



CRA Insights: Intellectual Property

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CRA Insights: Intellectual Property is a periodic newsletter that provides summaries of notable developments in IP litigation.

Patent Damages: Recent Trends in *Daubert* Decisions

In this *Insights*, we update the *Daubert* Decision trends in last year's *Insights* with 2021 data.¹ *Daubert* Decision trends are based on our review of available court decisions concerning damages experts in patent infringement matters in US districts courts that have sufficient information for analysis. We also provide three examples of specific challenges in 2021 *Daubert* Decisions.

The number of *Daubert* Decisions available to analyze in 2021 remained relatively constant with 127 decisions. The overall exclusion rate in such decisions—where the court either granted or partially granted a motion to exclude or limit a damages expert's testimony—was approximately 50%, up from 40% in 2020 and the highest rate since this study began in 2015.

Decisions regarding challenges to the reliability or relevance of the damages expert's methodology, including in determining lost profits or a reasonable royalty, continued to be the most prevalent. In 2021, 72% of decisions included a ruling on reliability or relevance; 8%, a ruling on qualifications; and 33%, a ruling on other topics such as disclosure issues, missed deadlines, and Rule 403 concerns. Challenges to these other topics have historically been the most successful, with an exclusion rate of approximately 40% over the entire period.²

¹ Using PACER and Docket Navigator, we identified court decisions concerning damages experts from motions to disqualify an expert, motions to strike an expert, and motions in limine in patent infringement matters in US district courts from 2015 to 2021. We analyzed and categorized these court decisions and excluded certain decisions with insufficient information for analysis. Decisions that are denied as moot or denied without prejudice to renew are also excluded. Unless otherwise noted, *Daubert* Decisions statistics reflect the entire 2015 to 2021 time period.

² Decisions were also analyzed by topic, such as those shown in Figure B. Partially granted decisions were broken out into challenges on topics that were denied and challenges on topics that were granted. Therefore, the resulting outcomes by topic do not include partial decisions. Outcomes by topic in which the challenge to the topic was granted are referred to as "exclusion rates," which differs from the overall exclusion rate that includes partially granted decisions.

Table A: *Daubert* Decisions Outcomes by Year³

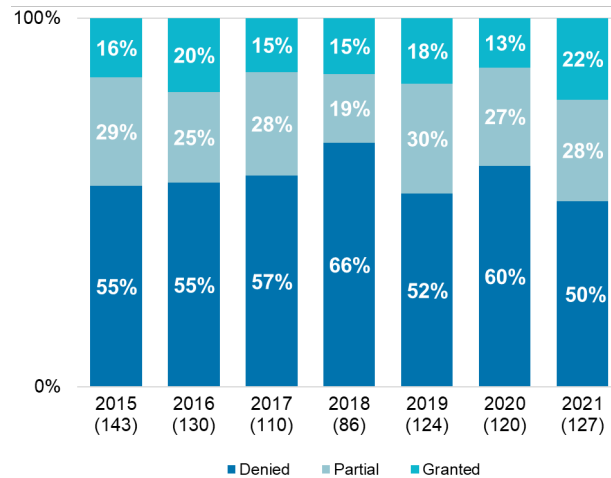
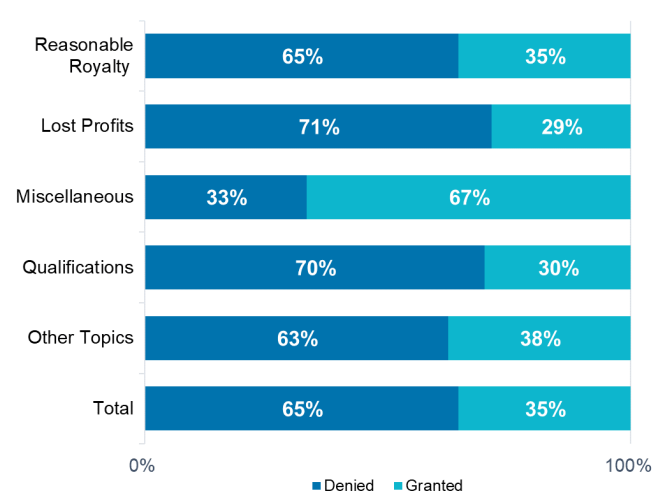


Table B: 2021 *Daubert* Decisions Outcomes by Topic



In 2021, courts in the Eastern District of Texas, District of Delaware, Northern District of California, and Central District of California produced approximately 61% of *Daubert* Decisions, down from about 70% in recent years. Northern District of California decisions increased over the past year, from 10 decisions in 2020 (8% of the total) to 18 decisions in 2021 (14% of the total)—almost back to 2015 levels of 22 decisions (15% of the total). On the other hand, Central District of California decisions decreased from 17 decisions in 2020 (14% of the total) to 1 decision in 2021 (0.8% of the total).

Among these four courts, the Central District of California continued to have the highest overall exclusion rate, over 60%. Of the 12 courts with at least 10 decisions from 2015 to 2021, the Northern District of California and the Northern District of Illinois were the only other courts with overall exclusion rates over 50%.

Table C: *Daubert* Decisions by Court and Year

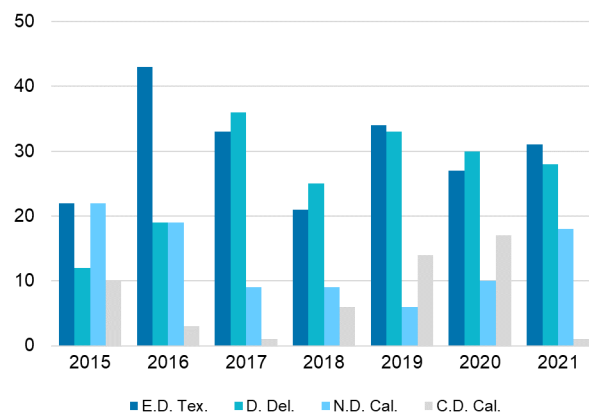
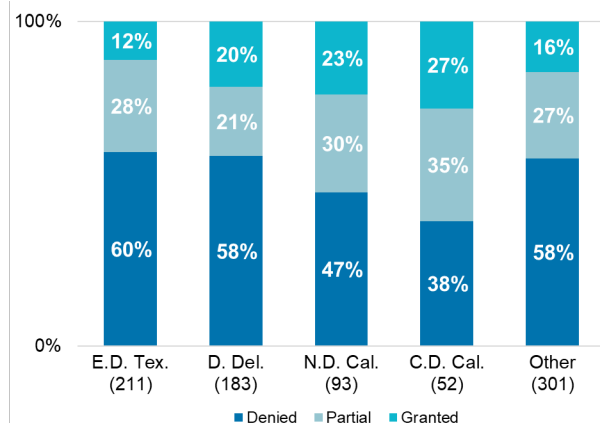


Table D: *Daubert* Decisions Outcomes by Court



Below, we summarize three challenges in 2021 *Daubert* Decisions.⁴

³ Due to rounding, some annual percentages may not sum to 100%.

⁴ The following case examples summarize only specific challenges in certain 2021 *Daubert* Decisions. Please refer to the decisions themselves and associated filings for a more comprehensive description of each matter.

Contour IP Holding, LLC v. GoPro, Inc.

Modified Nash Bargaining Solution struck by court

In November 2015, Contour IP Holding, LLC and iON Worldwide, Inc. (“Plaintiffs”) filed a complaint against GoPro, Inc. (“GoPro”) alleging that GoPro’s cameras infringed two of Contour’s patents relating to “mountable and viewfinderless point-of-view video cameras with capabilities to wirelessly connect to personal portable devices.”

In August 2020, the court struck most of Plaintiffs’ damages expert’s initial report relating to reasonable royalty damages, including opinions on apportionment, royalty rate determination, and non-infringing alternatives. Because the deficiencies were “not so severe that supplementation would effectively require a new report,” the expert was allowed to submit a supplemental report, which “effectively reduced the claimed damages by two-thirds through further apportionment and profit splitting.” GoPro then filed a motion to strike the supplemental report, again challenging the expert’s opinions on apportionment and profit splitting.

The accused functionality involved in this case relates to WiFi connectivity, specifically the “enabling of a live stream of the camera’s recording and remote control of the camera via a mobile device.” Plaintiffs’ damages expert initially opined that 80% of the value of WiFi connectivity in the accused products was related to the accused functionality but then, in the supplemental report, reduced that apportionment factor to a minimum of 33.3% and maximum of 50%. Plaintiffs claimed that the 50% “maximum” apportionment factor was intended to reflect that the 33.3% figure was conservative, but they failed to identify any basis for the 50% factor. The court ruled that “if the 50% factor is not actually used in the analysis, it is not ‘helpful to the trier of fact’ and is borderline irrelevant.”

GoPro also challenged the expert’s conclusion that Plaintiffs would have received 42.6% of the incremental profits attributable to the patented technology, arguing that the opinion relied on the Nash Bargaining Solution rule of thumb, which has historically been rejected by the Federal Circuit for not being tied to the facts of the case. Plaintiffs responded that the expert relied on a modified version of the Nash Bargaining Solution, based on a working paper from 2020, that accounted for the relative bargaining weights of the parties and adequately addressed the Federal Circuit’s methodological concerns. Plaintiffs also argued that the 42.6% profit split figure was reliable because the expert reached a similar profit split figure using the Rubenstein Bargaining Model.

However, the court decided that “this single unpublished paper [was] not sufficient to render the modification to the [Nash Bargaining Solution] reliable.” The court also noted that the paper, which appeared to have been written by an economics student and his father, had not been peer-reviewed and that the only people who had vouched for it were the authors and the expert. Although general acceptance of a methodology is not required under *Daubert*, the court ruled that “given the Federal Circuit’s emphatic rejection of [the Nash Bargaining Solution] when it cannot be proven that the reality of the situation matches the underlying assumptions, either some level of acceptance or some level of proven reliability is necessary.” The expert’s opinions based on the modified Nash Bargaining Solution were excluded.

The court also excluded the expert’s other opinions concerning apportionment and royalty rates. Additionally, the court excluded some opinions that were outside the scope of the permitted supplementation, which was limited to correcting “deficiencies” identified in the initial report.

Court decision on January 8, 2021

Case no. 3:17-cv-04738 filed in the Northern District of California

Shure Incorporated v. ClearOne, Inc.

Expert's royalty supported by different case and disgorgement opinions

In July 2019, Shure Incorporated and Shure Acquisition Holdings, Inc. ("Plaintiffs") filed a complaint against ClearOne, Inc. ("ClearOne") alleging that ClearOne infringed Plaintiffs' utility and design patents relating to ceiling-mounted beamforming array microphones that had a variety of flexible mounting options and preserved room aesthetics. Plaintiffs claimed that their asserted patents were practiced by their MXA910 product and were infringed by ClearOne's BMA CT, BMA CTH, and BMA 360 products. Plaintiffs' damages expert offered reasonable royalty and disgorgement damages opinions related to Plaintiffs' design patent claims, and ClearOne moved to exclude those opinions.

Plaintiffs' damages expert opined that the parties would have agreed to a lump sum royalty based on an estimate of ClearOne's cost to redesign its BMA CT products to be non-infringing and ClearOne's lost profits during the redesign period. However, the expert's redesign costs were based on *Plaintiffs'* cost to redesign its MXA910 product to avoid infringement of a ClearOne utility patent asserted in a separate case. Additionally, in a deposition, the expert could not identify any specific similarities between the two redesign efforts and admitted that neither they nor anyone they spoke to identified what an acceptable non-infringing alternative would be. In other words, the expert based a damage conclusion on ClearOne's redesign costs "without ever identifying what that redesign could be." ClearOne argued, and the court agreed, that the expert's opinion was based on speculation and that Plaintiffs had "put forward no evidence supporting the idea that [Plaintiffs'] redevelopment of the MXA910 product . . . is a reliable proxy for ClearOne's redesign costs here." The court excluded the relevant portions of the expert's report on the grounds that "it appears that there is no such foundation in the record" for the expert to rely on.

Plaintiffs' damages expert also offered a calculation of the "total profit" of the BMA CT, BMA CTH, and BMA 360 products as a remedy for design patent infringement and identified each entire product as the relevant article of manufacture. ClearOne argued that the expert's calculation of the total profit for the BMA CTH was based on revenue from the Collaborate Versa bundles—a group of products that included the BMA CTH—and that the expert performed no analysis of what portion was attributable to the BMA CTH. Shure claimed that ClearOne failed to provide the data necessary to calculate total profit for the BMA CTH, but ClearOne rebutted that assertion by saying that it produced data that included information for certain products that were included in the BMA CTH bundles, which could be used to estimate the profits of the BMA CTH. The court agreed with ClearOne and struck the expert's opinion.

Court decision on October 8, 2021

Case no. 1:19-cv-01343 filed in the District of Delaware

Personalized Media Communications, LLC v. Apple, Inc.

Expert's reliance on technical expert and apportionment opinions

In October 2015, Personalized Media Communications, LLC ("PMC") filed a complaint against Apple, Inc. ("Apple") alleging that Apple's digital rights management ("DRM") technology, known as FairPlay, infringed four of PMC's patents relating to processing and generating personalized electronic media content and protecting against piracy. Apple's damages expert issued a report estimating that PMC would be entitled to a reasonable royalty equal to a lump-sum payment of \$1 million per allegedly infringing patent. PMC filed a motion to strike the testimony of Apple's damages expert, claiming that it was based on unreliable, unsupported, and/or opaque methodologies.

Apple's damages expert relied on discussions with Apple's non-infringement expert to support the assumption that it would take "six Apple engineers six months to design, develop, test, and implement[] a design-around" and that there would be an additional \$400,000 cost associated with "other costs and unforeseen issues." PMC asserted that Apple's damages expert was not permitted to rely entirely on a discussion with a non-infringement expert to support the availability of and costs associated with potential design-arounds. PMC also argued that it was unable to evaluate the expert's cost analysis because the expert did not disclose the redesign costs that were included or excluded. The court denied the challenge to the expert's non-infringing alternatives testimony, writing that "using a technical expert in the industry to help form a damages opinion is permitted, even such heavy reliance." The court noted that although citations to discussions may not be easy to "fact check," the contents of those discussions can be investigated in a deposition.

PMC also argued that the expert's analysis was flawed because it relied "solely on the 25 license agreements produced in this litigation," and the expert was not aware of Apple's methodology for selecting the produced licenses. Apple responded that it communicated to PMC that the produced licenses were technologically comparable to the asserted patents and that PMC failed to inquire any further. The court denied the challenge and established that "[t]here is no requirement that a damages expert discover all possible comparable licenses. He merely has to properly analyze those he relies upon."

Finally, PMC challenged Apple's expert's rebuttal of its own expert's opinions concerning the value added by the asserted patents to the FairPlay functionality. Apple's expert disagreed with PMC's expert's assessment that the FairPlay functionality derived 100% of its value from the asserted patents. Instead, Apple's expert calculated the percentage of value added by the asserted patents by dividing the 3 asserted patents by 53 (50 non-asserted Apple DRM patents plus the 3 asserted patents). PMC argued that that methodology "necessarily assumes that each of Apple's patents has in fact contributed separate and non-cumulative benefit[s] to FairPlay." PMC also pointed out that Apple's expert did not perform any analysis of whether the non-asserted Apple DRM patents were used by the FairPlay technology at the time the asserted patents were issued. The court agreed that neither the expert nor Apple provided evidence that any of the 50 non-asserted DRM patents were being practiced by Apple at the time of the infringement, causing the expert's calculation to be fatally flawed. Further, even if all 50 non-asserted DRM patents were being practiced, the expert could not assume without evidentiary support that each patent had equal value. The court ruled that "[m]erely stating a conclusory assumption not predicated on evidence is inadmissible" and struck the portions of the expert's report relying on the calculations of the value added by the asserted patents to the FairPlay functionality.

The court also denied challenges to the expert's comparability analysis and methodology for the lump-sum estimate.

Court decision on February 19, 2021

Case no. 2:15-cv-01366 filed in the Eastern District of Texas

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