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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

MICROSOFT CORPORATION,

Plaintiff,

v.

MOTOROLA, INC., et al.,

Defendants.

CASE NO. C10-1823JLR

ORDER

MOTOROLA MOBILITY, INC., et
al.,

Plaintiffs,

v.

MICROSOFT CORPORATION,

Defendant.

I. INTRODUCTION

1 Before the court is Microsoft Corporation's ("Microsoft") motion to exclude
2 testimony of Richard Holleman, Dr. Gregory Leonard, Judge Maximilian Haedicke, and
3 Bradley Keller. (Microsoft Mot. to Exclude (Dkt. # 724).) Also before the court are
4 Motorola, Inc., Motorola Mobility, Inc., and General Instrument Corporation's
5 (collectively, "Motorola") motions to exclude the testimony of Todd M. Menenberg
6 (Mot. to Exclude Menenberg (Dkt. ## 722 (redacted), 734 (sealed)) and Dr. Theo
7 Bodewig (Mot. to Exclude Bodewig (Dkt. ## 731 (redacted), 737 (sealed)). The court
8 has reviewed the motions, the papers filed in opposition and support thereof, and the
9 relevant law. The court heard oral argument on July 30, 2013, and considering itself fully
10 advised, GRANTS in part and DENIES in part Microsoft's motion to exclude, and
11 GRANTS in part and DENIES in part Motorola's motions to exclude.

12 At the outset, the court takes the rare opportunity to note that this order may not be
13 as helpful as it could be because after expert discovery the parties continued to modify
14 the expert reports and proffered expert testimony that were the subject of their the
15 motions. Matters were complicated further at oral argument when both parties
16 represented that they would further modify certain expert reports, as explained more fully
17 herein, based on arguments raised in the motions. The court has found it difficult to gain
18 solid footing on the ever-shifting sands of information contained in the parties' expert
19 reports. Ruling in this context has been a challenge because the court has been forced to
20 examine newly-submitted testimony without the benefit of argument or briefing. At this
21 point, the court must rule in order for the trial to move forward; there is no time to order
22

1 supplemental briefing or argument. In light of this reality, the court can only express its
2 disapproval of the parties' conduct and warn that similar conduct by either party in the
3 future will not be well received.

4 **II. BACKGROUND**

5 This is a breach of contract case between Microsoft and Motorola. Microsoft
6 claims that Motorola has an obligation to license patents to Microsoft at a reasonable and
7 non-discriminatory ("RAND") rate, and that Motorola breached its RAND obligations.
8 (*See generally* Am. Compl. (Dkt. # 53).) Microsoft sued Motorola for breach of contract
9 in this court in November, 2010.¹ (*See id.*)

10 Motorola's RAND commitment arises out of its and Microsoft's relationship with
11 two international standard-setting organizations ("SSOs"), the Institute of Electrical
12 Electronics Engineers ("IEEE") and the International Telecommunication Union ("ITU").
13 These organizations create standards for use in designing and manufacturing technology
14 products. These and other SSOs play a significant role in the technology market by
15 allowing companies to agree on common technological protocols so that products
16 complying with the standards will work together.

17
18
19 ¹ This matter has a complex procedural history involving several patent infringement
20 claims as well as claims and counter claims relating to Microsoft's breach of contract claim. As
21 the present motions before the court are discrete evidentiary issues, the court provides only a
22 high level background of the case to provide context for the present motions. Prior court orders
provide a more complete procedural and factual history of the case with citations. (*See* 2/27/12
Order (Dkt. # 188); 6/6/12 Order (Dkt. # 335); 10/10/12 Order (Dkt. # 465); 4/25/13 Order (Dkt.
681).)

1 The standards at issue in this case involve wireless communications, commonly
2 known as “WiFi,” and video coding technology. More specifically, this case involves
3 two standards: an IEEE wireless local area network (“WLAN”) standard called the
4 “802.11 Standard” and an ITU² advanced video coding technology standard called the
5 “H.264 Standard.”

6 Both of these standards incorporate patented technology. Thus, in order for a
7 company to practice the standard, it is necessary for that company to utilize technology
8 that is covered by one or more patents. Patents that are essential to the standard (in that
9 they must be practiced to accomplish the standard) are called standard essential patents,
10 or “SEPs.” The existence of SEPs is a common problem in the world of technology
11 standards. To deal with this problem, SSOs have devised a solution. To make it easier
12 for companies to practice their standards, SSOs seek commitments from the owners of
13 SEPs to license their patents to standard-users on RAND terms. Motorola owns patents
14 that are essential to the 802.11 and H.264 Standards and has committed to license them
15 on RAND terms.

16 On October 21, 2010, Motorola sent Microsoft a letter offering to license
17 Motorola’s 802.11 SEPs. Motorola offered to license its patents at what it considered the
18 RAND rate of 2.25 % of the price of the end product:

19 This letter is to confirm Motorola’s offer to grant Microsoft a worldwide
20 non-exclusive license under Motorola’s portfolio of patents and pending
applications having claims that may be or become Essential Patent Claims

21 _____
22 ² The ITU developed the H.264 Standard jointly with two other SSOs—the International
Organization for Standardization and the International Electrotechnical Commission.

1 (as defined in section 6.1 of the IEEE bylaws) for a compliant
2 implementation of the IEEE 802.11 Standards. . . . Motorola offers to
3 license the patents under reasonable and non-discriminatory terms and
4 conditions (“RAND”), including a reasonable royalty of 2.25 % per unit for
5 each 802.11 compliant product, subject to a grant back license under the
6 802.11 essential patents of Microsoft. As per Motorola’s standard terms,
7 the royalty is calculated based on the price of the end product (e.g., each
8 Xbox 360 product) and not on component software (e.g., Windows Mobile
9 Software).

10 (10/21/10 Offer Ltr. (Dkt. # 79-5) at 2.) On October 29, 2010, Motorola sent a similar
11 letter offering to license its H.264 SEPs on similar terms. The letter again offered a
12 royalty rate of 2.25 % of the end product price:

13 Motorola offers to license the patents on a non-discriminatory basis on
14 reasonable terms and conditions (“RAND”), including a reasonable royalty,
15 of 2.25 % per unit for each H.264 compliant product, subject to a grant
16 back license under the H.264 patents of Microsoft, and subject to any
17 Motorola commitments made to JVT in connection with an approved H.264
18 recommendation. As per Motorola’s standard terms, the royalty is
19 calculated based on the price of the end product (e.g., each Xbox 360
20 product, each PC/laptop, each smartphone, etc.) and not on component
21 software (e.g., Xbox 360 system software, Windows 7 software, Windows
22 Phone 7 software, etc.).

(10/29/10 Offer Ltr. (Dkt. # 79-6) at 2.)

Eleven days later, on November 9, 2010, Microsoft initiated this breach of
contract action against Motorola based on Motorola’s two offer letters, claiming that the
letters breached Motorola’s RAND commitments to the IEEE and the ITU. In a previous
order, the court held that these RAND commitments create enforceable contracts between
Motorola and the respective SSO. (2/27/12 Order (Dkt. # 188).) The court has also held
that Microsoft—as a standard-user—can enforce these contracts as a third-party
beneficiary. (*See id.*) In a separate prior order, the court interpreted Motorola’s

1 commitments to the ITU and IEEE as requiring initial offers by Motorola to license its
2 SEPs to be made in good faith. (6/6/12 Order (Dkt. # 335) at 25.) However, the court
3 has also held that initial offers do not have to be on RAND terms so long as a RAND
4 license eventually issues. (*Id.*, see also 10/10/12 Order (Dkt. # 465).)

5 In November 2012, the court conducted a bench trial to determine a RAND rate
6 and range to assist the finder-of-fact in determining whether or not Motorola had
7 breached its RAND commitments. On April 19, 2013, the court issued its Findings of
8 Fact and Conclusions of Law (“FFCL”) under seal and then issued a public version, with
9 redactions, on April 25, 2013. (*See* FFCL (Dkt. ## 673 (sealed), 681 (public).) The
10 court’s FFCL set a RAND rate and range for Motorola’s 802.11 and H.264 SEP
11 portfolios. (*See generally id.*)

12 Having issued the FFCL, the next step in the case is a jury trial, scheduled to begin
13 on August 26, 2013, to determine whether Motorola has breached its RAND obligations.
14 According to Microsoft’s interrogatory responses, at this trial, Microsoft will contend that
15 Motorola breached its RAND obligations by (1) offering its 802.11 and H.264 patents at
16 a rate that was not RAND; (2) seeking injunctive relief for Microsoft’s infringement of
17 Motorola’s SEPs; (3) not issuing a patent license to Microsoft’s 802.11 chip supplier,
18 Marvell; and (4) Google—Motorola’s parent company—not issuing Microsoft a license
19 under the terms of Google’s license agreement with a group named MPEG LA.
20 (Microsoft’s Rog. Resp. (Dkt. # 733-6) at 23-26.) In advance of the August 26, 2013,
21 trial, the parties have submitted *Daubert* motions regarding proffered expert testimony.
22

III. LEGAL STANDARD

Federal Rule of Evidence 702 allows admission of “scientific, technical, or other specialized knowledge” by a qualified expert if it will “help the trier of fact to understand the evidence or to determine a fact in issue.” Expert testimony is admissible pursuant to Rule 702 if it is both relevant and reliable. *Daubert v. Merrell Dow Pharms., Inc.*, 509 U.S. 579, 589 (1993). A district court’s decision to admit expert testimony under *Daubert* in a patent case follows the law of the regional circuit. *Micro Chem., Inc. v. Lextron, Inc.*, 317 F.3d 1387, 1390-91 (Fed. Cir. 2003). When considering expert testimony offered pursuant to Federal Rule of Evidence 702, the trial court acts as a “gatekeeper” by “making a preliminary determination that the expert’s testimony is reliable.” *Elsayed Mukhtar v. Cal. State Univ., Hayward*, 299 F.3d 1053, 1063 (9th Cir. 2002); *see Kumho Tire Co. v. Carmichael*, 526 U.S. 137, 147-48 (1999); *Gen. Elec. Co. v. Joiner*, 522 U.S. 136, 142 (1997); *Daubert*, 509 U.S. at 589-90. An expert witness may provide opinion testimony if: (1) the testimony is based upon sufficient facts or data; (2) the testimony is the product of reliable principles and methods; and (3) the expert has reliably applied the principles and methods to the facts of the case. Fed. R. Evid. 702; *see Sundance, Inc. v. DeMonte Fabricating Ltd.*, 550 F.3d 1356, 1360 (Fed. Cir. 2008). Under *Daubert*, “a court should consider (1) whether a theory or technique ‘can be (and has been) tested;’ (2) ‘whether the theory or technique has been subjected to peer review and publication;’ (3) ‘the known or potential rate of error;’ and (4) whether it is generally accepted in the scientific community. *Wagner v. Cnty. of Maricopa*, 673 F.3d 977, 989 (9th Cir. 2012) (quoting *Daubert*, 509 U.S. at 593-94).

1 The inquiry into admissibility of expert opinion is a “flexible one,” where “[s]haky
2 but admissible evidence is to be attacked by cross examination, contrary evidence, and
3 attention to the burden of proof, not exclusion.” *Primiano v. Cook*, 598 F.3d 558, 564
4 (9th Cir. 2010) (citing *Daubert*, 509 U.S. at 594, 596). “Under *Daubert*, the district judge
5 is ‘a gatekeeper, not a fact finder.’ When an expert meets the threshold established by
6 Rule 702 as explained in *Daubert*, the expert may testify and the jury decides how much
7 weight to give that testimony.” *Id.* (quoting *United States v. Sandoval-Mendoza*, 472
8 F.3d 645, 654 (9th Cir. 2006)).

9 IV. ANALYSIS

10 A. Motorola’s *Daubert* Motions

11 1. Todd M. Menenberg

12 Microsoft expert Todd M. Menenberg seeks to (1) testify as to the legal fees,
13 costs, and expenses Microsoft incurred as the result of Motorola’s alleged breaches and
14 (2) quantify the costs incurred by Microsoft in connection with the relocation of
15 Microsoft’s European, Middle Eastern, and African (“EMEA”) distribution facility. (*See*
16 *Menenberg Rpt.* (Dkt. ## 723-1 (redacted), 734-1 (sealed)).) Motorola moves to exclude
17 Mr. Menenberg’s expert testimony on the grounds that: (1) Mr. Menenberg’s testimony
18 is based on unreliable methods; (2) Mr. Menenberg’s testimony violates the well-
19 established advocate-witness rule; (3) Mr. Menenberg merely “parrots” the data
20 contained in underlying legal invoices and conducts simple arithmetic, and therefore his
21 testimony does not amount to expert testimony. (*See generally* Mot. to Exclude
22 *Menenberg; see generally* Reply in Support of Mot. to Exclude Menenberg (Dkt. # 762).)

1 | Motorola also moves the court to exclude Mr. Menenberg from offering opinions at trial
2 | not disclosed in his Rule 26 expert report. (*See generally id.*) Motorola, however,
3 | concedes that it will not object to Mr. Menenberg testifying as a lay witness based on his
4 | personal knowledge regarding the data entry and calculations performed in determining
5 | Microsoft's costs and legal fees, and that Mr. Menenberg's calculations may properly be
6 | introduced through summaries pursuant to Federal Rule of Evidence 1006. (Reply at 10.)

7 | As part of its argument contesting the reliability of Mr. Menenberg's testimony,
8 | Motorola focuses on Mr. Menenberg's reliance on an attorney's fees allocation
9 | methodology created by Ms. Ellen Robbins, an attorney for Microsoft from the law firm
10 | Sidley Austin LLP. (Mot. to Exclude Menenberg at 10-11.) Mr. Menenberg relied on
11 | Ms. Robbins' methodology in part to calculate the attorney's fees incurred by Microsoft
12 | in defending against Motorola's standard essential patent claims. (*See id.*) From what
13 | the court understands, Ms. Robbins allocated attorney time shown by Sidley Austin
14 | invoices based on the proportion of standard essential patents involved in lawsuits before
15 | the International Trade Commission, in Germany, and in district courts. (*See id.*)
16 | Although Microsoft claims as damages attorney's fees from five different law firms, Ms.
17 | Robbins' allocation methodology was employed on only some (not all) of Sidley Austin's
18 | invoices and not on invoices from other law firms claimed as damages. (*See generally*
19 | *Menenberg Rpt.*) Prior to the *Daubert* hearings, Microsoft sent the court a letter stating
20 | that it would remove from Mr. Menenberg's testimony the attorney's fees calculation
21 | based on the allocation methodology employed by Ms. Robbins. (*See 7/19/13 Ltr. (Dkt.*
22 | *# 775).*) According to Mr. Menenberg, by removing the fees subject to Ms. Robbins'

1 allocation methodology, Microsoft reduced its claim for recovery of legal fees, costs, and
2 expenses by \$3,105,517.00. (*See id.*) Thus, the court need not address whether Mr.
3 Menenberg may rely on the fee allocation methodology employed by Ms. Robbins.

4 Despite reducing its claim for fees, costs, and expenses subject to Ms. Robbins'
5 methodology, Microsoft continues to claim other legal fees, costs, and expenses via the
6 testimony of Mr. Menenberg and other Microsoft witnesses. (*See generally* Menenberg
7 Rpt.) Indeed, Microsoft claims as damages its fees, costs, and expenses incurred for the
8 four other law firms, as well as the Sidley Austin fees, costs, and expenses not subject to
9 the Robbins' methodology. (*See generally id.*) Motorola contends that Mr. Menenberg's
10 testimony calculating the fees, costs, and expenses is not reliable. Specifically, Motorola
11 argues that because Ms. Robbins compiled the invoices and Microsoft apparently will not
12 call Ms. Robbins to testify at trial, using Mr. Menenberg as a "mouthpiece" for fact
13 testimony that only Ms. Robbins has personal knowledge to provide violates the
14 advocate-witness rule prohibiting an attorney from appearing as both a witness and an
15 advocate. (*Id.* at 11-12 (citing *United States v. Prantil*, 756 F.2d 759, 764 (9th Cir.
16 1985).) In response, Microsoft argues that Mr. Menenberg's testimony does not
17 implicate the advocate-witness rule because Ms. Robbins is not likely to be a necessary
18 witness in this case as Mr. Killough will take the place of Ms. Robbins with respect to
19 providing first-hand knowledge of the invoices relied upon by Mr. Menenberg. (Resp. to
20 Mot. to Exclude Menenberg (Dkt. # 744) at 10-11 (citing *Kelly v. CSE Safeguard Ins.*
21 *Co.*, No. 2:08-cv-00088-KJD-RJJ, 2010 WL 3613872, at *2 (D. Nev. Sept. 8, 2010))
22 (The party invoking the witness-advocate rule bears the burden of showing that an

1 attorney is “likely to be a necessary witness” in the case.); Resp. to Mot. to Exclude
2 Menenberg at 11.) During oral argument, Microsoft explained that it would further limit
3 Mr. Menenberg’s report so that the only invoices relied upon by Mr. Menenberg would
4 be invoices that Mr. Killough could identify as costs, fees, and expenses incurred
5 defending standard essential patent lawsuits brought by Motorola.³ In other words,
6 because Mr. Killough can provide all the testimony that Ms. Robbins could have
7 provided, Microsoft claims Ms. Robbins is not a necessary witness.

8 Here, to the extent that Mr. Killough can identify the invoices relied upon by Mr.
9 Mr. Menenberg, the court agrees with Microsoft. The court has reviewed the deposition
10 of Mr. Killough and finds that he is sufficiently familiar with the methodology employed
11 to allocate legal fees such that Ms. Robbins’ testimony is unnecessary for purposes of
12 explaining the methodology. Indeed, during his deposition Mr. Killough explained the
13 methodology employed and the purpose behind it in detail (Killough Dep. Excerpts (Dkt.
14 # 745-1) at 17-19).

15 Next, Motorola argues that Mr. Menenberg merely “parrots” the data contained in
16 underlying legal invoices and enters that data into a Microsoft Excel template to calculate

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18 ³ Microsoft has provided an amended expert report of Mr. Menenberg which further
19 limits the invoices relied upon by Mr. Menenberg in calculating the legal fees, costs, and
20 expenses incurred by Microsoft in defending against lawsuits brought by Motorola involving
21 standard essential patents. (*See generally* Am. Menenberg Rpt. (Dkt. # 812).) According to
22 Microsoft, Mr. Killough will have first-hand knowledge of each invoice relied upon by Mr.
Menenberg in his amended report. Microsoft has further explained that the invoices relied upon
by Mr. Menenberg in his amended report are simply a subset of those included in his initial
report, and thus, Mr. Menenberg is not offering new opinions. (*See generally* Wion Decl. (Dkt. #
817).) In other words, Mr. Menenberg has limited the scope of his expert testimony. The court
has also ordered additional deposition time of Mr. Menenberg so that the changes of his report
and the basis for his calculations may be addressed.

1 Microsoft's legal costs. Motorola asserts that beyond this simple data entry, Mr.
2 Menenberg's only examination of the underlying data was to inspect for obvious errors in
3 billing and data entries. (Reply in Support of Mot. to Exclude Menenberg at 8.)
4 Accordingly, Motorola contends that Mr. Menenberg's testimony does not require
5 specialized knowledge and therefore does not constitute expert testimony. Microsoft
6 responds that Mr. Menenberg performed a review of the entries and source documents
7 and converted entries from foreign currency to U.S. dollars where necessary. (Resp. to
8 Mot. to Exclude Menenberg at 6-7.) Microsoft also contends that an accounting expert
9 may quantify damages based on mathematical calculation even where the calculations
10 involve "an exercise in basic math." (*Id.* at 5 (citing *WWP, Inc. v. Wounded Warriors*
11 *Family Support, Inc.*, 628 F.3d 1032, 1040 (8th Cir. 2011).) Finally, Microsoft argues
12 that Mr. Menenberg prepared a series of summary tables to make his calculations and
13 conclusions more readily understandable to the trier of fact. (*Id.* at 6-7.)

14 The court agrees with Microsoft. Under Federal Rule of Evidence 702, an expert
15 must explain the methodology and principles supporting the opinion and the opinion must
16 amount to "more than a 'bottom line.'" *See Minix v. Canarecci*, 597 F.3d 824, 835 (7th
17 Cir. 2010). There is not, however, an implicit requirement in Federal Rule of Evidence
18 702 that the proffered expert make complicated mathematical calculations. *Wounded*
19 *Warriors*, 628 F.3d at 1040 (citing *In re Prempro Prods. Liab. Litig.*, 514 F.3d 825, 831
20 (8th Cir. 2008) (holding that district court did not abuse its discretion in failing to exclude
21 expert testimony that represented "an exercise in basic math using simple deductive
22 reasoning"). Mr. Menenberg's testimony meets this standard. Aside from simple data

1 entry of information contained in legal invoices, Mr. Menenberg explained at his
2 deposition that his team read and reviewed the invoices for accuracy and discussed
3 potential errors with Microsoft counsel so that they could be corrected. (Menenberg Dep.
4 Excerpts 2 (Dkt. # 745-1) at 6, 8.) Mr. Menenberg also worked to express the summaries
5 of the legal invoices in different ways and ensure accuracy on that end. (*Id.* at 4.) With
6 respect to the relocation costs of the EMEA distribution center that Microsoft seeks, Mr.
7 Menenberg does even more by including numerous discussions with counsel about
8 specific elements of cost likely included in such a move. (*Id.* at 11.) Thus, although Mr.
9 Menenberg generally stated that his role was to “compile the costs and do the math”
10 (Menenberg Dep. Excerpts 1 (Dkt. # 723-2) at 47), it is clear that he did more than that
11 and that what he did required accounting expertise. Under the relevant case law, the
12 court concludes that Mr. Menenberg’s testimony meets the standard for expert testimony.
13 *See Quad/Graphics, Inc. v. One2One Commc’ns, LLC*, 09-CV-99-JPS, 2011 WL
14 4478440, at *3 (E.D. Wis. Sept. 23, 2011) (admitting expert testimony where accountant
15 “reviewed underlying documents for mathematical accuracy, traced information to other
16 documents including cost-sharing spreadsheets and invoices, and went over the materials
17 with [client] officials”); *see also Wounded Warriors*, 628 F.3d at 1040.

18 Motorola also contends that Mr. Menenberg’s testimony related to Microsoft’s
19 relocation costs is unhelpful to the jury because Mr. Menenberg only opined as to the
20 total legal costs and relocation costs and did not calculate such costs as related to each
21 specific Microsoft breach of contract claim. (Mot. to Exclude Menenberg at 10; Reply in
22 Support of Mot. to Exclude Menenberg at 10-11.) The court disagrees and concludes that

1 | this attack on Mr. Menenberg's testimony goes to weight and not admissibility. *See*
2 | *Primrose Operating Co. v. Nat'l Am. Ins. Co.*, 382 F.3d 546, 562 (5th Cir. 2004) (holding
3 | that allegations that the data relied on by an attorney's fees expert did not clearly
4 | demarcate fees attributable to a specific defendant were not grounds for exclusion, but
5 | were for the jury to consider). Here, the question is whether Mr. Menenberg's testimony
6 | will be helpful to the jury, and the court finds that it will be. Certainly, Motorola may
7 | cross-examine Mr. Menenberg's conclusions and the court is confident the jury will
8 | understand that different breach theories may result in differing amounts in damage
9 | awards.

10 | Finally, Motorola also asks that Mr. Menenberg be precluded from offering an
11 | opinion not disclosed in his report: whether Motorola's alleged conducted caused
12 | Microsoft to relocate the EMEA distribution facility.⁴ (Mot. to Exclude Menenberg at
13 | 12-13.) This topic was not disclosed in Mr. Menenberg's report (*see generally*
14 | Menenberg Rpt.), and the court further finds that Mr. Menenberg, as an accountant, has
15 | not demonstrated a reliable basis in knowledge or experience to offer an opinion as to a
16 | legal fee counting methodology utilized in the legal community or as to legal causation.
17 | *Daubert*, 509 U.S. at 592; *see also Yeti by Molly, Ltd. v. Deckers Outdoor Corp.*, 259

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20 | ⁴ Motorola's motion to exclude Mr. Menenberg also asks that Mr. Menenberg be
21 | precluded from offering testimony regarding whether the methodology used to allocate the work
22 | performed by Sidley was reliable. (Mot. to Exclude Menenberg at 12-13.) It is the court's
understanding that Mr. Menenberg will offer no testimony related in any way to the fee
allocation methodology used by Ms. Robbins. (*See generally* Am. Menenberg Rpt.) The court
thus need not issue a ruling as to whether Mr. Menenberg may offer such testimony.

1 F.3d 1101, 1106 (9th Cir. 2001); *United States v. Hankey*, 203 F.3d 1160, 1168 (9th Cir.
2 2000).

3 **2. Dr. Theo Bodewig**

4 Motorola moves to exclude Dr. Theo Bodewig's testimony regarding (1)
5 statements the European Commission made about the Orange Book procedure and a
6 request for clarification made by the Düsseldorf court to the European Court of Justice on
7 the grounds that such testimony is irrelevant under *Daubert* and Federal Rule of Civil
8 Procedure 403. (*See generally* Mot. to Exclude Bodewig.) Motorola also moves to
9 exclude Dr. Bodewig's opinions regarding (2) whether Microsoft was a willing licensee;
10 (3) why Microsoft moved its EMEA distribution facility from Germany to the
11 Netherlands; and (4) the potential effects of this court's anti-suit injunction. (*See*
12 *generally id.*)

13 It is the court's understanding that one of Microsoft's breach of contract claims is
14 that it incurred damages from being forced to move its EMEA distribution facility as the
15 result of Motorola's German patent infringement suit in the Mannheim court which
16 resulted in a finding of infringement and the issuance of an injunction in May 2012. (*See*
17 *generally id.* at 2-7.) In response to this claim, Motorola intends to introduce testimony
18 of a German law expert, Dr. Maximilian Haedicke (*see infra* § IV.B.3), who will explain
19 that Microsoft could have used a procedure under German law referred to as the Orange
20 Book (or Section 315) procedure to have avoided the injunction issued by the Mannheim
21 court, thereby mitigating Microsoft's damages. (Mot. to Exclude Bodewig at 2-9.)

22 Microsoft seeks to rebut this theory through its expert Dr. Bodewig, who will testify that

1 (1) the Orange Book does not provide a settled and predictable procedure to avoid an
2 injunction on a standard-essential patent; (2) the Orange Book procedure would not have
3 produced a RAND royalty rate; and (3) enforcement of an injunction in Germany is not a
4 burdensome procedure for patent holders like Motorola. (*See* Bodewig Rpt. (Dkt. # 732-
5 6) at 5-6.)

6 Motorola argues that Dr. Bodewig's testimony regarding statements by the
7 European Commission and the Düsseldorf court's request for clarification is irrelevant
8 because the statements and request are not final positions and were made after the
9 Mannheim court found Microsoft infringed Motorola's patents and issued an injunction,
10 and thus have no bearing to Microsoft's options at that time. (Mot. to Exclude Bodewig
11 at 8-9.) Specifically, Dr. Bodewig discusses statements made in a press release and a
12 question-and-answer sheet from the European Commission on December 21, 2012, and
13 May 6, 2013, respectively. (Bodewig Rpt. ¶¶ 40-43, 47-52.) The December 21, 2012,
14 press release involved Apple and Samsung and the ETSI SSO, and the European
15 Commission stated that its preliminary view, limited to the circumstances of the case,
16 was that given a FRAND commitment and a willing licensee, recourse to injunctions
17 harms competition. (*See* 12/21/12 Press Release (Dkt. # 732-8).) Similarly, in the May
18 6, 2013, press release involving Motorola and Apple, the European Commission stated
19 that its preliminary view was that given a FRAND Commitment and the agreement of
20 Apple to accept a binding determining of FRAND terms by a third party, recourse to
21 injunctions harms competition. (*See* 5/6/13 Press Release (Dkt. # 732-9).) Dr. Bodewig
22 also discusses questions submitted by the Düsseldorf district court to the European Court

1 of Justice on March 21, 2013 relating to the use of the Orange Book procedure for SEPs
2 involving FRAND commitments. (Bodewig Rpt. ¶¶ 44-46.) Motorola seeks to preclude
3 Dr. Bodewig from testifying to and relying upon these statements in support of his
4 opinion that the Orange Book does not provide a settled and predictable procedure to
5 avoid an injunction. (Mot. to Exclude Bodewig at 8-9.)

6 Microsoft responds that Dr. Bodewig’s rebuttal report—which includes the
7 argument that the outcome of Orange Book proceedings would have been highly
8 uncertain—is corroborated by the statements of the European Commission and the
9 Düsseldorf court, and is therefore relevant. (Resp. to Mot. to Exclude Bodewig (Dkt.
10 # 747) at 5-9.) Microsoft also argues that Motorola’s expert Dr. Haedicke admitted that
11 the Orange Book procedure was in flux from July 2011 onward, prior to the issuance of
12 any injunction in Germany, and the statements by the European Commission and the
13 Düsseldorf court illustrate the evolution of the Orange Book procedure over time. (*Id.* at
14 8.)

15 Under Federal Rule of Evidence 702, evidence or testimony from an expert must
16 be relevant. *Daubert*, 509 U.S. at 591 (“Expert testimony which does not relate to any
17 issue in the case is not relevant and, ergo, not helpful.”). To be relevant, the evidence
18 must assist the trier of fact to understand or determine a fact in issue. *Id.* at 592. Here,
19 Motorola contends that, instead of moving its EMEA distribution facilities out of
20 Germany because of the threat of a looming German injunction, Microsoft could have
21 taken an alternative, mitigating course of action and employed the German Orange Book
22 procedure, which (according to at least Motorola’s expert) would have worked to remove

1 the threat of an injunction. Thus, the relevant questions are what options were available
2 to Microsoft and how viable were those options at the time it chose to move its EMEA
3 distribution facility from Germany to the Netherlands in March 2012.

4 Under this rubric, the court concludes that Dr. Bodewig's testimony regarding
5 statements of the European Commission and the Düsseldorf court are irrelevant to the
6 viability of mitigations courses that Microsoft could have taken, but did not. Microsoft's
7 argument that the law surrounding the Orange Book procedure was evolving at the time
8 Microsoft made the decision to move its EMEA facility does not persuade the court.
9 Microsoft has not shown, and Dr. Bodewig does not testify, that Microsoft understood the
10 changes in the law and believed at the time it made its decision to relocate that the
11 German Orange Book procedure would face the possible scrutiny relevant to the
12 statements by the European Commission and the Düsseldorf court. Monday morning
13 quarterbacking is an easy job, but decisions by companies are certainly made in real time
14 and on circumstances that existed at that time. To say ex post that a decision made was
15 actually a good one is irrelevant to the factors that went into the decision, unless the ex
16 post events were evaluated prior to the actual decision. Accordingly, the court grants
17 Motorola's motion as to Dr. Bodewig's testimony regarding the statements of the
18 European Commission and the Düsseldorf court.

19 Motorola also seeks to exclude Dr. Bodewig's testimony about (1) why Microsoft
20 chose to relocate its distribution facility; (2) the potential effects of this court's anti-suit
21 injunction; and (3) whether Microsoft is a willing licensee. (*See* Mot. to Exclude
22 Bodewig at 9-10.) The court has examined Dr. Bodewig's expert report and cannot find

1 any instance where Dr. Bodewig offers an expert opinion as to *why* Microsoft chose to
2 relocate its distribution facility. Instead, Dr. Bodewig simply explains that based on the
3 Mannheim court's schedule, there would not have been sufficient time for Microsoft to
4 await a decision before relocating the facility. (Bodewig Rpt. ¶¶ 108-12.) Motorola does
5 not challenge Dr. Bodewig's qualifications as an expert of German law, and therefore,
6 Dr. Bodewig is certainly qualified to testify as to the timing of the court's schedule and
7 compare it to facts concerning Microsoft's EMEA facility relocation that he has learned
8 from counsel. (*Id.* ¶¶ 110-11); *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134,
9 1142 (9th Cir. 1997) ("The fact that [an expert's] opinions are based on data collected by
10 others is immaterial."). Accordingly, the court denies Motorola's motion as to Dr.
11 Bodewig's testimony about why Microsoft chose to relocate its EMEA facility. Indeed,
12 Dr. Bodewig offers no such opinion in his report.

13 Similarly, Dr. Bodewig's testimony about the potential effects of this court's anti-
14 suit injunction on Microsoft's decision to relocate its EMEA facility is proper. Dr.
15 Bodewig properly relied on the underlying record of this case, his knowledge of German
16 legal procedures, and his general legal background to opine that Microsoft had to move
17 its facility prior to this court's anti-suit injunction ruling. (Bodewig Rpt. ¶ 112.) Dr.
18 Bodewig further opined that if Motorola had been successful in appealing this court's
19 anti-suit injunction, Microsoft would have again been subject to the Mannheim court's
20 injunction. This opinion is clearly relevant to Microsoft's decision not to pursue
21 alternative Orange Book procedures in Germany, but instead to move its relocation
22 facility. Moreover, this opinion is properly within Dr. Bodewig's knowledge as an expert

1 on German law and provides information that will assist the trier of fact in understanding
2 the legal framework surrounding Microsoft's decision to relocate. *Elsayed Mukhtar*, 299
3 F.3d at 1065 n.9 (To be helpful to the jury, expert testimony must address an issue
4 "beyond the common knowledge of the average layman."). Accordingly, the court denies
5 Motorola's motion as to Dr. Bodewig's testimony as to the effect of this court's anti-suit
6 injunction on Microsoft's decision to relocate its EMEA facility.

7 Dr. Bodewig's testimony as to whether Microsoft is a willing licensee under the
8 European Commission's recent statements regarding the availability of injunctive relief
9 in the context of a RAND commitment is a different story. As the court has already
10 excluded the European Commission's recent statements as irrelevant, an opinion as to
11 whether Microsoft fits under the European Commission's definition of a willing licensee
12 is likewise irrelevant. Accordingly, the court grants Motorola's motion as to Dr.
13 Bodewig's testimony that Microsoft is a willing licensee.

14 **B. Microsoft's *Daubert* Motions**

15 **1. Bradley Keller**

16 Bradley Keller seeks to testify about damages, and specifically about whether the
17 attorney's fees Microsoft claims as damages are reasonable. (*See generally* Keller Rpt.
18 (Dkt. ## 725-11 (redacted), 726-4 (sealed)).) Mr. Keller is the managing partner of a
19 Seattle law firm. (*Id.* ¶ 2.) He seeks to testify that (1) no attorney's fees should be
20 awarded because Microsoft did not adequately track its fees and segregate claimed fees
21 from unclaimed fees and employed an after-the-fact methodology for doing so that is
22 unreliable, unverifiable, and speculative; (2) to the extent attorney's fees are awarded as

1 damages, they should be awarded at Seattle billing rates because Microsoft could have
2 retained Seattle attorneys (who charge less than the Chicago attorneys it did retain)
3 consistent with its obligation to mitigate damages; and (3) Microsoft incurred significant
4 unnecessary legal fees due to how the cases in question were staffed. (*Id.* ¶ 5.)

5 Microsoft moves to exclude Mr. Keller's testimony in its entirety, making three
6 primary arguments. (Microsoft Mot. to Exclude at 22-29.) First, Microsoft argues that
7 Mr. Keller should be excluded from testifying because he is not qualified as an expert and
8 his opinions are not based on sufficient facts and data to meet the *Daubert* threshold. (*Id.*
9 at 22-26.) In this regard, Microsoft argues that Mr. Keller is unqualified because he has
10 no experience with SEP litigation, no technical training, and has never appeared before
11 the International Trade Commission ("ITC"). (*Id.* at 23-24.) This is beside the point.
12 Mr. Keller will not testify about SEP litigation or the ITC. He will testify about fees.
13 Mr. Keller has substantial experience with fees—a point Microsoft does not dispute. (*See*
14 Keller Rpt. ¶ 2; Keller Dep. Excerpts (Dkt. ## 725-10, 726-3 (sealed)) at 8.) Microsoft is
15 correct that in order for Mr. Keller's opinion to be admissible, there must be a foundation
16 for his knowledge about fees generally, and in particular about fees that would be
17 charged in SEP and ITC litigation. However, it is not necessary that he himself have
18 experience in these fields—only that he establish a foundation to testify about the fees
19 charged in those fields. There is sufficient evidence in the record to satisfy the court, in
20 its *Daubert* gatekeeping capacity, that Mr. Keller is qualified to testify on these topics.
21 (*See, e.g.*, Keller Dep. Excerpts (Dkt. # 725-10) at 5, 8, 9.) Certainly, at trial, Microsoft
22 may object to testimonial foundation and may voir dire Mr. Keller regarding his personal

1 knowledge of certain topics in accordance with ordinary court procedures. But the court
2 concludes that Microsoft's argument is insufficient to exclude Mr. Keller's testimony
3 entirely on a *Daubert* motion.⁵

4 Along these same lines, Microsoft makes several arguments that Mr. Keller's
5 opinions should be excluded because they do not have adequate factual support.
6 (Microsoft Mot. to Exclude at 22-25.) Microsoft argues that Motorola "failed to provide
7 [Mr.] Keller with even the most basic information regarding the procedural history of
8 these cases, the specific work required, or the time frame in which the work had to be
9 completed." (*Id.* at 23; *see also id.* at 26.) The record refutes this argument. Mr.
10 Keller's deposition reveals that he has substantial familiarity with this case and has
11 discussed it with several attorneys including Mr. Palumbo and Ms. Roberts. (*See, e.g.,*
12 Keller Dep. Excerpts (Dkt. # 726-3 (sealed)) at 8-10.) Mr. Keller received a "high
13 altitude overview" of the ITC proceeding from several more attorneys (*id.* at 13) and also
14 reviewed numerous billing records in the case (*see id.* at 14-16). The record also
15 indicates that Mr. Keller is familiar with the proceedings in front of this court. (*Id.* at 17.)
16 Based on all of this, the court has no trouble rejecting Microsoft's argument that Mr.
17 Keller's opinions do not cross the *Daubert* threshold because they are not supported by
18 sufficient facts and data.⁶

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20
21 ⁵ In addition, as Motorola points out, to the extent a problem exists, it is at least partly
22 one of Microsoft's own making. (Motorola Resp. at 25.) Microsoft did not segregate its billing
records into different jurisdictions and forums and therefore can hardly be heard to complain that
Mr. Keller does not break down his expert testimony into those categories either.

1 Microsoft's second primary argument is that much of Mr. Keller's testimony
2 should be excluded because it consists of legal conclusions. (Microsoft Mot. to Exclude
3 at 27.) The court agrees in part. An expert is not permitted to testify about legal
4 conclusions because the law is the province of the court. *Crow Tribe of Indians v.*
5 *Racicot*, 87 F.3d 1039, 1045 (9th Cir. 1996) ("Experts 'interpret and analyze factual
6 evidence. They do not testify about the law.'"). The judge's expert knowledge of the
7 law makes any such testimony at best cumulative and at worst prejudicial. *Nieves-*
8 *Villanueva v. Soto-Rivera*, 133 F.3d 92, 99 (1st Cir. 1997). Microsoft argues that Mr.
9 Keller should not be permitted to testify about whether, as a legal matter, attorney's fees
10 are recoverable as damages in this action. (Microsoft Mot. to Exclude at 27-28.)
11 Motorola agrees (*see* Motorola Resp. (Dkt. # 749) at 26), and so does the court. This
12 testimony is excluded. Microsoft similarly argues that Mr. Keller should not be
13 permitted to offer his opinions about the "American Rule" that parties generally pay their
14 own attorney's fees. (Motorola Reply (Dkt. # 766) at 15.) The court agrees that this
15 would constitute a legal opinion and would invade the province of the court. The same is

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17 ⁶ Microsoft makes several related arguments that the court also rejects. Microsoft argues
18 that Mr. Keller's expert report does not take into account the fact that specialized attorneys were
19 assigned to this matter whose rates are higher than non-specialized attorneys. (Microsoft Mot. to
20 Exclude at 22.) This is wrong. Mr. Keller's methodology uses the rates of the highest-paid local
21 attorneys, some of whom are specialized and practice before the ITC, and takes specialization
22 into account. (*See* Keller Rpt. ¶ 14, 15; *id.* at 24.) Microsoft also argues that Mr. Keller did not
consider outside authority on rates in other jurisdictions and did not properly consider certain
factors set forth by the American Bar Association. (Microsoft Mot. to Exclude at 24-25.) These
arguments (even more so than the rest of Microsoft's arguments) do not cast serious doubt on
Mr. Keller's methodology and are emphatically more appropriate for cross examination than for
a *Daubert* motion. The court rejects these arguments as insufficient to exclude Mr. Keller under
Daubert.

1 true of several other legal opinions that appear in Mr. Keller’s expert report, and
2 accordingly, the court excludes the first sentence of ¶ 5b, the last sentence of ¶ 5c, the
3 first and fourth sentences of ¶ 6, the last second to last sentence of ¶ 9, and the fifth and
4 sixth sentences of ¶ 13.⁷ The court also excludes Motorola’s proffered testimony by Mr.
5 Keller with respect to causation (*see, e.g.*, Keller Rpt. ¶ 5a) because, although causation is
6 a factual question and may be an appropriate subject for expert testimony, *see Nielson v.*
7 *Armstrong Rubber Co.*, 570 F.2d 272, 276-77 (8th Cir. 1978), Mr. Keller is not qualified
8 to testify as an expert on causation in this case.

9 Finally, Microsoft argues that Mr. Keller’s testimony should be excluded because
10 it would not be helpful to the jury, asserting that “[t]he fact that attorney billing rates are
11 generally higher in larger markets is well-known and hardly the proper subject of expert
12 testimony.” (Microsoft Mot. to Exclude at 26-27.) Rule 702 requires that expert
13 testimony “help the trier of fact to understand the evidence or to determine a fact in
14 issue.” Fed. R. Evid. 702. To be helpful to the jury, expert testimony must address an
15 issue “beyond the common knowledge of the average layman.” *Elsayed Mukhtar*, 299
16 F.3d at 1065 n.9. In the Ninth Circuit, courts sometimes address this question in terms of
17 whether the jury will receive “appreciable help” from the testimony. *E.g., Little Oil Co.*
18 *v. Atlantic Richfield Co.*, 852 F.2d 441, 446 (9th Cir. 1988); *Tubar v. Clift*, No. C05-
19 1154-JCC, 2009 WL 1325952, at *3 (W.D. Wash. May 12, 2009). The court concludes

21 ⁷ Motorola sent a letter to the court the day following the *Daubert* hearing indicating that
22 it would not seek to introduce the final sentence of paragraph 5a and the final sentence of
paragraph 9 from Mr. Keller’s report. (7/31/13 Ltr. (Dkt. # 810) at 4.)

1 that Mr. Keller's testimony would be helpful to the jury because the average layman is
2 not familiar with the billing practices of attorneys, let alone the billing practices of
3 attorneys across different legal markets. *See Elsayed Mukhtar*, 299 F.3d at 1065 n.9.
4 This is not part of the "common knowledge" of the average person, and the jury will
5 receive "appreciable help" from hearing Mr. Keller's expert opinion. *See id.*; *see also*
6 *Little Oil*, 852 F.2d at 446. The court rejects Microsoft's argument to the contrary.

7 Last, the court points out that Microsoft does not directly challenge the majority of
8 Mr. Keller's proposed testimony. The bulk of Mr. Keller's expert report is dedicated to
9 explaining how, in Mr. Keller's opinion, Microsoft did not do an adequate job of
10 contemporaneously identifying and segregating attorneys' fees as consequential damages
11 (Keller Rpt. ¶¶ 6-8), and to his opinion that Microsoft's after-the-fact method for doing
12 so is unreliable and speculative (*Id.* ¶¶ 9-12.) Microsoft does not challenge this
13 testimony. (*See* Microsoft Mot. to Exclude at 22-29; Microsoft Reply at 13-15.) In light
14 of this fact, Microsoft's request that the court exclude Mr. Keller's testimony in its
15 entirety is not well taken.

16 **2. Richard J. Holleman and Dr. Gregory Leonard**

17 Microsoft seeks to exclude the testimony of Richard Holleman and Gregory
18 Leonard on the grounds that their proffered testimony (1) contradicts this court's prior
19 legal rulings pertaining to the duties and obligations of the parties under the RAND
20 commitment; and (2) impermissibly seeks to offer legal conclusions regarding the
21 meaning of the RAND commitment that should be only within the province of the court.
22 (*Microsoft Mot. to Exclude* at 9-17.) Additionally, Microsoft argues that neither Mr.

1 Holleman nor Dr. Leonard should be able to testify as to whether Motorola acted in good
2 faith or breached its RAND commitments. (*Id.*)

3 An expert witness may testify about ultimate issues of fact, but not ultimate issues
4 of law. Fed. R. Evid. 704(a); *Nationwide Transp. Fin. v. Cass Info Sys., Inc.*, 523 F.3d
5 1051, 1058 (9th Cir. 2008). It is clear that under Federal Rule of Evidence 704(a), expert
6 testimony that is “otherwise admissible is not objectionable because it embraces an
7 ultimate issue to be decided by the trier of fact.” Fed. R. Evid. 704(a). However, it is
8 equally clear that an expert witness “cannot give an opinion as to her legal conclusion—
9 i.e., an opinion on an ultimate issue of law.” *Nationwide*, 523 F.3d at 1058. That is
10 because legal conclusions are the province of the court. *Crow Tribe of Indians*, 87 F.3d
11 at 1045 (“Experts ‘interpret and analyze factual evidence. They do not testify about the
12 law.’”). The judge’s expert knowledge of the law makes any such testimony at best
13 cumulative and at worst prejudicial. *Nieves-Villanueva*, 133 F.3d at 99.

14 “Despite the apparent clarity of Rule 704, courts interpreting it often struggle in
15 attempting to characterize challenged testimony as either admissible factual opinions or
16 inadmissible legal conclusions.” *Haney v. Mizell Memorial Hosp.*, 744 F.2d 1467, 1473
17 (11th Cir. 1984); *Burkhart v. Wash. Metro. Area Transit Auth.*, 112 F.3d 1207, 1212
18 (D.C. Cir. 1997) (“[T]he line between an inadmissible legal conclusion and admissible
19 assistance to the trier of fact . . . is not always bright.”) It is well accepted that an expert
20 witness may always testify to facts and opinions that, if found, would allow the trier of
21 fact to reach its own conclusion on an ultimate issue of fact. *Burkhart*, 112 F.3d at 1212-
22 13. It is a more nuanced question whether the expert is permitted to directly express an

1 opinion on that ultimate issue—for example, to offer an opinion about whether the
2 defendant “caused” an accident, *see Nielson*, 570 F.2d at 276-77, was “reckless,” *see*
3 *Davis v. Mason Cty.*, 927 F.2d 1473, 1484-86 (9th Cir. 1991) or, as is relevant here,
4 whether the defendant acted in “good faith.”

5 The touchstone of this inquiry is whether the expert’s testimony on an ultimate
6 issue of fact will be helpful to the jury. *See, e.g., Strong v. E.I. DuPont de Nemours Co.,*
7 *Inc.*, 667 F.2d 682, 685-86 (8th Cir. 1981). Where the jury is in as good a position as the
8 expert to draw conclusions from the evidence, and is capable of drawing its own
9 inferences, the expert’s ultimate issue testimony is not helpful and should be excluded.
10 *See, e.g., id.* (excluding expert testimony about whether a product was “unreasonably
11 dangerous” because jury was capable of drawing its own inferences and conclusions from
12 the evidence); *United States v. Duncan*, 42 F.3d 97, 101-02 (2d Cir. 1994). On the other
13 hand, in a more complicated case or a case dealing with a concept less familiar to
14 ordinary jurors, expert testimony on an ultimate issue may be useful for “guiding the trier
15 of fact through a complicated morass of obscure terms and concepts.” *Duncan*, 42 F.3d
16 at 101. Thus, where it would be helpful, experts are permitted to testify on ultimate fact
17 issues such as whether police officers used “excessive force,” *see Champion v. Outlook*
18 *Nashville, Inc.*, 380 F.3d 893, 908-09 (6th Cir. 2004), whether a complex manufacturing
19 process “caused” a product defect, *see Nielson*, 570 F.2d at 276-77, or whether a sheriff’s
20 failure to adequately train his deputies was “reckless,” *see Davis*, 927 F.2d at 1484-86.

21 Several other principles are clear from the case law as well. First, courts generally
22 exclude expert testimony that attempts to define the applicable legal standard or the law

1 governing the case. *Burkhart*, 112 F.3d at 1212. By implication, courts also exclude any
2 testimony regarding a legal standard that will appear in the court's instructions to the
3 jury. *E.g.*, *United States v. Caputo*, 382 F. Supp. 2d 1045, 1053 (N.D. Ill. 2005) ("Instead
4 of giving expert legal opinions, [the parties] can refer to the jury instructions to explain
5 the necessary legal principles.") On the other hand, courts may permit experts to use
6 legal terminology in expressing their opinions, particularly where it would advance the
7 jury's understanding of the case. *Nationwide*, 523 F.3d at 1059 (citing *Hangarter v.*
8 *Provident Life & Accident Ins. Co.*, 373 F.3d 998, 1017 (9th Cir. 2004)). Last, evidence
9 that merely tells the jury what result to reach is inadmissible if witnesses are in no better
10 position than the jury to draw legal conclusions from the evidence presented at trial. *Id.*
11 at 1060; *Duncan*, 42 F.3d at 102. Again, the touchstone in making this determination is
12 whether the opinion offered would be helpful to the trier of fact. *See Duncan*, 42 F.3d at
13 101-02. With this legal framework in mind, the court examines Mr. Holleman's and Dr.
14 Leonard's proffered testimony.

15 **a. Richard Holleman's Contested Testimony**

16 Mr. Holleman seeks to testify, based on his more than 30 years of experience
17 working with and in SSOs, about the obligations of patent holders and implementers
18 under the RAND commitment, the duties and obligations of patent holders and
19 implementers as contemplated by the ITU and IEEE policies, the language of the ITU
20 and IEEE polices, and the actions of Microsoft and Motorola at issue in this lawsuit. (*See*
21 *Holleman Rpt.* (Dkt. # 725-1) at 6-7 (summarizing Holleman's opinions).) Microsoft
22 objects to a litany of Mr. Holleman's opinions. At oral argument, in response to

1 Microsoft's motion, Motorola's counsel informed the court that it would be withdrawing
2 certain proffered opinions of Mr. Holleman and would focus his testimony on the custom
3 and practice in the SSOs. The day after oral argument, Motorola filed a letter with the
4 court offering "clarifications" regarding the opinions it would solicit from Mr. Holleman
5 at trial. (7/31/13 Ltr.) Instead of merely withdrawing certain testimony of Mr.
6 Holleman, Motorola's letter both struck and added to the testimony Motorola seeks to
7 elicit from Mr. Holleman. (*See generally id.*) For example, Motorola modified the sixth
8 bullet point from Mr. Holleman's expert report as follows: "If negotiations fail to result
9 in a license agreement, **the ITU and IEEE do** ~~this does~~ not preclude the essential patent-
10 holder from seeking to enforce its essential patents, or from seeking any remedies
11 available to it under the patent laws, including injunctive relief **if appropriate under**
12 **applicable law.**" (*Compare 7/31/13 Ltr. with Holleman Rpt.* ¶ 15 (bolding denotes
13 Motorola modifications and strikethrough denotes Motorola withdrawals).)

14 Generally, the modifications of Mr. Holleman's report offered by Motorola in its
15 post-*Daubert* hearing seek to exchange legal conclusions as to the rights and obligations
16 of the parties under a RAND commitment with statements concerning the language and
17 expectations of the ITU and IEEE intellectual property rights policies. (*See generally*
18 *7/31/13 Ltr.; Holleman Rpt.*) As an initial matter, the court STRIKES the new additions
19 to Mr. Holleman's expert report and rebuttal report that go beyond the scope of the
20 opening and rebuttal reports. It would be profoundly unfair to Microsoft to allow
21 Motorola to amend the substance of Mr. Holleman's expert report beyond the scope of
22 the opening and rebuttal reports after the close of fact discovery, the exchange of opening

1 and rebuttal expert reports, expert discovery, filing of *Daubert* motions, and the *Daubert*
2 hearing. Permitting such amendment would leave Microsoft without recourse to
3 challenge Mr. Holleman's proffered testimony. With that said, however, the court has
4 examined the proposed additions to Mr. Holleman's testimony and concludes that they
5 provide only limited expansion in terms of the scope of Mr. Holleman's testimony when
6 compared against Mr. Holleman's opening and rebuttal expert reports. Thus, as limited
7 below, Mr. Holleman will be allowed to express his opinions concerning the language of
8 the IEEE and the ITU.

9 The court now examines Microsoft's objections to Mr. Holleman's proffered
10 testimony. Although Motorola has withdrawn much of Mr. Holleman's contested
11 testimony, the court examines Mr. Holleman's testimony as it appeared in his opening
12 and rebuttal reports (prior to Motorola's post-*Daubert* hearing letter modifying Mr.
13 Holleman's testimony) as it was challenged by Microsoft. There appears to be confusion
14 amongst both parties as to the permissible scope of Mr. Holleman's and other expert
15 witnesses' testimony. The court's goal in part in addressing Mr. Holleman's report as it
16 existed at the time of the *Daubert* hearing is to provide the parties with clear direction
17 regarding permissible testimony in advance of the upcoming trial.

18 Mr. Holleman seeks to testify to the following statements:

- 19 - "The RAND commitment is a commitment by the patent owner to engage in
20 good faith bilateral negotiations with all potential licensees to license essential
21
22

1 IPR [Intellectual Property Rights] on reasonable terms and conditions.”⁸
2 (Holleman Rpt. ¶ 30.)

- 3 - “[T]he patent holder fulfills its RAND obligation by being willing to enter into
4 good faith negotiations with all potential licensees who wish to negotiate, and
attempting in good faith to reach a license on RAND terms and conditions in
such an agreement.”⁹ (Holleman Rpt. ¶ 31.)

5 The court concludes that these statements are paradigm legal conclusions and
6 therefore constitute impermissible testimony by an expert witness. The court, through its
7 jury instructions, determines the rights and obligations of the parties under the RAND
8 commitment and will convey those rights and obligations to the jury. Those jury
9 instructions will act as the law of the case and Mr. Holleman or any other witness must be
10 prohibited from opining on the interpretation of the RAND obligation vis-à-vis the rights
11 and obligations of the SEP holder and implementer. Mr. Holleman’s opinions as to these
12 rights and obligations are certainly appropriate in briefing related to proposed jury
13 instructions, but there is little question that statements by an expert witness as to the
14 circumstances under which a patent holder fulfills its RAND obligation is beyond the
15 scope of permissible expert testimony. Additionally, although Mr. Holleman’s testimony
16 in paragraph 31 is prefaced with the statement “[f]rom the SDO’s perspective,” the court
17 concludes in this instance that the statement that follows leaves the jury with the
18 impression that the SDO’s perspective may serve as the governing law and therefore is

19 _____
20 ⁸ Motorola appears to have withdrawn this proffered testimony of Mr. Holleman. (*See*
7/31/13 Ltr. at 2.)

21 ⁹ Paragraphs 36, 42, 59 of Mr. Holleman’s report contain very similar language regarding
22 the patent holder’s obligations under the RAND commitment.

1 likely to confuse the jury as to the proper legal framework to apply to the facts. Indeed,
2 the following statement explicitly opines that by meeting certain circumstances (being
3 willing to enter into good faith negotiations), a SEP patent holder meets its RAND
4 obligations. Simply put, expert testimony leaving an impression on the fact-finder
5 concerning the duties and obligations pursuant to the RAND commitment is
6 impermissible. Accordingly, Microsoft's motion is granted as to the above-referenced
7 testimony and any similar testimony.

8 Microsoft also takes issue with Mr. Holleman's proffered testimony regarding the
9 duty of Motorola at the initial offer stage. Specifically, Mr. Holleman seeks to introduce
10 the following testimony:

- 11 - "I understand that Judge Robart has stated that the initial offer to a potential
12 licensee does not need to be on RAND terms." (Holleman Rpt. ¶ 35.)
13 - "Thus, because Motorola attempted to engage Microsoft in good faith
14 negotiations for a RAND license . . . its actions are fully consistent with its
15 RAND obligations" (Holleman Rpt. ¶ 38.)

16 Although these statements are slightly different from Mr. Holleman's overt
17 statements expounding on the parties' RAND obligations, the court concludes these
18 statements also implicate legal conclusions that are within the province of the court. The
19 jury instructions in this case are yet to come, and how the court decides to frame those
20 instructions is solely within its discretion. Mr. Holleman's statements at issue here
21 implicate the law as Mr. Holleman seeks to describe it. This is improper. In paragraph
22 38, Mr. Holleman again explains that because certain circumstances are met, Motorola
has met its RAND obligations. As for paragraph 35, although Mr. Holleman attempts to

1 couch his testimony as a statement of law from this court, at best, the statement is a half
2 truth in that it leaves the impression that opening offers can be any amount or on any
3 terms, whereas to the contrary, the court has previously held that opening offers must at
4 least be made in good faith. In this case, the court will issue a jury instruction explaining
5 the obligations of the parties in a RAND context at the initial offer stage. Mr.
6 Holleman's contested testimony—which assumes the law and the parties' obligations or
7 touches on what the law should be—invades the court's province to instruct the jury on
8 the law. Accordingly, Microsoft's motion is granted as to the above-referenced
9 testimony and any similar testimony.

10 Microsoft next seeks to preclude Mr. Holleman from introducing the following
11 testimony at trial.

- 12 - “There are no RAND provisions in SDO policies requiring a specific range,
13 near-zero or nominal royalty rates, a single royalty rate for all situations, a
14 specific royalty format or base, or a particular methodology for determining or
15 negotiating to RAND terms. There similarly are no RAND provisions in SDO
16 policies requiring that an opening offer be a certain rate, form, or relation to the
17 final agreed-upon RAND license rate. And, there are no RAND provisions in
18 SDO policies mandating the steps or analysis that a standard essential patent
19 owner must take in formulating an opening offer. For example, there are no
20 provisions in SDO policies requiring the patent holder to consider royalty
21 stacking or patent poll rates in formulating its opening offer.” (Holleman Rpt.
22 ¶ 47.)
- 18 - “There is nothing in the ITU or IEEE's written policies requiring that each
19 offer made by Motorola at each stage of negotiations, and certainly not at the
20 opening of negotiations, must be RAND, or within a specific RAND range. As
21 noted above, I understand that Judge Robart has additionally clarified that an
22 opening offer need not be within the RAND range.” (Holleman Rpt. ¶ 48.)

21 Compared with one another, Paragraphs 47 and 48 demonstrate the line between proper
22 and improper expert testimony in this case, and the court will thus analyze both

1 paragraphs together. Paragraph 47 is replete with statements to the effect that there are
2 “no RAND provisions in SDO policies” requiring certain action by the SEP owner vis-à-
3 vis licensing. These statements invade the province of the court to instruct the jury on the
4 law. There are in fact “provisions” in the policies of the IEEE and ITU that require the
5 SEP owner to act in a certain way when licensing or enforcing its standard essential
6 patents. In previous orders, the court has interpreted the “provisions” of the ITU and
7 IEEE policies to mean, *inter alia*, that SEP owners must offer SEPs in good faith and
8 must grant RAND licenses. Were Mr. Holleman to testify that there are no “provisions”
9 in the ITU and IEEE policies requiring SEP owners to make offers in good faith and then
10 have the court instruct the jury that the ITU and IEEE policies require SEP owners to
11 make offers in good faith, the resulting combination of these seemingly conflicting
12 statements would be at best confusing and at worst contradictory from the perspective of
13 the jury. Said differently, the court concludes that Mr. Holleman’s testimony in
14 paragraph 47 leaves the impression on the jury that the law is something other than that
15 provided by the court. Mr. Holleman is precluded from testifying to the statements in
16 paragraph 47 or any similar statements.

17 Paragraph 48, however, provides a different story. The first disputed sentence
18 reads: “There is nothing in the ITU or IEEE’s written policies requiring that each offer
19 made by Motorola at each stage of negotiations, and certainly not at the opening of
20 negotiations, must be RAND, or within a specific RAND range.” (Holleman Rpt. ¶ 48.)
21 Although this statement goes too far, it comes close to permissible expert testimony. The
22 court’s concern is with the use of the word “requiring” and the phrase “or within a

1 specific RAND range.” As before, the court has interpreted the ITU and IEEE policies to
2 require opening offers to be made in good faith and it would make little sense and invade
3 the province of the court to permit Mr. Holleman to state otherwise. It is true that this
4 statement does not directly contradict the court’s prior orders, but that misses the point: it
5 is the province of the court to instruct the jury on the duties and obligations that arise
6 under the ITU and IEEE policies.

7 With that said, Mr. Holleman may properly testify as to the *language* of the ITU
8 and IEEE policies. The court concludes that it will assist the trier of fact for Mr.
9 Holleman, if he so chooses, to state what is and is not included in the ITU and IEEE
10 written policies. Thus, to the extent that Mr. Holleman can confine his testimony to the
11 language of the policies—as opposed to duties and obligations of the patent holder and
12 implementer arising from those policies—his testimony is proper. In other words, the
13 court has no objection to Mr. Holleman stating the language of the ITU and IEEE policies,
14 but Mr. Holleman’s testimony cannot leave the impression on the jury that the language
15 of the ITU and IEEE policies do or do not place particular duties and obligations on the
16 parties. The court will trust that the experienced trial attorneys in this case can properly
17 understand and try their respective cases within the legal framework set forth by this
18 court. The court further cautions the parties that testimony elicited from a witness in
19 contravention of the court’s legal framework runs the risk of the court striking the
20 entirety of that witness’ testimony.

21 As for the second disputed sentence of paragraph 48, the court concludes that this
22 sentence clearly invades the province of the court. The second sentence states: “I

1 understand that Judge Robart has additionally clarified that an opening offer need not be
2 within the RAND range.” (Holleman Rpt. ¶ 48.) This statement is an improper recitation
3 of the law; this court has determined that opening offers cannot be blatantly unreasonable
4 and must be made in good faith. Permitting Mr. Holleman to make statements regarding
5 the law in a manner different than how the court describes the law invades the court’s
6 province. Mr. Holleman is precluded from offering the second sentence and any similar
7 testimony.

8 Microsoft also argues that Mr. Holleman should not be permitted to testify to the
9 effect that RAND licensing commitments do not bar SEP holders from pursuing
10 injunctions. (Microsoft Mot. to Exclude at 11; *see* Holleman Rpt. ¶¶ 15, 21, 23, 39, 60.)

11 For example, Mr. Holleman testifies:

12 In my experience, RAND commitments made under SDO [standard
13 determining organizations] Intellectual Property Rights (“IPR”) policies
14 also are not understood to limit the IPR holder’s legal rights to enforce its
15 patents, in the event good faith RAND negotiations with a potential
16 licensee do not lead to a license agreement, or if the potential licensee
17 simply refuses to engage in good faith negotiations.

18 (Holleman Rpt. ¶ 21.) As explained more fully below, the court disagrees with
19 Microsoft. It is the court’s understanding that Microsoft intends to argue at trial that
20 Motorola breached its RAND commitment by seeking injunctive relief on its standard
21 essential patents in Germany and at the ITC. In other words, Microsoft will argue that
22 Motorola’s actions in seeking injunctive relief constitute bad faith. Motorola then must
be able to rebut this contention by arguing that it understood its efforts to seek injunctive
relief to be in compliance with the general understanding of the RAND obligations at the

1 time it sought such injunctive relief. Nevertheless, Mr. Holleman's testimony may be
2 understood by a jury as explaining the rights and obligations of the parties under a RAND
3 commitment with respect to injunctive relief. This would be improper, as explained
4 above, in that Mr. Holleman cannot testify as to legal conclusions. Thus, so long as Mr.
5 Holleman makes clear that his testimony is based on his knowledge of what was
6 understood in the legal community, and hence by Motorola, as to Motorola's right to seek
7 injunctive relief in other courts, this testimony is relevant and proper.

8 Next, Microsoft contests the following statements by Mr. Holleman:

- 9 - "Rather than enter into good faith negotiations with Motorola, Microsoft filed
10 this lawsuit against Motorola." (Holleman Rpt. ¶ 34.)
11 - "Microsoft filed suit before engaging in any such negotiations with Motorola."
12 (Holleman Rpt. ¶ 37.)

13 The court has examined both of these statements within the context of Mr. Holleman's
14 expert report and concludes that they are both within the proper scope of expert testimony
15 and will assist the trier of fact. Unlike Mr. Holleman's statements concerning the rights
16 and obligations of the parties under the RAND commitment, these two statements merely
17 recite factual background relevant to Motorola's intentions in sending the October 21 and
18 29 offer letters that constitute one of Microsoft's breach of contract claims. In this case,
19 Microsoft alleges that Motorola's offer letters breached Motorola's RAND commitments.
20 Motorola should certainly be permitted to offer testimony of an expert in the SEP
21 industry about whether such offer letters were in fact sent in good faith and about
22 Microsoft's response to those letters. Additionally, the court is not persuaded by
Microsoft's argument that Mr. Holleman's testimony contained in paragraphs 34 and 37

1 of his report contradicts the court's prior rulings. As Microsoft correctly points out, the
2 court has previously held that negotiating in good faith is not a condition precedent to
3 Motorola's obligation to grant licenses on RAND terms. (6/6/12 Order at 18-19.) Mr.
4 Holleman's statements do not undermine this holding, but instead merely explain the
5 actions of Microsoft and Motorola during the time Motorola sent the offer letters that are
6 now the subject of Microsoft's breach claims.

7 Next, Microsoft contests the following statement in Mr. Holleman's rebuttal
8 expert report that discusses this court's April 19, 2013, Findings of Fact and Conclusions
9 of Law ("FFCL"):

10 I disagree with Dr. Murphy to the extent that he relies upon the Order [the
11 FFCL] as a guide for how negotiations over standard-essential patents take
12 place. The Order relates to a unique set of circumstances. That is, the
13 Court set the RAND rate and ranges between Motorola and Microsoft
14 based upon the information the Court had available to it. In my opinion
15 and experience, such a document does not exist in the SDO process. The
16 Order, or documents like it, is not part of the bylaws or regulations of the
IEEE or ITU. Parties negotiating licenses to standard-essential patents at
the time these parties were negotiating would not have had the benefit of
the Order, or any document similar to it, to guide their negotiations.
Therefore, it does not make sense to consider it as a guide to the bilateral
negotiations that *should have occurred* between these specific parties and
the offers Motorola made."

17 (Holleman Rebuttal Rpt. (Dkt. # 725-3) ¶ 4 (emphasis added).) Microsoft contends that
18 the FFCL are a guide to bilateral negotiations and Mr. Holleman should not be permitted
19 to question the court. (Microsoft Mot. to Exclude at 12.)

20 The court disagrees. Again, the question at trial will be: was Motorola acting in
21 bad faith when it made its initial offer letters to license its standard essential patents?
22 Microsoft contends that those initial offers were made in bad faith; Motorola disagrees.

1 Motorola must be able to rebut Microsoft's contention by introducing expert testimony
2 setting forth its understanding of its RAND obligations and duties at the time it sent the
3 offer letters. Such evidence is relevant to Motorola's intentions in sending the offer
4 letters. To be sure, the court's FFCL did not exist at the time Motorola sent its offer
5 letters and thus, Motorola would have made those offer letters without the benefit of the
6 court's ruling. In other words, evidence of Motorola's understanding of how it should
7 conduct a RAND negotiation at the time it sent its offer letters should not be limited to
8 what the court has later determined to be the proper way to conduct a RAND negotiation
9 in this case. Thus, consistent with the court's prior orders on the *Daubert* motions, the
10 proponent of any expert testimony will need to show that it does not amount to a legal
11 conclusion and will assist the trier of fact in deciding a relevant issue in dispute.

12 Notwithstanding the foregoing, the court notes that it has not yet determined what
13 portions of and the manner in which the court's FFCL will be conveyed to the jury.
14 Insofar as either Mr. Murphy or Mr. Holleman's testimony seeks to instruct the jury on
15 the way to use the FFCL, such testimony may invade the province of the court and
16 constitute a legal conclusion. Accordingly, the court's ruling here is subject to change as
17 the legal framework of the trial sharpens.

18 Finally, Microsoft argues that Mr. Holleman should be precluded from testifying
19 to the ultimate conclusion that Motorola's offer letters were made in "good faith" and
20 therefore did not breach Motorola's RAND obligation. First, Microsoft asks the court to
21 exclude the following testimony on the basis that expert testimony should not be
22

1 permitted as to the conclusion that a party acted in good faith (Microsoft Mot. to Exclude
2 at 9, 13-14):

- 3 - “In October 2010, Motorola offered to license its portfolios of H.264
4 and 802.11- essential patents to Microsoft, and expressed a willingness
5 to negotiate in good faith with Microsoft toward reaching a RAND
6 license for these patents.” (Holleman Rpt. ¶ 33.)
- 7 - “Motorola’s October 2010 letters to Microsoft, which state that
8 Motorola’s offer to Microsoft was based on its ‘standard terms,’
9 represented a good faith attempt to enter into licensing negotiations with
10 Microsoft for a license to Motorola’s H.264 and 802.11- essential
11 portfolios. Microsoft filed suit before engaging in any such negotiations
12 with Motorola.” (Holleman Rpt. ¶ 37.)

9 With respect to this testimony, the court disagrees with Microsoft and declines to
10 exclude it. As stated above, Federal Rule of Evidence 704(a) permits expert testimony
11 that embraces an ultimate issue to be decided by the jury. Thus, on its face, there is
12 nothing wrong with Mr. Holleman testifying that Motorola’s offers were made in good
13 faith. The question is whether that testimony would be helpful to the jury. Here, the
14 court concludes that it would be. This is a complicated case and the jury will be asked to
15 hear, among other things, evidence regarding offer letters of patent portfolios, industry
16 royalty rates and ranges determined by analysis of those patent portfolios, and the legal
17 framework surrounding RAND licensing both domestic and abroad. Mr. Holleman has
18 extensive experience with SSOs, negotiations in standards consortia and special interest
19 groups, and licensing technology. (Holleman Rpt. ¶¶ 5-12.) The court believes that Mr.
20 Holleman’s opinion, which pieces together the evidence heard by the jury into an opinion
21 on the issue of good faith, will assist the trier of fact in reaching its own decision on the
22

1 issue of good faith. Accordingly, as to the testimony in paragraphs 33 and 37 of Mr.
2 Holleman’s report, the court denies Microsoft’s motion.

3 Second, for the same reasons, Microsoft asks the court to exclude the following
4 testimony of Mr. Holleman:

- 5 - “Thus, because Motorola attempted to engage Microsoft in good faith
6 negotiations for a RAND license to its H.264 and 802.11-essential
7 patents prior to filing of this lawsuit, its actions are fully consistent with
8 its RAND obligations under the ITU and IEEE patent policies, even if
9 its opening offers were not within the ranges set in Judge Robart’s April
10 19, 2013 order.” (Holleman Rpt. ¶ 38.)
- 11 - “Motorola has fully complied with its RAND obligations from the
12 perspective of the SDOs, and has not violated any provision of the SDO
13 policies because . . . Motorola’s October 2010 letters to Microsoft
14 constituted Motorola’s good-faith attempt to engage Microsoft in a
15 licensing negotiation.” (Holleman Rpt. ¶ 60.)

16 Here, the court agrees with Microsoft. Although the court does not preclude Mr.
17 Holleman from testifying as to the ultimate issue—breach of the good faith obligation—
18 this testimony of Mr. Holleman goes too far in that it intertwines a legal conclusion as to
19 Motorola’s RAND obligations with Mr. Holleman’s opinion on the legal meaning of
20 good faith. With this specific testimony, there is no way to separate Mr. Holleman’s
21 legal conclusion that Motorola’s RAND obligation requires only an “attempt[] to engage
22 Microsoft in good faith negotiations” from his opinion on the ultimate issue that
Motorola met its RAND obligations in this case. As stated before, the legal conclusion as
to the parties’ RAND obligations and duties is solely within the province of the court.
Accordingly, the court grants Microsoft’s motion as to this specific testimony.

//

1 **b. Dr. Leonard’s Contested Testimony**

2 Dr. Leonard is an economist with extensive experience in the economics of
3 intellectual property. (Leonard Rpt. (Dkt. ## 725-4 (redacted), 726-1 (sealed)) ¶¶ 1-3.)
4 He seeks to testify on a broad range of topics related to patent licensing, negotiations in
5 the RAND context, and Microsoft and Motorola’s actions in connection with this dispute.
6 (*See generally id.*) Microsoft seeks to exclude numerous portions of Dr. Leonard’s
7 expert report and rebuttal report and also seeks to exclude certain testimony that arose
8 during Dr. Leonard’s deposition. (Microsoft Mot. to Exclude at 14-17.)

9 Like with Mr. Holleman, the day after oral argument, Motorola filed a letter with
10 the court offering “clarifications” regarding the opinions it would solicit from Dr.
11 Leonard at trial. (7/31/13 Ltr.) Motorola’s letter both struck and added to the testimony
12 Motorola seeks to elicit from Dr. Leonard. (*See generally id.*) For the same reasons that
13 it struck new additions to Mr. Holleman’s expert report, the court STRIKES the new
14 additions to Dr. Leonard’s expert report. (*See generally id.*)

15 Microsoft contends that Dr. Leonard should be precluded from offering the
16 following testimony:

- 17 - “Microsoft filed this lawsuit without making any counter-offer or otherwise
18 engaging in negotiation. Thus, Microsoft effectively ended the negotiation.”
 (Leonard Rpt. (Dkt. # 726-1) ¶ 78.)
- 19 - “Microsoft could have negotiated further and brought the lawsuit if, after a
20 good faith effort, it still believed Motorola was not negotiating in good faith.”
 (Leonard Rpt. ¶ 79.)

21 Microsoft argues that these statements contradict the court’s prior rulings that Microsoft
22 was not obligated to negotiate with Motorola before filing suit. The court disagrees. The

1 court's prior ruling was a legal determination that Microsoft had not foregone its right to
2 a RAND license by filing a lawsuit upon receiving Motorola's offer letters. That ruling
3 does not extend to what an expert's opinion is as to the appropriate conduct of the parties
4 after Motorola sent its offer letters. Such opinion goes to Motorola's expectations and
5 understanding in sending the offer letters and is thus relevant.

6 Microsoft also points to a statement from Dr. Leonard's deposition, where Dr.
7 Leonard states that "[Microsoft] should have to negotiate in good faith as well."
8 (Leonard Dep. (Dkt. # 724-5) at 10.) This statement is not in Dr. Leonard's report and
9 was elicited at a deposition from a question by Microsoft counsel. On its face, however,
10 this statement would constitute an opinion as to a legal conclusion regarding the
11 obligations and duties of the parties under the RAND commitment. As stated, legal
12 conclusions are left to the court. At this time, the court finds it premature to exclude
13 testimony that Dr. Leonard is not offering. Accordingly, Microsoft's motion is denied as
14 to paragraphs 78 and 79 of Dr. Leonard's report.

15 Microsoft next asks the court to exclude the following statement from Dr.
16 Leonard's rebuttal report: "After Microsoft's refusal to negotiate, it was reasonable for
17 Motorola to file suit. Thus, when assessing causation, Microsoft's actions in initiating
18 the litigation must be taken into account." (Leonard Rebuttal Rpt. (Dkt. ## 725-6
19 (redacted), 726-2 (sealed)) ¶ 28.) Microsoft argues that this is a legal conclusion, and the
20 court agrees. The court will provide a jury instruction on causation and will instruct the
21 jury as to what should be considered. Without a doubt, Dr. Leonard's statement
22 regarding the appropriate factors to consider in assessing causation is proper in briefing

1 concerning jury instructions. It is not, however, proper testimony to the jury.

2 Microsoft's motion to exclude this specific statement from Dr. Leonard's testimony is
3 granted.

4 Microsoft also urges the court to find that the following statements in Dr.
5 Leonard's report and rebuttal report constitute legal conclusions:

- 6 - "I do not agree that Motorola has a responsibility to conduct [a stacking]
7 analysis before making an initial offer. Instead, the royalty stacking argument
8 is one that would most likely benefit Microsoft. It is Microsoft's responsibility
9 to form its own arguments and persuade Motorola of its positions by way of
10 negotiation." (Leonard Rpt. ¶ 81.)
- 11 - In discussing the level of analysis required by Motorola prior to making an
12 initial offer Dr. Leonard states that "the relevant calculation would be the
13 amount of royalties that Microsoft was actually paying." (Leonard Rebuttal
14 Rpt. ¶ 7.)

15 The court agrees with Microsoft. Both of these statements directly explain the duties and
16 obligations of the parties when making an initial offer. Again, it is the court's province to
17 instruct the jury on the duties and obligations and what factors should be considered in
18 examining whether the parties met their duties and obligations. Accordingly, Microsoft's
19 motion is granted with respect to this testimony.

20 Next, Microsoft moves to exclude the following statements, arguing that they are
21 inadmissible legal conclusions:

- 22 - "RAND does not require an SEP owner to treat differently situated licensees
similarly." (Leonard Rebuttal Rpt. ¶ 19.)
- "An opening offer is made in good faith if it meant to be the start of a
negotiation through which the parties can reach a RAND license." (Leonard
Rpt. ¶ 60.)

1 - "I conclude that Microsoft has not established a reliable basis for calculating
2 its damages and thus should not be awarded any damages in this case."
(Leonard Rebuttal Rpt. ¶ 33.)

3 The court agrees with Microsoft that these are classic legal conclusions and not the
4 proper subject of expert testimony. With respect to the first two, the court, through its
5 jury instructions, determines the rights and obligations of the parties under the RAND
6 commitment and will convey those rights and obligations to the jury. Those jury
7 instructions will act as the law of the case and Dr. Leonard or any other witness must be
8 prohibited from opining on the interpretation of the RAND obligation vis-à-vis the rights
9 and obligations of the SEP holder and implementer. Dr. Leonard's opinions as to these
10 rights and obligations are certainly appropriate in briefing related to the proposed jury
11 instructions, but there is little question that statements by an expert witness as to the
12 circumstances under which a patent holder fulfills its RAND obligation are beyond the
13 scope of permissible expert testimony.

14 Likewise, Dr. Leonard's statement regarding damages represents an inadmissible
15 legal conclusion or, at best, an opinion on an ultimate issue of fact that is not helpful to
16 the jury. The court, in its jury instructions, will instruct the jury as to how to calculate
17 damages. The jury will make a factual determination based on that instruction and the
18 evidence presented during trial. Dr. Leonard's opinion invades both of these functions.
19 To the extent Dr. Leonard seeks to establish a standard for assessing damages, his
20 opinion is an inadmissible legal conclusion. *See Burkhart*, 112 F.3d at 1212; *see also*
21 *Caputo*, 382 F. Supp. 2d at 1053. To the extent he seeks to advise the jury on how to
22 synthesize the evidence and reach a conclusion, his opinion is not helpful and is excluded

1 because the jury is capable of drawing its own inferences with respect to damages. *See*
2 *Duncan*, 42 F.3d at 102; *see also Strong*, 667 F.2d at 685-86. In any event, Dr. Leonard
3 is not permitted to testify to this conclusion.

4 Next, Microsoft moves to exclude testimony reflected in Dr. Leonard's deposition
5 regarding whether a blatantly unreasonable opening offer would be consistent with good
6 faith. (Microsoft Mot. to Exclude at 16.) Dr. Leonard's testimony reflects his opinion
7 that good faith is not open and shut in this context and that there are many factors that
8 could play into whether Motorola acted in good faith. (Leonard Dep. Excerpts (Dkt.
9 # 725-5) at 4-9.) Dr. Leonard's testimony explores these factors and whether a blatantly
10 unreasonable offer would violate good faith. (*See id.*)

11 As a preliminary matter, Microsoft is seeking to exclude testimony that Motorola
12 is not even offering. Dr. Leonard's statements were made in response to questions from
13 Microsoft's counsel—they do not appear in Dr. Leonard's expert report. (*See generally*
14 *Leonard Rpt.*; *Leonard Rebuttal Rpt.*) If Microsoft does not wish to have this testimony
15 in front of the jury, it need only refrain from asking these questions on cross examination.
16 As such, the court finds it premature to rule on this motion at this time. Nevertheless, to
17 the extent Dr. Leonard seeks to offer testimony regarding the legal meaning of the good
18 faith obligation under the RAND commitment, he will not be permitted to do so. *See*
19 *Crow Tribe of Indians*, 87 F.3d at 1045 (“Experts ‘interpret and analyze factual evidence.
20 They do not testify about the law.’”).

21 Last, Microsoft moves to exclude Dr. Leonard from testifying that Motorola was
22 acting in “good faith” when it made its offer letters to Microsoft, arguing that this opinion

1 is inadmissible. (Microsoft Mot. to Exclude at 16.) The court disagrees for the reasons
2 described above with respect to Mr. Holleman. To summarize, this is an ultimate issue of
3 fact that is admissible as expert testimony under Rule 704(a) if it would be helpful to the
4 jury. The court concludes that this testimony will be helpful given the complexity of the
5 case, the amount of testimony on topics outside the ordinary understanding of common
6 jurors, and Dr. Leonard's extensive experience in the field of intellectual property
7 economics (*see* Leonard Rpt. ¶¶ 1-9). Just like with Mr. Holleman, Dr. Leonard's
8 opinion regarding good faith will assist the jury in reaching its own conclusions with
9 respect to the ultimate issue before the court. Accordingly, this testimony will be
10 allowed.

11 **3. Dr. Maximilian Haedicke**

12 Dr. Maximilian Haedicke seeks to testify about German patent law, and
13 specifically about the options available to Microsoft to avoid an injunction in Germany.
14 (*See generally* Haedicke Rpt. (Dkt. # 725-7).) Dr. Haedicke is an intellectual property
15 law professor and a judge in a German patent court. (Haedicke Rpt. Ex. A (Dkt. # 725-9)
16 at 17-18.) He seeks to testify about (1) German patent law and the options available in a
17 German patent court to a person facing an injunction (Haedicke Rpt. at 4-19); (2) certain
18 background facts related to litigation between Microsoft and Motorola in German courts
19 (*id.* at 19-21); (3) what Microsoft could have done under German patent law to avoid
20 being subject to an injunction (*id.* at 22-24); (4) what would have happened if Motorola
21 had tried to enforce an injunction (*id.* at 24); and (5) the amount of fees Microsoft would
22

1 have been able to recover if it had prevailed in the German action (Haedicke Rebuttal
2 Rpt. (Dkt. # 725-9).)

3 Microsoft moves to exclude Dr. Haedicke's testimony in its entirety, arguing that
4 it is baseless and not helpful to the jury. (Microsoft Mot. to Exclude at 17-18.) Dr.
5 Haedicke's testimony is aimed at rebutting Microsoft's claim that it suffered damages
6 because it had to move its EMEA facility out of Germany. (Motorola Resp. at 15-16.)
7 Dr. Haedicke's testimony is designed to show that Microsoft had other options available
8 to it under German law. (*Id.*) Motorola argues that Dr. Haedicke's testimony is
9 inadmissible under Evidence Rule 702 because Dr. Haedicke is not familiar with all of
10 the facts and circumstances surrounding Microsoft's decision to relocate its facility.
11 (Microsoft Mot. to Exclude at 17-18.) For the same reason, Microsoft argues that Dr.
12 Haedicke's testimony is unhelpful to the jury and irrelevant because Dr. Haedicke does
13 not have enough information about Microsoft's different options to opine about what
14 Microsoft should have done. (*Id.* at 20.)

15 Microsoft's argument is off base. As Motorola points out in its response, Dr.
16 Haedicke will not testify about what Microsoft should have done. (Motorola Resp. at
17 16.) Instead, he will testify about what Microsoft could have done under German law—
18 about what options were available to Microsoft. (*Id.*) He will not testify about the
19 wisdom of Microsoft's decision. (*See* Haedicke Rpt.) The court agrees with Microsoft
20 that if he did, his opinion might lack sufficient facts and data to carry it past the *Daubert*
21 threshold. But the testimony that actually appears in Dr. Haedicke's expert report relates
22 to German law, not to the wisdom of Microsoft's decision to relocate, and is adequately

1 supported by facts and data. (*See id.*) This testimony will be relevant and helpful to the
2 jury. Microsoft argues that it is unhelpful and irrelevant because Dr. Haedicke cannot
3 testify about the facts or circumstances surrounding Microsoft's decision. (Microsoft
4 Mot. to Exclude at 20.) But the testimony will assist the jury in understanding the
5 options that Microsoft had to mitigate its damages. And while Dr. Haedicke's testimony
6 alone may not tell the entire story behind Microsoft's decision to relocate, Microsoft has
7 opened the door to the defense that Motorola now raises and cannot deprive Motorola of
8 the building blocks necessary to assert that defense. Dr. Haedicke's testimony is one of
9 those building blocks, and Motorola is correct that there is no valid basis for excluding
10 it.¹⁰ Microsoft is certainly permitted to raise its objections on cross examination, but they
11 are not enough to exclude Dr. Haedicke's testimony on a *Daubert* motion.

12 Microsoft also moves to exclude Dr. Haedicke's testimony regarding what
13 attorney's fees would be recoverable in a German court, arguing that this testimony has
14 no relevance to this case. (*Id.* at 21-22.) The court agrees. Dr. Haedicke submitted a
15 rebuttal expert report in which he states his opinion that "Microsoft has requested
16 damages for attorney's fees far in excess of the amount of attorneys' fees that Microsoft
17 could receive in Germany" (Haedicke Rebuttal Rpt. at 4.) This testimony simply is

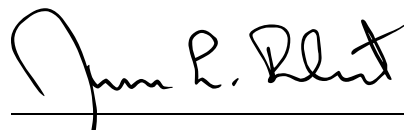
18
19 ¹⁰ Microsoft makes two further arguments that are irrelevant to this motion. Microsoft
20 takes issue with certain objections made during Dr. Haedicke's deposition. (Microsoft Mot. to
21 Exclude at 18; Microsoft Reply at 10-11.) Dr. Haedicke refused to answer several questions,
22 claiming the answers are protected by attorney client privilege. (*See id.*) Microsoft requests no
relief with respect to this contention, so the court will not address it. Second, Microsoft makes
ad hominem attacks on Dr. Haedicke by implying that he has disdain for the court's opinions in
this case. (*See* Microsoft Mot. to Exclude at 20; Microsoft Reply at 11-12.) Again, Microsoft
requests no relief with respect to this contention so the court will not address it.

1 not relevant to this case and has the potential to confuse the jury. Microsoft has claimed
2 as damages the attorney's fees it expended defending against lawsuits brought by
3 Motorola. Those damages are restrained by principles of contract law and causation—
4 not by the law governing recoverable attorney's fees in Germany or elsewhere. The court
5 can discern no relevance whatsoever to this testimony. Motorola, in its response to this
6 motion, opts not to explain the relevance of the testimony, claiming that it need not reveal
7 its trial strategy. Yet, on a *Daubert* motion, it is Motorola's burden to demonstrate that
8 its expert testimony is relevant. *Daubert*, 509 U.S. at 593 n.10. Motorola has not carried
9 this burden with respect to the contents of Dr. Haedicke's rebuttal report, so the court
10 excludes that testimony.

11 V. CONCLUSION

12 Based on the foregoing, the court GRANTS in part and DENIES in part
13 Microsoft's motion to exclude testimony of Richard Holleman, Dr. Gregory Leonard,
14 Judge Maximilian Haedicke, and Bradley Keller (Dkt. # 724). The court also GRANTS
15 in part and DENIES in part Motorola's motion to exclude testimony of Todd M.
16 Menenberg ((Dkt. ## 722, 734) and Dr. Theo Bodewig (Dkt. ## 731, 737).

17 Dated this 5th day of August, 2013.

18
19 

20 JAMES L. ROBART
21 United States District Judge
22