

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

REALTEK SEMICONDUCTOR CORPORATION,  
  
Plaintiff,  
  
v.  
  
LSI CORPORATION and AGERE SYSTEMS LLC,  
  
Defendants.

Case No. C-12-03451-RMW  
  
**TENTATIVE RULINGS ON MOTIONS  
IN LIMINE AND DAUBERT MOTIONS**  
  
[Re: Docket Nos. 174, 179]

**I. DEFENDANTS’ *IN LIMINE* AND *DAUBERT* MOTIONS**

**Motion in Limine No. 1: To preclude reference to the Administrative Law Judge’s (“ALJ”) non-infringement decision in pending International Trade Commission (“ITC”) action**

**GRANTED.** Defendants LSI Corporation and Agere Systems LLC (collectively “LSI”) move *in limine* to preclude plaintiff Realtek Semiconductor Corporation (“Realtek”) from referencing the ALJ’s Initial Determination in an ITC action involving LSI and Realtek. Specifically, the ALJ found that Realtek does not infringe the patents-in-suit. Both parties’ experts have based their reasonable and nondiscriminatory (“RAND”) royalty rate calculations for the

1 patents-in-suit on the assumption that the patents-in-suit are valid and infringed by Realtek. Thus,  
2 LSI argues that the ALJ's decision is irrelevant and not admissible under Federal Rule of Evidence  
3 ("FRE") 402. In the alternative, LSI argues that the court should exclude the ALJ's decision under  
4 FRE 403 because any relevance is outweighed by the danger of unfair prejudice. Realtek continues  
5 to assert that the ITC's Initial Determination is relevant and admissible because, "[i]n setting the  
6 RAND rate, the court must consider the technical contributions (or lack thereof) of a patent to a  
7 standard, and the need for the standard implementer to infringe the patents in order to practice the  
8 standard." Realtek's Opp'n 1, Dkt. No. 192-2 (citing *Microsoft Corp. v. Motorola, Inc.*, Case No.  
9 10-1823, 2013 WL 2111217, at \*18 (W.D. Wash. Apr. 25, 2013). Although the court agrees that a  
10 final non-infringement decision with respect to the patents-in-suit could be relevant—for example,  
11 with respect the patent's contribution to the technical capabilities of the standard or to the standard  
12 implementers' products or the availability of alternatives to the patented technology that could have  
13 been written into the standard—the relevance is limited here because of the non-final nature of the  
14 ALJ's decision. As discussed in more detail in the court's Order Re: Joint Submission Pursuant to  
15 the Supplemental Case Management Order, Dkt. No. 167 at 5 ("September 26, 2013 Order"), the  
16 court concludes that any limited relevance is outweighed by the danger of unfair prejudice and  
17 misleading the jury.

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20 Accordingly, the court GRANTS LSI's Motion *In Limine* No. 1.

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23 **Motion in Limine and Daubert Motion No. 2: To preclude plaintiff's economic expert Dr. Leonard's testimony concerning the RAND rate in the *Microsoft* case**

24 **DENIED.** LSI moves *in limine* and under the *Daubert* standard to preclude Realtek from  
25 presenting Dr. Leonard's expert testimony based on Judge Robart's calculations of the RAND rate  
26 for twenty-four of Motorola's 802.11 standard essential patents ("SEPs") in *Microsoft v. Motorola*.  
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1 LSI contends that using Judge Robart's determination, as apportioned to the patents-in-suit here, is  
2 an arbitrary starting place for a RAND determination.

3 Realtek counters that the *Microsoft* rate is "a relevant comparable to use as a benchmark  
4 because in *Microsoft*, Judge Robart similarly determined [as did Dr. Leonard here, that] Motorola's  
5 802.11 [SEPs] were of minimal *ex ante* value." Realtek's Opp'n 3. Moreover, Realtek argues that  
6 Dr. Leonard does not rely on Judge Robart's RAND determinations as a starting point, but rather  
7 uses a comprehensive analysis of a variety of licenses, including Judge Robart's RAND  
8 calculations, modified by the *Georgia Pacific*<sup>1</sup> factors, to determine the appropriate RAND rate for  
9 the patents-in-suit.  
10

11 In his expert report, Dr. Leonard considers two RAND rates determined by Judge Robart for  
12 twenty-four of Motorola's 802.11 SEPs. Judge Robart calculated one RAND rate for Microsoft's  
13 non-Xbox products and another for the Xbox. Dr. Leonard apportions the *Motorola* court-  
14 determined RAND rates (which applied to Motorola's twenty-four SEPs) to the two patents-in-suit  
15 here, by dividing the rates by twelve. Dr. Leonard then uses these court-determined values, along  
16 with other license agreements, as data points in determining the lower bounds of what LSI would be  
17 willing to accept and the upper bounds on what Realtek would be willing to pay in a hypothetical  
18 negotiation. *See* Leonard Report ¶ 144, Dkt. No. 175-1 (under seal). Contrary to LSI's assertion,  
19 Dr. Leonard did not use Judge Robart's RAND determinations, or his apportionment thereof, as a  
20 "starting point" for a reasonable royalty calculation. Rather, Dr. Leonard selects another Realtek  
21 license with a third-party as "the best benchmark for the outcome of the hypothetical negotiation  
22 between Realtek and LSI/Agere." *Id.* ¶ 174. Dr. Leonard concludes that this benchmark is "*further*  
23 *supported* by Judge Robart's finding of the appropriate RAND royalties for Motorola's 802.11  
24 [SEPs]." *Id.* ¶ 175 (emphasis added). Contrary to LSI's assertion, Dr. Leonard's testimony  
25 concerning the court-determined RAND rates in *Microsoft v. Motorola* is not arbitrary but tailored  
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<sup>1</sup> *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116 (S.D.N.Y. 1970).

1 to patents that were similarly determined to contribute minimal *ex ante* value to the 802.11 standard.  
2 Dr. Leonard's reliance on the court-determined RAND rates in *Microsoft* as part of a more  
3 comprehensive analysis, in conjunction with other third-party licenses, is not arbitrary. Although  
4 the apportionment technique used by Dr. Leonard (to reflect the two patents-in-suit here versus the  
5 twenty-four Motorola SEPs) assumes equal contributions by each of the twenty-four patents and  
6 does not account for the relative contributions, the court nevertheless considers it a satisfactory way  
7 to reflect the RAND royalty rate that might pertain to two, versus twenty-four patents and is a  
8 reasonable point of comparison as part of Dr. Leonard's more comprehensive analysis.  
9

10 Accordingly, the court DENIES LSI's Motion *In Limine* and *Daubert* Motion No. 2.

11 **Motion in Limine and Daubert Motion No. 3: To exclude testimony of Richard Donaldson**

12 **GRANTED.** LSI moves *in limine* and under the *Daubert* standard to exclude the expert  
13 testimony of Richard Donaldson ("Donaldson") directed to whether LSI's June 20, 2012 proposal to  
14 Realtek complied with LSI's RAND commitments. LSI argues that Mr. Donaldson's report goes  
15 only to breach of contract liability, which is no longer at issue in this case, and thus is not relevant.  
16 Realtek counters that Mr. Donaldson's testimony is directly relevant to the issue of whether Realtek  
17 failed to mitigate its damages. Realtek, however, has also moved *in limine* to exclude LSI from  
18 relying on the June 20, 2012 proposal as part of any defense that Realtek failed to mitigate its  
19 damages. As discussed *infra* under Realtek's motions, the court concludes that any evidence  
20 regarding the June 20, 2012 proposal cannot be considered on the issue of mitigation of damages.  
21 LSI did not dismiss Realtek from the ITC action prior to its purported attempt to negotiate. Realtek  
22 was under no duty to negotiate in an unfair bargaining position under the threat of an exclusion  
23 order. In light of the court's ruling excluding evidence or argument regarding the June 20, 2013  
24 offer, Donaldson's opinion going to whether LSI's June 20, 2012 proposal was a RAND offer is  
25 excluded.  
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28 Thus, the court GRANTS LSI's Motion *In Limine* and *Daubert* Motion No. 3.

1 **Motion in Limine and Daubert Motion No. 4: To preclude Realtek from introducing: (1) Dr.**  
 2 **Leonard's purported expert opinion on breach of contract damages; and (2) its ITC**  
 3 **proceeding legal invoices to prove breach of contract damages**

4 **GRANTED-IN-PART AND DENIED-IN-PART.** LSI moves *in limine* and under the  
 5 *Daubert* standard to preclude Realtek from introducing at trial redacted billing records from its  
 6 counsel in the ITC action and Dr. Leonard's analysis thereof in his expert reports on breach of  
 7 contract damages. According to LSI, the billing records are so heavily redacted that it is impossible  
 8 to tell whether the fees are reasonable. LSI contends that Dr. Leonard failed to opine on the  
 9 *reasonableness* of attorneys' fees (and is not qualified to do so in any event), but simply added up  
 10 the total fees and costs incurred from Realtek's redacted invoices.

11 Realtek represents that, following LSI's motion *in limine*, it made a supplemental production  
 12 of its invoices from the ITC action, removing most of the redactions, such that LSI may review the  
 13 billing records for reasonableness. Realtek further argues that Dr. Leonard was qualified to make  
 14 the damages calculations.

15 Although Dr. Leonard performed little more than simple addition of the legal invoice totals,  
 16 the court finds that his *calculations* of Realtek's damages in defending the ITC action are  
 17 admissible. *See* Exhibit 7 to Leonard's Supplemental Expert Report, Dkt. No. 175-6 (adding  
 18 Realtek's ITC related litigation expenses); *Microsoft v. Motorola*, 2013 WL 4008822, at \*6 (W.D.  
 19 Wash. Aug. 5, 2013) ("There is not, however, an implicit requirement in Federal Rule of Evidence  
 20 702 that the proffered expert make complicated mathematical calculations."). The court, however,  
 21 limits Dr. Leonard's testimony to explaining only Realtek's expenses actually incurred in defending  
 22 the ITC action, and *not the reasonableness thereof*, which would likely require some knowledge or  
 23 expertise in ITC litigation.<sup>2</sup> There is no evidence, however, that Realtek incurred greater than  
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27 <sup>2</sup> Contrary to LSI's position, LSI's economic expert Dr. Layne-Farrar opined that "breach of  
 28 contract damages . . . will amount to the reasonable and unavoidable legal expenses that Realtek  
 incurred in the ITC matter. When sufficient documentation becomes available, *I will calculate that*  
*figure.*" Layne-Farrar Report ¶ 170(a), Dkt. No. 178-6 (emphasis added). Thus, LSI cannot very

1 normal attorneys' fees in defending the ITC action. In fact, Realtek's invoices show that on  
 2 multiple occasions Realtek paid its invoices early to receive a fifteen percent discount on its legal  
 3 fees. Absent any indication that Realtek's attorneys overcharged Realtek for its ITC defense, the  
 4 court concludes that Realtek's actual invoices from the ITC proceedings satisfy Realtek's initial  
 5 burden to prove the reasonable amount of damages it incurred in conjunction with its ITC defense.  
 6 LSI's may still review the newly submitted invoices from Realtek and present any arguments that  
 7 Realtek's invoices are, in fact, unreasonable.

8  
 9 Because Realtek represents that it has produced invoices that are sufficiently unredacted for  
 10 LSI to review them for reasonableness, the court GRANTS-IN-PART and DENIES-IN-PART LSI's  
 11 Motion *In Limine* No. 4.

## 12 II. PLAINTIFF'S AMENDED *IN LIMINE* AND *DAUBERT* MOTIONS

13  
 14 **Daubert Motion: To exclude the opinion and testimony of defendants' economic expert Dr.**  
 15 **Layne-Farrar that rely on a flawed comparison of the calculated value of the "Via Pool" with**  
 16 **that of the LSI SEPs in arriving at a value for the patents-in-suit.**

17 **GRANTED.** Plaintiff seeks to exclude the portions of the rebuttal opinion of LSI's  
 18 economics expert Dr. Layne-Farrar that rely on the "Via Pool" on the grounds that she engages in an  
 19 unreliable and flawed methodology for determining the value of the patents-in-suit in comparison to  
 20 the Via Pool.<sup>3</sup>

21 Dr. Layne-Farrar relies on the Via Pool as one benchmark in her more comprehensive  
 22 analysis of third-party licenses. *See* Layne-Farrar Report ¶¶ 104-107.<sup>4</sup> She recognizes that the Via  
 23 Pool is "an imperfect RAND benchmark," *id.* ¶ 113, but nevertheless includes it in her analysis.

24 With respect to the Via Pool analysis, Dr. Layne-Farrar concludes that it would be unreasonable to

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25 well argue that Realtek's economic expert is unqualified to calculate legal expenses when its  
 26 economic expert represents that she will do the same. However, in response to Realtek's motion *in*  
 27 *limine* to exclude Dr. Layne-Farrar's expert opinion on damages, LSI represents that Dr. Layne-  
 28 Farrar will not testify as to Realtek's failure to mitigate damages, and is not qualified to do so.

<sup>3</sup> Dr. Layne-Farrar's expert report indicates that neither patent-in-suit is part of the Via Pool. Layne-Farrar Report ¶ 82, Dkt. No. 170-2 (under seal).

<sup>4</sup> She concludes, however, that a license between LSI and a third party is the most helpful benchmark for her RAND royalty rate calculation. *Id.* ¶¶ 108-112.

1 simply divide the royalty rate for a license to the pool by the total number of patents in the pool to  
2 come up with a RAND royalty-rate per patent. *Id.* ¶ 116. Instead, she applies a “patent citation”  
3 analysis to determine the comparative value of LSI’s 802.11 SEPs to the patents in the Via Pool.  
4 She performs this patent citation analysis by calculating the number of times all nineteen of LSI’s  
5 802.11 SEPs are cited in later patents. She then performs the same patent citation analysis with  
6 respect to 377 patents she believes are part of the 802.11 standard (and a part of the Via Pool) in  
7 order to obtain a ratio of the value of LSI’s 802.11 SEPs in comparison to the other 802.11 SEPs in  
8 the Via Pool. Based on her citation analyses, calculations, and comparisons, she concludes that  
9 LSI’s 802.11 SEP portfolio is about three times more valuable than the Via Pool patent portfolio.  
10 *Id.* ¶ 128. Thus, she multiplies the Via Pool royalty rate by 2.5 to obtain a “conservative”  
11 benchmark royalty rate for LSI’s 802.11 SEP portfolio. *Id.* From there, for lack of a better way to  
12 apportion the value down to the two patents-in-suit, she simply divides the determined royalty rate  
13 for LSI’s 802.11 SEP portfolio by nineteen (the number of patents therein) to determine the RAND  
14 royalty rate for each individual patent. *Id.* ¶¶ 139-141.

17 Although Dr. Layne-Farrar’s patent counting method may be an acceptable methodology to  
18 determine the relative value of patent portfolios, *see id.* ¶¶ 117-119, the fact that she applied this  
19 methodology to determine the value of LSI’s *entire* 802.11 SEP portfolio but then did not use it in  
20 calculating the value of the two patents-in-suit results in a skewed and misleading analysis. As  
21 Realtek points out, Dr. Layne-Farrar’s report indicates that a vast majority (93%) of the citations  
22 attributed to LSI’s 802.11 SEP portfolio come from another patent, which is not one of the patents-  
23 in-suit. If Dr. Layne-Farrar had calculated the value of *only* the patents-in-suit based on the patent  
24 citation analysis, the value revealed for those two patents would represent only 0.1% of the value of  
25 the LSI’s entire portfolio. At her deposition, in response to questions about why she did not  
26 perform the patent citation with respect to the two patents-in-suit, she responded:  
27  
28

1 [A]s I discussed in the report, this apportionment method is good for portfolios. It  
 2 was designed to analyze groups of patents. And *when you get down to individual*  
 3 *patents, it is not as reliable.* It's—it's a large numbers approach and so that's why I  
 4 didn't use the patent citation apportionment for just the—low numbers of patents, the  
 5 one and the two.

6 ...  
 7 Again, I'm not using this method for patent valuation. I'm using it to apportion and  
 8 it's not an appropriate measure for apportioning down to individual patents. There's  
 9 lots of numbers and lots of statistics that are good for—for groups of things that  
 10 aren't good for individuals and this is one of them. And so *I didn't view this method*  
 11 *as appropriate for singling out the '958 or the '867 patents.*

12 Bell Decl. Ex. 1 at 96:15-23, Dkt. No. 196-1; 97:12-19 (emphasis added). By her own admission,  
 13 the patent valuation method is not appropriate for determining the value of individual patents.

14 Because the issue in this case is the value of the two patents-in-suit—not LSI's entire 802.11 SEP  
 15 portfolio—Dr. Layne-Farrar's utilization of this approach to assess the value of LSI's entire 802.11  
 16 SEP portfolio results in an unreliable damages calculation.

17 Accordingly, the court GRANTS Realtek's *Daubert* motion and excludes any evidence or  
 18 testimony from Dr. Layne-Farrar based on the Via Pool that goes to the value of LSI's *entire* 802.11  
 19 SEP portfolio, particularly since one of the patents in LSI's SEP portfolio accounts for 93% of the  
 20 pool's citations.

21 **Motion In Limine No. 1: To exclude evidence and argument regarding the 2002/2003**  
 22 **correspondence between Agere and Realtek**

23 **GRANTED.** Realtek moves *in limine* to exclude the evidence and argument regarding the  
 24 2002/2003 correspondence between Realtek and Agere (now wholly owned by LSI). LSI contends  
 25 that this correspondence is relevant to Realtek's willingness to mitigate its damages by negotiating a  
 26 RAND license. The court disagrees with LSI that the 2002/2003 correspondence between Realtek  
 27 and Agere is relevant to mitigation of damages. The court already determined that LSI breached its  
 28 contract to the IEEE and to Realtek as a third party beneficiary, and thus any mitigation of damages  
 would necessarily occur *after* the breach. The 2002/2003 correspondence is otherwise irrelevant to



1 the two remaining issues in this case: (1) a determination of a RAND royalty rate for the patents-in-  
2 suit; and (2) a determination of Realtek's damages for LSI's breach of contract.

3 Accordingly, the court GRANTS Realtek's Motion *In Limine* No. 1 and excludes evidence  
4 or arguments regarding this correspondence under FRE 402. Further, if the evidence were deemed  
5 to have any probative value, that value would be substantially outweighed by a danger of misleading  
6 the jury and wasting time. *See* FRE 403.

7  
8 **Motion In Limine No. 2: To exclude evidence or argument concerning alleged infringement of**  
9 **defendants' patents by Realtek**

10 **GRANTED-IN-PART AND DENIED-IN-PART.** Realtek seeks to exclude: (1) Dr.  
11 Negus's opinion that Realtek practices the patents-in-suit; (2) any speculation about the final  
12 outcome of the ITC action; and (3) any testimony from Dr. Layne-Farrar (LSI's economic expert) as  
13 to the value of a lump-sum royalty based on Realtek's past "infringement." LSI does not oppose the  
14 second subpart of Realtek's Motion *In Limine* No. 2. With respect to the first subpart, LSI argues  
15 that Dr. Negus's opinion is relevant because it goes to the usefulness of the technology of the  
16 patents-in-suit to Realtek and others in the industry, which is directly relevant to the determination  
17 of a RAND royalty. As to the third subpart, LSI argues that a one-time, fully paid up lump sum  
18 payment by Realtek is the appropriate royalty calculation to be used in this case.

19  
20 Except for the presumption that the patents-in-suit are valid and infringed for the purposes of  
21 the RAND royalty determination, the issue of whether Realtek actually infringes the patents-in-suit  
22 is before the ITC and not at issue before this court. As stated in the court's September 26, 2013  
23 Order, the RAND issue in this case is "[a] determination of a RAND royalty rate for the '958 and  
24 '867 Patents." *Id.* at 1. Thus, Dr. Layne-Farrar's calculation of a lump-sum royalty payment based  
25 upon alleged past infringement by Realtek is inappropriate.

26  
27 Accordingly, LSI may not introduce: (1) evidence or argument that Realtek infringes the  
28 patents-in-suit; (2) Dr. Negus's opinion to the extent it concludes or suggests via an *infringement*

1 *analysis* that Realtek would be *liable* for infringement of the patents-in-suit<sup>5</sup>; (3) any speculation  
 2 about the final outcome of the ITC action; or (4) Dr. Layne-Farrar's testimony of a lump sum  
 3 royalty *owed* by Realtek based on *past infringement* of the patents-in-suit. Dr. Layne-Farrar may,  
 4 however, offer her opinion regarding an appropriate lump sum RAND royalty payment based on  
 5 industry standards or some other measure.

6 The court GRANTS IN PART and DENIES IN PART Realtek's Motion *In Limine* No. 2 as  
 7 set forth above.

8 **Motion In Limine No. 3: To exclude evidence or argument that Realtek failed to mitigate its**  
 9 **damages**

10 **GRANTED IN PART AND DENIED IN PART.** Realtek seeks to exclude: (1) expert  
 11 testimony on the topic of Realtek's failure to mitigate its damages; (2) evidence or argument of  
 12 defendants' June 2012 license proposal, or that Realtek failed to respond thereto; (3) evidence or  
 13 argument concerning the parties' settlement negotiations; and (4) evidence or argument regarding  
 14 Realtek's other lawsuits against LSI. The court addresses each separately.

15 **(1) Expert testimony regarding Realtek's failure to mitigate – GRANTED**

16 LSI represents that it does not intend to offer expert testimony from Dr. Layne-Farrar on the  
 17 issue of mitigation of damages (and likewise moved *in limine* to exclude Realtek's expert, Dr.  
 18 Leonard from testifying to damages generally). According to LSI, opinion testimony from either  
 19 party's economic expert on the issue of *mitigation* of damages is inappropriate. The court agrees,  
 20 and excludes both parties' expert testimony on the issue of *mitigation* of damages, subject to the  
 21 analysis *supra* with respect to the admissibility of Dr. Leonard's damages calculations generally.

22 **(2) LSI's June 20, 2012 license proposal – GRANTED**

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 24  
 25  
 26 <sup>5</sup> However, going to the RAND royalty determination, LSI may introduce Dr. Negus's opinion  
 27 regarding: (1) the value of the technology of the patents-in-suit to Realtek and others in the industry;  
 28 and (2) Realtek's past lump sum royalty payment(s) to a *third-party* to the extent that testimony is  
 otherwise relevant and admissible under the *Daubert* standard to determining an appropriate RAND  
 royalty rate in this case.

1 Realtek argues that LSI's June 20, 2012 licensing proposal is not relevant to LSI's  
2 mitigation defense because the court has already decided that LSI breached the contract to the IEEE  
3 and to Realtek as a third party beneficiary by failing to license on RAND terms, and any licensing  
4 negotiation thereafter would be inherently unfair based on the threat of an injunction. Thus, Realtek  
5 argues that "because [LSI] did not withdraw (and still ha[s] not withdrawn) the ITC action and  
6 corresponding threat of an injunction," Realtek's Mot. 17, Dkt. No. 178-5, it was under no  
7 obligation to respond to LSI's June 20, 2012 "RAND" offer.  
8

9 LSI counters that the court has already concluded that the June 20, 2012 proposal is relevant  
10 to the question of damages, and thus the issue of whether or not Realtek responded to that argument  
11 is also relevant. LSI argues that even if the court considers additional arguments going to relevance,  
12 the June 20, 2012 offer is relevant because Realtek's failure to negotiate is a central issue in this  
13 case.  
14

15 In the September 26, 2013 Order, the court stated:

16 If the jury finds that LSI's June 2012 proposal was in fact a RAND licensing offer,  
17 the question arises as to whether Realtek's refusal to accept that offer would be a  
18 basis to cut off Realtek's damages related to defending the ITC action. *Or would*  
19 *LSI's offer only mitigate damages if LSI had first dismissed the ITC action against*  
*Realtek before making that offer*, so that Realtek would not have been under the  
looming threat of an ITC exclusion order, which arguably placed it in an unfair  
bargaining position.

20 *Id.* at 4. Contrary to LSI's position, the court did not already decide that the June 20, 2012 offer is  
21 relevant to mitigation of damages, but rather explicitly deferred consideration of the admissibility of  
22 the June 20, 2012 offer until the motions *in limine*. *Id.* Now the court finds that LSI's June 20,  
23 2012 offer is inadmissible because Realtek had no obligation to mitigate by negotiating a license  
24 with LSI after LSI breached its contract to Realtek and where Realtek was still under the threat of an  
25 exclusion order from the ITC. *See Carlisle Ventures, Inc. v. Banco Espanol de Credito S.A.*, 176  
26 F.3d 601, 609 (2d Cir. 1999) (quoting *Zanker Development Co. v. Cogito Sys. Corp.*, 215 Cal. App.  
27 3d 1377, 1381 (1989). "As one court has stated, it is appropriate for courts to focus 'not on the  
28

1 failure of the plaintiff to pursue the . . . alternative courses of action suggested by [the] defendant  
 2 but upon the reasonableness of the action which [the] plaintiff did in fact take. The fact that in  
 3 retrospect a reasonable alternative course of action is shown to have been feasible is not proof of the  
 4 fact that the course actually pursued by the plaintiff was unreasonable.’’). Even if a jury were to  
 5 find that LSI’s June 20, 2012 license was compliant with LSI’s RAND obligations, Realtek would  
 6 not be unreasonable in declining to negotiate with LSI under the circumstances. Accordingly, the  
 7 court excludes all evidence and argument to the jury regarding LSI’s June 20, 2012 license offer and  
 8 Realtek’s response thereto.  
 9

10 **(3) The parties’ settlement negotiations – GRANTED**

11 Realtek argues that LSI should be precluded from introducing any evidence or argument of  
 12 the parties’ settlement communications and negotiation status following LSI’s June 20, 2012 license  
 13 proposal under FRE 408 and based on the parties’ nondisclosure agreement (“NDA”), which  
 14 includes settlement discussions. LSI counters that its introduction of settlement discussions at trial  
 15 (1) would not violate the parties’ NDA because Realtek has already disclosed settlement discussions  
 16 subject to the NDA including the fact of the June 20, 2012 proposal and (2) would not violate FRE  
 17 408 because it does not seek to introduce any “admissions” from the parties’ settlement discussions,  
 18 but only evidence that it attempted to negotiate with Realtek and never received a counter-proposal  
 19 to its June 20, 2012 proposal.  
 20

21 Because the court excludes LSI’s June 20, 2012 proposal, any evidence of settlement  
 22 discussions and Realtek’s willingness to negotiate is also excluded.  
 23

24 **(4) Realtek’s other lawsuits against LSI – GRANTED**

25 Realtek argues that LSI should be precluded from introducing any evidence or argument of  
 26 Realtek’s other litigation<sup>6</sup> against defendants as evidence of Realtek’s alleged unwillingness to  
 27

28 <sup>6</sup> Realtek has filed its own patent infringement case against LSI and Agere in this district, Case No. 12-3474 (EJD) (stayed pending resolution of an ITC investigation) and has also initiated an ITC investigation against LSI and Seagate  
 ORDER  
 Case No. C-12-03451-RMW  
 ALG

1 negotiate in good faith in response to LSI's June 20, 2012 license proposal. According to Realtek,  
2 evidence of these lawsuits would be inadmissible character evidence under FRE 404; is not relevant  
3 to the issues in this case; and even if it is relevant, it should be excluded under FRE 403 as overly  
4 prejudicial. LSI counters that evidence of Realtek's other lawsuits is not character evidence, but  
5 rather directly relevant to Realtek's willingness to mitigate its damages.

6 The court concludes that Realtek's other lawsuits against LSI, which are based on LSI's  
7 alleged infringement of Realtek's patents and are not related to the patents-in-suit here, are  
8 irrelevant to the issues in the present case. The fact that Realtek seeks to enforce its patent rights in  
9 another forum does not indicate that Realtek is less likely to take a license to another set of patents.  
10 Even if such evidence were relevant, the likelihood of unfair prejudice outweighs any relevance.  
11 Accordingly the court grants subpart 4 to Realtek's Motion *In Limine* No. 3.

12  
13  
14 **Motion In Limine No. 4: To exclude evidence or argument that the alleged RAND royalty rate**  
15 **or other RAND terms and conditions should cover licenses to more than the patents-in-suit**

16 **GRANTED IN PART AND DENIED IN PART.** Defendants' economic expert Dr.  
17 Layne-Farrar calculated RAND rates based on LSI's entire portfolio of 802.11 SEPs (19 patents in  
18 total), and in the alternative based on 8 patents within LSI's portfolio that LSI specifically disclosed  
19 to the IEEE as essential to the 802.11 standard. Realtek argues that it is impermissible for LSI to  
20 present evidence or argument of a royalty rate for licenses to these patent groups, which are larger  
21 than the two patents-in-suit. The court agrees to the extent that the issue for the jury is only the  
22 determination of a RAND royalty rate for the '958 and '867 Patents. In fact, LSI represents that it  
23 has agreed to limit the royalty rate determination for the jury (with respect to the verdict form) to  
24 only the '958 and '867 Patents. However, neither party is precluded from introducing one or more  
25 of LSI's *third-party* licenses to larger patent portfolios as a point of comparison in the RAND  
26 royalty rate analysis, assuming that the analysis is otherwise reliable. Accordingly, the court  
27

28 Technologies, alleging infringement of the same patents as in the stayed district court case. Realtek has also filed a patent infringement action against LSI in China.

1 GRANTS IN PART Realtek's Motion *In Limine* No. 4 to the extent that the parties are precluded  
2 from offering evidence or argument that the RAND rate to be determined by the jury should cover  
3 licenses in addition to those necessary to practice the two patents-at-issue. However, Motion *In*  
4 *Limine* No. 4 is denied to the extent it seeks to preclude LSI from introducing evidence that  
5 apportion a royalty rate from a rate for a larger portfolio of patents to arrive at a royalty rate for the  
6 two patents-at-issue.

7  
8 **Motion In Limine No. 5: To prohibit use of the ALJ's decision that LSI did not breach its**  
9 **RAND obligations**

10 **GRANTED.** In the court's September 26, 2013 Order, the court tentatively ruled that the  
11 ITC's preliminary noninfringement determinations are inadmissible at trial. The court adopts this  
12 tentative ruling and GRANTS Realtek's Motion *In Limine* No. 5.

13  
14 **Motion In Limine No. 6: To exclude ITC trial testimony of Carl Andren and others**

15 **GRANTED.** In the concurrent ITC proceeding involving LSI and Realtek, third-party Carl  
16 Andren ("Andren") testified for Realtek about his involvement in a proposal that led to the inclusion  
17 of the '958 Patent in the 802.11 standard. Realtek seeks to exclude Andren's testimony on the  
18 grounds that: (1) Andren was never disclosed as a witness in any of LSI's initial disclosures, *see*  
19 Fed. R. Civ. P. 37(c); and (2) Andren's ITC trial testimony is inadmissible hearsay that does not fall  
20 under the former testimony exception. LSI counters that its failure to "officially" disclose Andren's  
21 trial testimony was harmless under Federal Rule of Civil Procedure 37(c) because Realtek was made  
22 fully aware of LSI's reliance on Andren's trial testimony as both of LSI's expert reports in this  
23 matter rely on Andren's trial testimony. LSI further contends, relying on *Hynix Semiconductor Inc.*  
24 *v. Rambus Inc.*, 250 FRD. 452, 456 n.5 & 458-59 (N.D. Cal. 2008), that the former testimony  
25 hearsay exception applies because Realtek had the same opportunity and motive to develop  
26 Andren's testimony on this subject in the ITC proceeding.

27 Although the court agrees that Realtek should have been on notice of Andren's former  
28 testimony in the ITC proceeding, Andren's former testimony is nevertheless barred as hearsay. By

1 its terms, the hearsay exception under FRE 804(b) applies only when the “declarant is unavailable  
2 as a witness.” LSI has made no representation that Andren is unavailable as a witness in this matter.  
3 Nor does *Hynix*, the only former testimony case upon which LSI relies, support LSI’s position. In  
4 *Hynix*, the parties stipulated that “[a]ll depositions or other sworn testimony in the Rambus Related  
5 Actions may be used by any party in the Rambus NDCal Cases as if taken in each of the Rambus  
6 NDCal Cases.” 250 F.R.D. at 455-56. Thus, the court’s decision to admit former testimony at trial  
7 was based on the court’s interpretation of this stipulation. *See id.* No such stipulation exists here.

8 Accordingly, the court GRANTS Realtek’s Motion *In Limine* No. 6.

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10 **IT IS SO ORDERED.**

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12 Dated: November 13, 2013

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RONALD M. WHYTE  
United States District Judge

United States District Court  
For the Northern District of California