unlimited  
5 discretion to preclude any maneuvers that a party finds unfair. Instead, the Federal Rules simply  
6 give parties tools to counteract these tactics. For example, in *Walker*, the only Ninth Circuit case  
7 that GSI cites, the district court’s pretrial order exhaustively listed each of the numerous injuries  
8 that the plaintiff allegedly had suffered.<sup>105</sup> When the plaintiff tried to introduce evidence of a  
9 different injury at trial, the defendants persuaded the district court and then the Ninth Circuit to bar  
10 the attempt under Fed. R. Civ. P 16(d),<sup>106</sup> which provides that a pretrial order “controls the course  
11 of the action unless the court modifies it.” Similarly, if GSI had propounded an interrogatory  
12 asking about UMI’s theories for limiting damages and UMI had omitted the contract clause, GSI  
13 could have moved under Rule 37(c)(1) to preclude UMI from introducing it at trial. But it is not  
14 enough for GSI to merely allude to the general spirit of the Federal Rules.

15 GSI also argues that the amended instructions were improper because the liability clause  
16 does not bar lost profits under Colorado law, but UMI has the better case on the merits, too. The  
17 contract clause permits “general” damages while disallowing “special” or “consequential”  
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20 <sup>103</sup> See Docket No. 900 at 1 (“former GSI Vice President of Marketing David Chapman negotiated  
21 the 576Mb Agreement between UMI and GSI . . . . GSI’s counsel at the time was DLA Piper, and  
22 the DLA Piper attorneys who advised Mr. Chapman as negotiator for GSI were Messrs. Shoheit  
23 and Aronson.”).

24 <sup>104</sup> See *Walker v. W. Coast Fast Freight, Inc.*, 233 F.2d 939, 941 (9th Cir. 1956) (alteration in  
25 original) (quoting *Burton v. Weyerhaeuser Timber Co.*, 1 F.R.D. 571, 572 (D. Or. 1941)) (“The  
26 District of Oregon has strictly required the disclosure of ‘all legal and fact issues’ at the pre-trial  
27 conference since ‘surprise, both as a weapon of attack and defense, is not to be tolerated under the  
28 . . . Federal procedure’ and the ‘rules outlaw the sporting theory of justice from Federal courts.’”).

<sup>105</sup> See *id.* at 941.

<sup>106</sup> See *id.* at 941-42.

1 damages.<sup>107</sup> GSI observes that, under Colorado law, the lost profits and unjust enrichment  
2 damages that the court barred are not always considered special or consequential damages.<sup>108</sup> GSI  
3 raised the same argument at trial,<sup>109</sup> and the court remains unconvinced. In Colorado, as  
4 elsewhere, when a plaintiff contracts with a defendant to help the plaintiff earn profits, and the  
5 defendant's breach of that contract prevents the plaintiff from realizing those profits, the profits  
6 that the plaintiff lost may be considered direct or general damages.<sup>110</sup> The lost profits from an  
7 unrealized future contract, and certainly the defendant's unjust enrichment, fall well outside that  
8 scope. The clause plainly bars the lost profits and unjust enrichment that GSI sought.

9 **Third**, GSI argues that it suffered prejudicial error because the court gave GSI less time for  
10 its case than UMI and ISSI.<sup>111</sup> GSI argues that the harm from the time allocation was exacerbated  
11 by the court's decision to include the bad faith contention in the trial and by the court's denial of  
12 summary judgment that GSI owned the schematics under the contract.<sup>112</sup>

13 GSI received more time—30 hours—than either UMI or ISSI, who each received 20 hours.  
14 While Defendants received more time total than GSI, GSI cites no authority for the proposition  
15 that in a multi-party trial, each side must be given the same amount of time. And GSI did not even  
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17 <sup>107</sup> Docket No. 159, Ex. A at § V.3.

18 <sup>108</sup> See *Penncro Assocs., Inc. v. Sprint Spectrum, L.P.*, 499 F.3d 1151, 1156 (10th Cir. 2007);  
19 *SOLIDFX, LLC v. Jeppesen Sanderson, Inc.*, Case No. 11-cv-01468, 2015 WL 515221, at \*1-2  
20 (D. Colo. Feb. 5, 2015).

21 <sup>109</sup> See Docket No. 1029 at 6-8.

22 <sup>110</sup> See *Penncro*, 499 F.3d at 1156 (“Thus, for example, if a services contract is breached and the  
23 plaintiff anticipated a profit under the contract, those profits would be recoverable as a component  
24 of direct, benefit of the bargain damages. If that same breach had the knock-on effect of causing  
25 the plaintiff to close its doors, precluding it from performing other work for which it had  
26 contracted and from which it expected to make a profit, those lost profits might be recovered as  
27 ‘consequential’ to the breach.”).

28 <sup>111</sup> See Docket No. 1070 at 17.

<sup>112</sup> See *id.* at 17-20.

1 use all of its time.<sup>113</sup>

2 **Fourth**, GSI challenges the admission of testimony from Jon Faue, UMI’s president.<sup>114</sup>  
3 Although Faue testified as a fact witness, GSI argues that he testified as an undisclosed technical  
4 expert; as a rebuttal expert against GSI’s technical expert, Robert J. Murphy; and beyond the  
5 scope of UMI’s interrogatory responses.<sup>115</sup> None of these arguments is persuasive: GSI does not  
6 identify any testimony that was expert opinion testimony subject to disclosure under Fed. R. Civ.  
7 P. 26(a)(2)(C). GSI broadly objects to the majority of Faue’s trial testimony, but does not explain  
8 why any portion of that testimony is either an expert opinion within Fed. R. Evid. 702, 703 or 705,  
9 or a lay opinion within Fed. R. Evid. 701. GSI describes line 2920:22 of the trial transcript as  
10 offering expert testimony not based on Faue’s personal knowledge,<sup>116</sup> but that citation is a  
11 question from UMI’s counsel,<sup>117</sup> and Faue’s answer to the question was a description of the design  
12 process he participated in and within his personal knowledge.<sup>118</sup>

13 Faue’s testimony on comparing several older UMI schematics with UMI’s Atris  
14 schematics<sup>119</sup> also was not improper rebuttal expert testimony, because his testimony was based  
15 on matters within his personal knowledge. Faue participated in designing the Atris schematics,<sup>120</sup>  
16 and the testimony GSI objects to as rebuttal expert testimony discussed his design work: what he  
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19 <sup>113</sup> See Docket No. 1046 at 1.

20 <sup>114</sup> See Docket No. 1070 at 20-23.

21 <sup>115</sup> See *id.*

22 <sup>116</sup> See *id.* at 21.

23 <sup>117</sup> See Trial Tr. at 2920:22.

24 <sup>118</sup> See *id.* at 2920:23-25.

25 <sup>119</sup> See Trial Tr. at 2966:9-2971:2.

26 <sup>120</sup> See *id.* T 1588:5-15 (“[Q.] Did you have a specific role in . . . the design of the 576 GSI  
27 copycat DRAM? A. Yeah. My role was the chief circuit designer.”).

1 incorporated from previous designs, what changes he made and what he put into subcircuits.<sup>121</sup>  
2 All of this testimony was within his personal knowledge and is not rebuttal expert testimony, even  
3 if it has the effect of showing an origin story for the Atris schematics that contradicts Murphy’s.

4 Faue’s testimony also was within the scope of UMI’s responses to GSI’s interrogatories.  
5 GSI objects that Faue’s testimony on U.S. Patent No. 7,298,669 went beyond UMI’s supplemental  
6 responses to GSI’s interrogatories nos. 12 and 13,<sup>122</sup> but it does not: the interrogatory response  
7 identifies “[c]ol 3 lines 5-10,” “[c]ol 4 lines 50-52,” “[c]ol 5 lines 3-6,” “Fig. 2,” “Fig. 3A,” “Fig.  
8 3B” and “Fig. 3C” as describing methods, functions, circuitry, logic and concepts that are  
9 “relevant to GSI’s allegation that the following circuit schematics are GSI’s trade secrets:  
10 BNKCON, PRETIMER, BAB\_S80, YCLKMIX and YCLKCLK . . . . Circuit schematics for  
11 SLOW, FICLK are related to the YCLKCLK circuit.”<sup>123</sup> Faue’s trial testimony identified the  
12 columns and figures delineated in the interrogatory response as “technology that we were able to  
13 pull from and put together [in] the schematics down below, and in particular, the bank come [sic],  
14 the pretimer, the bab, the yclk.”<sup>124</sup> Faue’s testimony referred only to the columns and figures  
15 identified in the interrogatory response, and connected them only to the schematics identified in  
16 the interrogatory response. GSI argues that UMI’s statement that those columns and figures were  
17 “relevant” to GSI’s trade secret allegations about specific schematics is insufficient to “link any”  
18 of the columns and figures to those schematics, but UMI’s statement was sufficient to put GSI on  
19 notice of the connection between the patent and the specific schematics. The same is true for  
20 Faue’s testimony on the Micron DDR2 and DDR3 datasheets: UMI’s supplemental interrogatory  
21 responses identified specific functions from the datasheets as relevant to GSI’s claims of trade  
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23 <sup>121</sup> See *id.*

24 <sup>122</sup> See Docket No. 1070 at 22.

25 <sup>123</sup> Docket No. 486-24 at ECF p. 33.

26 <sup>124</sup> Trial Tr. at 2927:21-2928:1.

1 secrets in specific schematics.<sup>125</sup> Faue’s testimony at trial was that UMI had used functions  
2 described in the Micron data sheet when designing the schematics.<sup>126</sup> No part of his trial  
3 testimony went beyond UMI’s interrogatory responses.

4 *Fifth*, UMI’s references to GSI fact witness David Chapman’s assertion of the attorney-  
5 client privilege during deposition and to GSI counsel Jeffrey Shohet do not warrant a new trial.  
6 During trial, UMI played a video clip of Chapman’s deposition, in which UMI asked Chapman  
7 about the contract negotiations with UMI.<sup>127</sup> UMI asked Chapman about his concerns about the  
8 non-compete provisions in the contract and their compliance with California law, and Chapman’s  
9 lawyer, Shohet, instructed Chapman not to answer “to the extent that there was anything in the  
10 disclosure of counsel. If your concerns were based on anything you learned from your  
11 counsel.”<sup>128</sup> UMI also displayed a photo of Shohet, taken from DLA Piper’s website, for the  
12 jury.<sup>129</sup> Over GSI’s objection, the photo was used but not admitted into evidence.<sup>130</sup> GSI argues  
13 that the evidence of the invocation of the attorney-client privilege caused the jury to draw an  
14 adverse inference based on the assertion, and that the photo and other references to Shohet  
15 suggested to the jury that the privileged communications between GSI and its attorneys concealed  
16 negative information.<sup>131</sup>

17 Neither of GSI’s arguments is persuasive. GSI cites a number of cases holding that it is  
18 impermissible to draw an adverse inference from the assertion of the attorney-client privilege;<sup>132</sup>

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20 <sup>125</sup> See Docket No. 486-24 at ECF p. 41-42.

21 <sup>126</sup> See Trial Tr. at 2931:18-2932:13.

22 <sup>127</sup> See *id.* at 749:11-20, 751:2-6, 753:8-754:1,

23 <sup>128</sup> *Id.* at 753:8-20.

24 <sup>129</sup> See *id.* at 955:17-956:12.

25 <sup>130</sup> See *id.*

26 <sup>131</sup> See Docket No. 1070 at 25.

27 <sup>132</sup> See *id.* at 24 (citing *Doe ex rel. Rudy-Glanzer v. Glanzer*, 232 F.3d 1258, 1265 (9th Cir. 2000))

1 GSI does not cite, however, any cases holding that evidence of the assertion of the privilege causes  
2 a jury to draw an adverse inference. GSI identifies only one instance of UMI referring to GSI’s  
3 invocation of the privilege,<sup>133</sup> and UMI did not comment on or characterize GSI’s invocation in  
4 any way. Based on these facts, it is implausible that the assertion of the privilege caused the jury  
5 to draw an adverse inference—and in the end, Chapman’s invocation of the privilege occurred  
6 during his testimony on the contract negotiations, and the jury found for GSI on the breach of  
7 contract claim, suggesting that they did not draw any adverse inference.

8 GSI also does not provide any basis for finding that displaying Shohet’s photo or referring  
9 to his communications with his client, GSI, warrants a new trial. GSI argues that UMI showed the  
10 photo to suggest to the jury that privileged communications between GSI and its counsel  
11 concealed “some negative information,”<sup>134</sup> but GSI points to no precedent and to no behavior by  
12 UMI that explains how showing this photo created that suggestion. The photo was from DLA  
13 Piper’s website and was not an inappropriate or demeaning photo.<sup>135</sup> Moreover, the photo was  
14 used during testimony but not admitted into evidence, limiting whatever impact it might have had  
15 on the jury.

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17 (“[A]n adverse inference from an assertion of one’s privilege not to reveal information is too high  
18 a price to pay”); *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 226 (2nd Cir. 1999) (“[W]e know  
19 of no precedent supporting such an [adverse] inference based on the invocation of the attorney-  
20 client privilege.”), overruled on other grounds; *Moseley v. Secret Catalogue*, 537 U.S. 418 (2003);  
21 *Knorr-Bremse Sys. Fuer Nutzfahrzeuge GMBH v. Dana Corp.*, 383 F.3d 1337, 1344 (Fed. Cir.  
22 2004) (“no adverse inference shall arise from invocation of the attorney-client and/or work  
23 product privilege”); *Parker v. Prudential Ins. Co.*, 900 F.2d 772, 775 (4th Cir.1990) (no negative  
24 inference permitted from assertion of attorney-client privilege); *In re Tudor Assocs Ltd. III.*, 20  
25 F.3d 115, 120 (4th Cir. 1994) (“A negative inference should not be drawn from the proper  
26 invocation of the attorney-client privilege.”); *Sand Hill Advisors, LLC v. Sand Hill Advisors LLC*,  
27 Case No. C 08-5016 SBA MEJ, 2010 WL 3702372, at \*5 (N.D. Cal. June 1, 2010) (refusing to  
28 draw adverse inference from invocation of privilege), 2010 WL 8500520 (N.D. Cal. Sept. 20,  
2010) (report and recommendation adopted)).

133 See Docket No. 1070 at 25.

134 *Id.*

135 See Trial Tr. at 956:3-10.

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**SO ORDERED.**

Dated: May 26, 2016

  
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PAUL S. GREWAL  
United States Magistrate Judge