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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE DIVISION

PERSONALWEB TECHNOLOGIES LLC,  
et al.,

Plaintiffs,

v.

INTERNATIONAL BUSINESS  
MACHINES CORPORATION,

Defendant.

Case No. 16-cv-01266-EJD

**SECOND ORDER RE: MOTIONS *IN LIMINE***

Re: Dkt. Nos. 269, 279, 285, 313

Presently before the Court is the balance of the parties' motions *in limine* and other pretrial orders. Dkt. Nos. 269, 279, 285, 313. Having considered the moving and responding papers along with the argument held at the Final Pretrial Conference, the Court rules as follows as to the remaining motions:

1. Plaintiffs' first motion to exclude any reference to accused products, patents, or patent claims previously but no longer asserted in this litigation (Dkt. No. 269) is GRANTED IN PART and DENIED IN PART. Defendant may not introduce that these patents, claims, and products were originally asserted by Plaintiffs in this case but later dropped. Defendant may, however, refer to unasserted patents and accused products to provide background information about the parties or to identify patents that were subject to licenses that have been used in damages calculations.

Under Federal Rule of Evidence 401, evidence is relevant if: "(a) it has any tendency to make a fact more or less probable than it would be without the evidence; and (b) the fact is of consequence in determining the action." Under Federal Rule of Evidence 403, relevant evidence

1 can be excluded “if its probative value is substantially outweighed by a danger of . . . unfair  
2 prejudice, confusing the issues, misleading the jury, undue delay, wasting time, or needlessly  
3 presenting cumulative evidence.”

4 The Court finds that the fact that certain patents, claims, and products were originally  
5 asserted by Plaintiffs but have now been dropped are not relevant to any of the issues that remain  
6 to be tried. First, infringement is measured by comparing the elements of the asserted claim  
7 against the accused product. *Gen. Mills, Inc. v. Hunt-Wesson, Inc.*, 103 F.3d 978, 981 (Fed. Cir.  
8 1997) (“Literal infringement requires that every limitation of the patent claim be found in the  
9 accused infringing device.”). Thus, whether Plaintiffs have dropped certain patent claims has no  
10 relevance as to whether TSM infringes claim 166 of the ’420 patent. Second, willfulness turns on  
11 the egregiousness of an accused infringer’s infringement of an *asserted* patent. *See Halo Elecs.,*  
12 *Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1933, 195 L. Ed. 2d 278 (2016) (“Awards of enhanced  
13 damages . . . are . . . designed . . . for egregious infringement behavior. . . . [C]ulpability is  
14 generally measured against the knowledge of the actor at the time of the challenged conduct.”).  
15 Thus, the fact that Plaintiffs have dropped certain patent claims has no bearing on whether  
16 Defendant’s conduct with respect to the ’420 patent was egregious. Third, inducement requires  
17 “knowledge that the induced acts constitute patent infringement”—i.e., knowledge of infringement  
18 of the asserted patent. *Glob.-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754, 766 (2011). The  
19 dropped patent claims do not inform whether Defendant had specific knowledge of its alleged  
20 infringement of claim 166 of the ’420 patent. Finally, although certain unasserted patents may be  
21 relevant to damages if they are part of the licenses used in the damages calculations, the fact that  
22 these patents were originally asserted in this case is not. Thus, the fact that certain patents, claims,  
23 and products were originally asserted but dropped should be excluded under Rule 401.

24 Further, even if this evidence were relevant, the Court finds that the probative value is  
25 substantially outweighed by a danger of unfair prejudice and misleading the jury. Introducing the  
26 fact that certain patents, claims, and products were dropped may permit the jury to draw the unfair  
27 inference that Plaintiffs’ case is weak. It may also mislead the jury, who is not accustomed to the  
28 fact that claims are routinely narrowed in patent infringement cases. Thus, exclusion is also

1 proper under Rule 403.

2 Nevertheless, the Court finds that the parties should not be entirely prohibited from  
3 mentioning patents or products that happen to not be asserted in this case. For example,  
4 introducing the fact that Plaintiff owns X patents or Defendant makes Y products may be helpful  
5 background information. In addition, the parties may wish to mention certain unasserted patents if  
6 they are subject to the licensing agreements used by damages experts. References to unasserted  
7 patents and products in this limited manner are relevant and not prejudicial. Accordingly, the  
8 Court will not exclude these usages.

9 2. Defendant’s second motion to exclude from trial opinions not disclosed in expert  
10 reports (Dkt. No. 284) is, with respect to Dr. Akemann, DENIED AS MOOT. As discussed  
11 further below, Dr. Akemann’s opinions are excluded under Federal Rule of Evidence 702 and  
12 *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579 (1993).

13 2. Defendant’s third motion to exclude from trial undisclosed infringement theories  
14 (Dkt. No. 279) is GRANTED.

15 Federal Rule of Civil Procedure 26(e) requires that a party “who has responded to an  
16 interrogatory . . . must supplement or correct its disclosure . . . in a timely manner if the party  
17 learns that in some material respect the disclosure or response is incomplete or incorrect.” Parties  
18 who fail to comply with Rule 26(e) become subject to a sanction under Rule 37(c)(1), which  
19 provides that: “[i]f a party fails to provide information . . . as required by Rule 26(a) or (e), the  
20 party is not allowed to use that information . . . to supply evidence . . . at a trial, unless the failure  
21 was substantially justified or is harmless.” In this district, the patent local rules “provide[] for a  
22 ‘streamlined’ mechanism to replace the ‘series of interrogatories that defendants would likely have  
23 propounded’ in its absence.” *FusionArc, Inc. v. Solidus Networks, Inc.*, No. C 06-  
24 06760RMW(RS), 2007 WL 1052900, at \*2 (N.D. Cal. Apr. 5, 2007).

25 Defendant moves to preclude Plaintiffs from pursuing untimely infringement theories at  
26 trial—namely, its indirect infringement theories. Patent Local Rule 3-1(d) requires “an  
27 identification of any direct infringement and a description of the acts of the alleged indirect infringer  
28 that contribute to or are inducing that direct infringement.” As the Court found at summary judgment,

1 Plaintiffs did not comply with this rule. Dkt. No. 245 at 27 (“PersonalWeb’s infringement  
2 contentions make no mention of any indirect infringement theory, let alone provide any  
3 ‘description of the acts of [IBM] that contribute to or are inducing that direct infringement’ As  
4 such, they fail to comply with Patent Local Rule 3-1(d).”). To be sure, Plaintiffs’ infringement  
5 contentions provided information on how the “hardware” limitation of claim 166 was allegedly  
6 infringed. Dkt. No. 217-6 at 1-3. However, this does not negate the fact that Plaintiffs’ contention  
7 that Defendant indirectly infringes—an interrogatory response which it was required to provide in  
8 the form of patent local rule infringement contentions—is “information” within the meaning of  
9 Rule 26(a) which it was required to disclose. Thus, under Rule 37(c), Plaintiffs are precluded  
10 from presenting this theory at trial unless they can show that this “failure was substantially  
11 justified or is harmless.”

12 On this point, Plaintiffs appear to argue that their failure was substantially justified and/or  
13 harmless because (1) the E.D. Texas Patent Local Rules do not require explicit disclosure of  
14 indirect infringement theories, Dkt. No. 303 at 5 n.4; and (2) its infringement contentions and/or  
15 expert report provided information on how the “hardware” limitation was satisfied and pointed to  
16 examples of how IBM promotes and advertises the use of TSM to its customers, Dkt. No. 303 at  
17 3-6. The Court finds neither of these persuasive. First, as discussed in the Court’s summary  
18 judgment order, “[t]he fact that this case originated in the Eastern District of Texas does not immunize  
19 [Plaintiffs’] shortcomings. Once this case was transferred, this district’s patent local rules governed  
20 the case [and Plaintiffs] could have sought leave to amend [their] infringement contentions so that they  
21 complied with the local rules of this district.” Dkt. No. 245 at 23-24. Indeed, Plaintiffs’ own actions  
22 seem to admit this, as they moved to amend their infringement contentions after transfer to modify the  
23 accused products and claims. Dkt. No. 139. They also could have included indirect infringement in  
24 this request, but chose not to. Second, providing information on the “hardware” limitation or IBM  
25 customer materials<sup>1</sup> is not enough to remove the prejudice that Defendant suffered by not knowing

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26  
27 <sup>1</sup> Plaintiffs are correct that they have done this: both Plaintiffs’ infringement contentions and  
28 expert report provided information on how the “hardware” limitation of claim 166 was allegedly  
infringed. Dkt. No. 217-6 at 1-3; Dkt. No. 309-6 ¶¶ 65-67. Plaintiffs’ expert report also provided  
examples of how IBM promotes and advertises the use of TSM to its customers. *See, e.g.*, Dkt.

1 Plaintiffs' specific indirect infringement allegations. To be sure, Defendant was aware that Plaintiffs  
2 accused it of indirect infringement in its complaint. Dkt. No. 29. This, however, is not enough. A  
3 defendant should not be left to read the tea leaves and guess as to the contours of a plaintiff's  
4 infringement theories. Because Plaintiffs forced Defendant to do precisely this, their failure to comply  
5 with their Rule 26(a) obligations was not harmless.

6 3. Defendant's motion to exclude the opinions of Dr. Michael Akemann (Dkt. No.  
7 285) is GRANTED.

8 Federal Rule of Evidence 702 permits an expert to testify if: (a) the expert's scientific,  
9 technical, or other specialized knowledge will help the trier of fact to understand the evidence or  
10 to determine a fact in issue; (b) the testimony is based on sufficient facts or data; (c) the testimony  
11 is the product of reliable principles and methods; and (d) the expert has reliably applied the  
12 principles and methods to the facts of the case. Read together, Rule 702 and *Daubert*, 509 U.S.  
13 579, broadly require that an expert not only be qualified, but also that the expert's testimony be  
14 reliable and relevant.

15 When faced with a challenge to an expert, "[t]he trial judge must perform a gatekeeping  
16 function to ensure that the expert's proffered testimony" meets this standard. *United States v.*  
17 *Redlightning*, 624 F.3d 1090, 1111 (9th Cir. 2010). The role is a flexible one, such that the judge  
18 is afforded "considerable leeway in deciding in a particular case how to go about determining  
19 whether particular expert testimony is reliable." *Kumho Tire Co., Ltd. v. Carmichael*, 526 U.S.  
20 137, 152 (1999).

21 Defendant does not challenge Dr. Akemann's expertise or argue that his testimony is  
22 unhelpful to the jury. Instead, Plaintiffs argue that Dr. Akemann's testimony should be limited or  
23 excluded because (1) he did not apportion the value of the '420 patent in the licensing agreements  
24 he relied on; and (2) his calculations do not account for any use of "hardware." Dkt. No. 286-4.

25 Defendant's first argument challenges Dr. Akemann's approach to apportioning the value  
26 of the '420 patent from the portfolio patents that were the subject of the licenses he relied on. In  
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28 No. 309-6 ¶¶ 37-40.

1 his report, Dr. Akemann did not perform any numerical calculations to apportion for the value of  
2 the '420 patent, but simply indicated that he included a “substantial downward adjustment” in his  
3 reasonable royalty assessment to account for apportionment:

4 A substantial downward adjustment is indicated to account for additional patents  
5 licensed in the Data Storage Agreements relative to the Hypothetical Negotiation.  
6 The Data Storage Agreements license the Truename patent portfolio, not just the  
7 420 patent. However, there are reasons to expect such an adjustment would not  
8 necessarily be too large. First, I understand that all of the Truename patents are  
9 related, at least in the sense that they all derive from single patent application.  
10 Second, some of the comparable agreements have field of use restrictions which I  
11 understand limit the use/value of some of the other patents in the portfolio to those  
12 licensees. Third, I understand from Mr. Bermeister that PersonalWeb has a  
13 preference for portfolio licenses.

14 Dkt. No. 309-8 ¶ 199. The Court finds that Dr. Akemann’s approach does not pass muster under  
15 Rule 702/*Daubert*. Dr. Akemann uses nothing other than the three brief reasons quoted above to  
16 arrive at his conclusion that there should be a “substantial downward adjustment” that is “not  
17 necessarily . . . too large.” He provides no supporting citation or data, nor does he provide any  
18 explanation of how he took these reasons and determined that the adjustment should not be “too  
19 large” or what “too large” means numerically. This does not meet Rule 702’s requirement that  
20 expert opinions be based on “reliable principles and methods.” *Compare, e.g., LaserDynamics,*  
21 *Inc. v. Quanta Computer, Inc.*, 694 F.3d 51, 69 (Fed. Cir. 2012) (“Mr. Murtha’s one-third  
22 apportionment to bring his royalty rate down from 6% per ODD to 2% per laptop computer  
23 appears to have been plucked out of thin air based on vague qualitative notions of the relative  
24 importance of the ODD technology.”); *Whitserve, LLC v. Computer Packages, Inc.*, 694 F.3d 10,  
25 31 (Fed. Cir. 2012) (“[The damages expert] did not explain how much each [*Georgia-Pacific*]  
26 factor affected the rate. . . and he testified that almost all factors justified an increase in the  
27 applicable rate, a few were neutral in terms of their impact, and none justified a decreased rate.”).  
28 To be sure, in determining a reasonable royalty, “mathematical precision is not required.”  
*Whitserve*, 694 F.3d at 31. However, “some explanation of both why and generally to what extent  
the particular factor impacts the royalty calculation is needed.” *Id.* Dr. Akemann fails explain  
(i.e., give any reliable basis upon which he reached the determination) how his three brief reasons  
translated into a “substantial downward adjustment” that is “not necessarily . . . too large” and

1 what that adjustment was. As such, he falls short of this standard.

2 Further, it is hard to tell that Dr. Akemann even truly apportioned for the value of the '420  
3 patent. By indicating that his “substantial downward adjustment” is “not necessarily . . . too  
4 large” but providing no further details (i.e., numerical analysis or even an estimate) of what this  
5 adjustment is, it is possible that Dr. Akemann effectively did not apportion for the value of the  
6 '420 patent. This too would be grounds for exclusion. *See, e.g., Oracle Am., Inc. v. Google Inc.*,  
7 No. C 10-03561 WHA, 2011 WL 6055505, at \*6 (N.D. Cal. Dec. 6, 2011) (“Dr. Cockburn did not  
8 use the value of the patents to apportion infringer's profits, but instead apportioned the purchase  
9 price of a broad license portfolio without any basis to opine on the value of the rest of that license  
10 portfolio.”).

11 Defendant’s second argument urges that Dr. Akemann’s opinions and testimony should be  
12 excluded because his opinion is based only on IBM’s sales of TSM software. Dkt. No. 286-4 at 7-  
13 9. Because of this, Defendant argues, any opinion based on hardware sales should be excluded  
14 because it would be speculative and also beyond the scope of Dr. Akemann’s report. *Id.* The  
15 Court agrees with Defendant. Dr. Akemann’s report only relies on IBM software sales. *See* Dkt.  
16 No. 309-8 ¶¶ 29-36. Thus, any opinion by Dr. Akemann based on hardware sales is outside the  
17 scope of his report. Plaintiffs have not argued that this omission is substantially justified or  
18 harmless so, pursuant to Rule 37(c)(1), Dr. Akemann will not be permitted to testify as to any  
19 damages that are based on hardware sales. Moreover, even if Rule 37(c)(1) did not apply, any  
20 opinion Dr. Akemann would give on damages based on hardware sales would be speculative and  
21 excluded under Rule 702/*Daubert*. Thus, Dr. Akemann may not provide any damages opinion  
22 based on hardware sales.

23 4. Defendant’s motion to strike witnesses and previously undisclosed theories from  
24 witness list and pretrial statement (Dkt. No. 313) is GRANTED IN PART and DENIED IN  
25 PART.

26 Federal Rule of Civil Procedure 26(a)(1) requires the disclosure of the “each individual  
27 likely to have discoverable information . . . the disclosing party may use to support its claims or  
28 defenses, unless the use would be solely for impeachment.” Federal Rule of Civil Procedure

1 26(a)(2) requires that “[u]nless otherwise stipulated or ordered by the court,” the parties’ experts  
2 each provide a written report which contains “a complete statement of all opinions the witness will  
3 express and the basis and reasons for them.” Federal Rule of Civil Procedure 26(e) requires that a  
4 party “who has responded to an interrogatory . . . must supplement or correct its disclosure . . . in a  
5 timely manner if the party learns that in some material respect the disclosure or response is  
6 incomplete or incorrect.” Parties who fail to comply with Rule 26(e) become subject to a sanction  
7 under Rule 37(c)(1), which provides that: “[i]f a party fails to provide information . . . as required  
8 by Rule 26(a) or (e), the party is not allowed to use that information . . . to supply evidence . . . at a  
9 trial, unless the failure was substantially justified or is harmless.”

10 For the same reasons discussed with respect to Defendant’s sixth motion *in limine* in the  
11 Court’s First Order Re: Motions *in Limine*, Dkt. 343 at 9, Defendant’s motion is GRANTED IN  
12 PART with respect to Plaintiffs’ theories that Defendant was on notice of the True Name patent  
13 family as of May 2006, including the ’420 patent, including with respect to indirect or willful  
14 infringement. Plaintiffs are precluded from raising these theories through evidence or argument at  
15 trial. However, the Court will not strike corresponding portions from the Joint Final Pretrial  
16 Statement.

17 For the same reasons discussed above with respect to Defendant’s third motion *in limine*,  
18 Defendant’s motion is GRANTED IN PART with respect to Plaintiffs’ theories of indirect  
19 infringement. Plaintiffs are precluded from raising these theories through evidence or argument at  
20 trial. However, the Court will not strike corresponding portions from the Joint Final Pretrial  
21 Statement.

22 Defendant’s motion is DENIED with respect to Plaintiffs’ theories that IBM directly  
23 infringes claim 166 of the ’420 patent when it: (1) uses TSM by installing it on hardware for  
24 testing and for its hosting service; (2) makes TSM software and places the infringing code routines  
25 on computer hardware; (3) licenses TSM to customers for use on IBM hardware; (4) offers to  
26 license TSM for use on IBM hardware; and (5) licenses TSM and makes it available for download  
27 from IBM servers. Both Plaintiffs’ infringement contentions and expert report disclose a theory of  
28 direct infringement. Dkt. No. 217-6; Dkt. No. 309-6 ¶ 159. Both documents also provide



1 information on how the “hardware” limitation of claim 166 is allegedly infringed. Dkt. No. 217-6  
 2 at 1-3; Dkt. No. 309-6 ¶¶ 65-67. Plaintiffs’ expert report also contains references to licensing and  
 3 hosting, which Defendant never moved to strike as outside the scope of Plaintiffs’ infringement  
 4 contentions. Dkt. No. 309-6 ¶¶ 65-67. Accordingly, the Court will not strike these theories under  
 5 Rules 26(a) and 37(c). The Court nevertheless reminds that parties that, as discussed with respect  
 6 to Defendant’s second motion *in limine* in the Court’s First Order Re: Motions *in Limine*, Dkt. 343  
 7 at 5-7, Plaintiffs’ experts are not permitted to testify beyond the scope of their report, including  
 8 citing to more specific examples of IBM hardware, hosting, and licensing.

9 For the same reasons discussed with respect to Defendant’s fourth motion *in limine* in the  
 10 Court’s First Order Re: Motions *in Limine*, Dkt. 343 at 8, Defendant’s motion is DENIED with  
 11 respect to Plaintiffs’ theories that deduplication features need not be activated by the end user for  
 12 IBM to infringe and that claim 166 is drawn to capability. The Court finds claim 166  
 13 distinguishable from *Ball Aerosol & Specialty Container, Inc. v. Ltd. Brands, Inc.*, 555 F.3d 984,  
 14 987 (Fed. Cir. 2009), where the claims at issue were directed to a physical candle tin and the claim  
 15 “language clearly specific[d] a particular configuration in which the protrusions must be ‘resting  
 16 upon’ the cover.” Instead, claim 166 presents a similar situation to those in *Fantasy Sports*  
 17 *Properties, Inc. v. Sportsline.com, Inc.*, 287 F.3d 1108, 1118 (Fed. Cir. 2002) and *Finjan, Inc. v.*  
 18 *Secure Computing Corp.*, 626 F.3d 1197, 1205 (Fed. Cir. 2010)—which also involved computer-  
 19 related claims. Similar to those cases, the language of claim 166 requires “hardware, including a  
 20 processor, and software . . . to . . . determine . . . and selectively permit . . . .” This language  
 21 simply requires that the software as written and installed on the hardware already include the  
 22 functionality of “determin[ing] . . .” and “selectively permit[ting],” regardless of whether it is  
 23 activated. Thus, the Court will allow argument that is consistent with these principles.

24 At the hearing, Defendant expressed a concern that the Court’s ruling will raise issues  
 25 under *O2 Micro International, Ltd. v. Beyond Innovation Technology Co.*, 521 F.3d 1351, 1362  
 26 (Fed. Cir. 2008), which held that “[w]hen the parties present a fundamental dispute regarding the  
 27 scope of a claim term, it is the court's duty to resolve it.” The Court disagrees. To the extent the  
 28 parties have a fundamental dispute regarding activation, the Court’s view is clear. Should the

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parties stray from this view at trial, the Court can insulate the jury from this dispute through instruction or other remedial measures.

**IT IS SO ORDERED.**

Dated: July 26, 2017



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EDWARD J. DAVILA  
United States District Judge