

**IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
MARSHALL DIVISION**

BISCOTTI INC.,

*Plaintiff,*

v.

MICROSOFT CORP.,

*Defendant.*

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Case No. 2:13-cv-01015-JRG-RSP

**ORDER**

Before the Court are Biscotti, Inc.’s (“Biscotti”) Motion for Leave to Supplement the Report of Stephen Wicker (Dkt. No. 165) and Biscotti’s Motion to Exclude the Testimony and Opinions of Ambreen Salters Regarding the HDMI Licenses (Dkt. No. 169).

**A. Biscotti’s Motion for Leave to Supplement the Report of Stephen Wicker (Dkt. No. 165)**

Biscotti moves to supplement the expert report of its technical expert, Dr. Stephen A. Wicker, to include two supplements: (1) to address the Microsoft “Beam” service and software; and (2) to clarify Dr. Wicker’s opinions in light of the rebuttal report served by Microsoft’s technical expert, Dr. Orchard. (Dkt. No. 165.)

A party must disclose the opinions of its experts “at the times and in the sequence that the court orders.” Fed. R. Civ. P. 26(a)(2)(D). Courts may provide leave to supplement an expert’s report after the deadline in the scheduling order for “good cause.” Fed. R. Civ. P. 16(b)(4). In the Fifth Circuit, courts consider four factors to determine whether the movant has demonstrated “good cause” to supplement: (1) the explanation for the failure to timely move for leave to amend; (2) the importance of the amendment; (3) potential prejudice in allowing the amendment; and (4) the availability of a continuance to cure such prejudice.

*Amazon.com, Inc.*, Case No. 2:13-cv-1112-JRG, Dkt. No. 923 at 2 (E.D. Tex. Sep. 9, 2015) (citing *Geiserman v. MacDonald*, 893 F.2d 787, 790–91 (5th Cir. 1990)); *see also S.W. Bell Tel. Co. v. City of El Paso*, 346 F.3d 541, 546 (5th Cir. 2003).

**First**, Biscotti argues that the Court should permit it to serve a supplemental report from its technical expert, Dr. Wicker, regarding the “Beam” service and software. (Dkt. No. 165 at 1.) In Dr. Wicker’s supplemental report, he provides opinions regarding Beam’s alleged infringement of claims 6, 21–22, 23, 24–25, 27, 35–36, 38, and 50 of the ’182 patent. (Dkt. No. 182 at 2, 7.) Biscotti argues that the Court should allow the supplement in light of its previous Order on February 27, 2017, granting Biscotti leave to amend its infringement contentions to include the Beam software and service as an accused product. (Dkt. No. 165 at 9.)

Microsoft agrees that the Court should grant Biscotti leave to serve Dr. Wicker’s supplemental report with respect to claims 6, 23, and 27 of the ’182 patent. (Dkt. No. 182 at 2.) The parties agree that Biscotti specifically alleged that the Beam product infringed claims 6, 23, and 27 in its amended infringement contentions and incorporated such contentions in Dr. Wicker’s opening report on infringement, served on February 8, 2017. Accordingly, Microsoft concedes that Biscotti should be permitted to supplement its report with regard to those claims, to include information revealed through additional discovery and source code disclosures, which occurred after the service of Dr. Wicker’s opening report. (*Id.*) However, Microsoft urges the Court to deny Biscotti’s motion to supplement as to Dr. Wicker’s Beam infringement theories regarding claims 21–22, 24–25, 35–36, 38, and 50, as such claims were not included in Biscotti’s amended infringement contentions or Dr. Wicker’s opening report as claims allegedly infringed by Beam. (*Id.* at 2–7.) Biscotti does not appear to dispute that these additional claims were not included in either its amended infringement contentions or Dr. Wicker’s opening report with respect to Beam.

Rather, Biscotti argues that the additional discovery and source code disclosures, which occurred after the service of Dr. Wicker's opening report, revealed additional theories of infringement with regard to Beam, and thus necessitate the supplementation of Dr. Wicker's report. (Dkt. No. 165 at 9.)

The Court finds that Biscotti should be permitted to supplement Dr. Wicker's report only as to Beam's infringement of claims 6, 23, and 27 of the '182 patent. The Court bases its conclusion primarily upon what transpired at the February 27th hearing on Biscotti's motion to amend infringement contentions and this Court's subsequent grant of such motion. At said hearing, counsel for Biscotti represented that its amended contentions (the contentions including the Beam product for which it was then seeking leave to serve) had previously been served on Microsoft in November of 2016, and that such contentions were entirely contained within Dr. Wicker's opening report served on February 8, 2017. (Dkt. No. 154 at 4.) Therefore, Court was persuaded that no continuances or other delays would be necessitated by the inclusion of Beam. Dr. Wicker's opening report, and the amended contentions incorporated therein, however, only accused the Beam product of infringing claims 6, 23, and 27 of the '182 patent. Biscotti now seeks to expand the scope of the Beam case at this late juncture. The Court declines to do so. Thus, Biscotti may supplement Dr. Wicker's report regarding the Beam product only as to claims 6, 23, and 27.

While the bulk of the parties' briefing focuses on Beam, Microsoft also appears to argue that Dr. Wicker's supplemental report seeks to add new arguments for certain claims; new arguments on willful infringement, indirect infringement, and secondary considerations of non-obviousness; and new allegations against a future Xbox console called "Project Scorpio." (Dkt. No. 182 at 6-7.) Biscotti argues that such supplementation was necessitated by the late production

of discovery by Microsoft. (Dkt. No. 200 at 2–3.) At this juncture, the Court finds that Biscotti should be permitted to supplement Dr. Wicker’s report as to these grounds raised by Microsoft.

Accordingly, Biscotti’s motion with respect to this first ground is **GRANTED-IN-PART** and **DENIED-IN-PART** as follows: Biscotti is **DENIED** leave to supplement Dr. Wicker’s report to add opinions and theories regarding Beam’s alleged infringement of claims 21–22, 24–25, 35–36, 38, and 50 of the ’182 patent; Biscotti is otherwise **GRANTED** leave to supplement Dr. Wicker’s report with the April 6th report. Further, Microsoft is **GRANTED** leave to serve a limited rebuttal expert report to address Dr. Wicker’s supplemental opinions within five days of the issuance of this Order.

*Second*, Biscotti argues that the Court should permit Dr. Wicker to serve a second supplement in response to the rebuttal report of Microsoft’s technical expert, Dr. Orchard, which allegedly “mischaracterizes” certain opinions of Dr. Wicker contained in his opening report. (Dkt. No. 165 at 7–8.) Biscotti claims that this supplemental report is necessary to “clarify” Dr. Wicker’s opinions in his opening report in light of Dr. Orchard’s “mischaracterizations.” (*Id.* at 1.) Accordingly, “out of an abundance of caution,” Biscotti seeks leave to serve Dr. Wicker’s clarifying report. Microsoft argues that Dr. Wicker’s supplemental report does more than clarify his original positions; instead, the report serves as a “direct response” to Dr. Orchard’s non-infringement report and “retools his infringement analysis.” (Dkt. No. 182 at 1, 8.) Further, Microsoft argues that “if it were true that the [supplemental report] was truly nothing more than a ‘clarification,’ as Biscotti claims, there would be no need to serve it at all, as the opinions would ostensibly already be contained in [Dr. Wicker’s opening report].” (*Id.* at 8.)

Biscotti’s motion with respect to this purported “clarification” report is **DENIED**. Biscotti’s entire argument is based on the premise that Dr. Orchard, in his responsive non-

infringement report, mischaracterized Dr. Wicker's infringement opinions. Microsoft disputes that any such mischaracterizations were made by Dr. Orchard. In other words, the experts disagree. Simple disagreement among experts is not an acceptable ground for supplementing reports. Were it otherwise, the Court would have to allow the parties to serve endless "supplemental" reports in response to each area of disagreement raised by a competing expert. Instead of perpetuating a possibly endless cycle of supplementation, Biscotti should address purported mischaracterizations in Dr. Orchard's report through the crucible of cross-examination at trial.

**B. Biscotti's Motion to Exclude the Testimony and Opinions of Ambreen Salters  
Regarding the HDMI Licenses (Dkt. No. 169)**

Biscotti moves to exclude the testimony and opinions of Microsoft's damages expert, Ambreen Salters, regarding the "HDMI licenses" on two grounds: (1) Ms. Salters and Dr. Orchard (Microsoft's technical expert) fail to opine on the technological comparability of the HDMI licenses to the technology claimed in the '182 patent; and (2) Ms. Salters and Dr. Orchard fail to account for the difference in circumstances between the hypothetical license and the HDMI licenses. (Dkt. No. 169.)

Ms. Salters opines that Microsoft would have paid \$200,000 to \$700,000 for a lump sum license to Biscotti's '182 patent. In this conclusion, Ms. Salters relies on two specific licenses and one category of license. First, Ms. Salters points to a settlement between Microsoft and Z-Dimensional, LLC, and a settlement between Microsoft and Guardian Media Technologies, Ltd. as supporting her opinion regarding a license range of \$200,000 to \$700,000. (*Id.* at 1.) Biscotti has not challenged the propriety of Ms. Salters' opinions regarding the Z-Dimensional and Guardian Media licenses in its motion. (*Id.*) However, Ms. Salters also calls two HDMI licenses (one entered into by Microsoft with HDMI Licensing, LLC in 2005 and the other entered into by Biscotti in 2013) a "point of comparison," which she uses to confirm her \$200,000 to \$700,000

range. (Dkt. No. 169-2 at ¶ 61.) It is Ms. Salters' reliance on these two HDMI licenses that Biscotti has moved to exclude.

An expert witness may provide opinion testimony if “(a) the expert’s scientific, technical, or other specialized knowledge will help the trier of fact to understand the evidence or to determine a fact in issue; (b) the testimony is based on sufficient facts or data; (c) the testimony is the product of reliable principles and methods; and (d) the expert has reliably applied the principles and methods to the facts of the case.” Fed. R. Evid. 702; *see also Daubert v. Merrell Dow Pharms.*, 509 U.S. 579, 592–93 (1993). The Federal Circuit requires that the “licenses relied on by the [expert] in providing damages [be] sufficiently comparable to the hypothetical license at issue in the suit.” *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1325, 1332 (Fed. Cir. 2009). “When relying on licenses to prove a reasonable royalty, alleging a loose or vague comparability between different technologies or licenses does not suffice.” *LaserDynamics, Inc. v. Quanta Computer, Inc.*, 694 F.3d 51, 79 (Fed. Cir. 2012). “[C]omparisons of past licenses to the infringement must account for the technological and economic differences between them.” *Wordtech Sys., Inc. v. Integrated Networks Sols., Inc.*, 609 F.3d 1308, 1320 (Fed. Cir. 2010). Accordingly, when relying on past licenses to support an opinion regarding a reasonable royalty reached through a hypothetical negotiation, a damages expert must opine on both the technological and economic comparability of such past licenses. *See Godo Kaisha IP Bridge v. Broadcom, Ltd.*, 2:16-cv-135-JRG-RSP, Dkt. No. 287.

**First**, Biscotti argues that Microsoft has failed to present any testimony regarding the technological comparability of the HDMI licenses, either through Ms. Salters or through its technical expert, Dr. Orchard. (Dkt. No. 169 at 5.) The Court agrees. It is undisputed that Ms. Salters herself provides no testimony regarding the technological comparability of the HDMI

licenses; Ms. Salters conceded as much in her deposition. (Dkt. No. 169-1 at 84.) However, Microsoft asserts that Ms. Salters relies on Dr. Orchard’s discussion of technological comparability in his report in reaching her conclusions regarding the HDMI licenses. (Dkt. No. 180 at 2–3.) Microsoft points to paragraphs 455 and 406–418, in which it asserts Dr. Orchard provides analysis on the technological comparability of the HDMI licenses, ultimately concluding that “compliance with the HDMI standard is far more valuable and more significant to the accused Xbox One products, than the claimed invention of the ’182 patent.” (Dkt. Nos. 180 at 3–5; 180-2 at 160–168, 185.) While Ms. Salters is indeed entitled to rely on this portion of the report, the Court fails to see where Dr. Orchard has provided any analysis on the technological comparability of the HDMI licenses. Dr. Orchard’s analysis focuses on the value the HDMI standard brings to the Xbox products, and includes a one-sentence conclusion that the HDMI standard is more valuable than the ’182 patent. If anything, such analysis is more akin to an economic evaluation than a technological one. While the comparability of previous licenses is generally fertile ground for cross-examination, a complete failure to provide any analysis regarding technological comparability warrants exclusion.<sup>1</sup>

**Second**, Biscotti argues that the HDMI licenses should be excluded because Ms. Salters fails to account for the economic differences between the HDMI licenses and the hypothetical license in suit. (Dkt. No. 169 at 7.) Namely, according to Biscotti, Ms. Salters fails to account for (or even address) the fact that the HDMI licenses are to patents alleged to cover a standard, which

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<sup>1</sup> Microsoft also argues that Ms. Salters does not rely on the HDMI licenses as a basis for increasing or decreasing the royalty beyond the range derived from other evidence. Rather, Microsoft asserts that she simply uses the HDMI licenses to confirm her analysis of the royalty rate derived from consideration of other evidence in light of the *Georgia-Pacific* factors. Specifically, Microsoft argues that HDMI licenses merely serve as a “point of comparison.” Therefore, according to Microsoft, the Court should not strike consideration of the HDMI licenses. The Court finds this characterization disingenuous and unpersuasive. Whether the HDMI licenses are used to *reach* the royalty rate urged for the hypothetical license in suit or to *confirm* such rate, in both instances the HDMI licenses are used as evidence to support Ms. Salters’ ultimate damages opinion. Microsoft urges a distinction without a difference.

subjects the patents to RAND obligations. (*Id.*) Since the Federal Circuit has recognized the difference in application of the *Georgia-Pacific* factors to cases involving RAND-encumbered patents, Biscotti argues that failure to account for such differences in this case warrants exclusion of the HDMI licenses. *See Ericsson, Inc. v. D-Link Sys., Inc.*, 773 F.3d 1201, 1230 (Fed. Cir. 2014) (“In a case involving RAND-encumbered patents, many of the *Georgia-Pacific* factors simply are not relevant; many are even contrary to RAND principles.”); *Wordtech Sys., Inc.*, 609 F.3d at 1320.

Microsoft disputes the fact that the HDMI licenses are to patents that are subject to RAND obligations. (Dkt. No. 180 at 7.) According to Microsoft, the HDMI standard-setting organization does not impose FRAND licensing obligations on its members. (*Id.*) Accordingly, since there is no RAND obligation encumbering the HDMI patents, Ms. Salters’ other opinions regarding the economic comparability of the HDMI licenses are sufficient to avoid exclusion. (*Id.* at 6–7.)

The Court again agrees with Biscotti. While the parties dispute whether the HDMI licenses are RAND-encumbered, the Court finds that there are substantial economic differences between the HDMI licenses and the hypothetical license in suit, which Ms. Salters failed to address. In its reply brief, Biscotti points to the bylaws of the HDMI standards setting organization, which provide that one of the purposes of the organization is to “provid[e] an open, fair, reasonable and non-discriminatory licensing program.” (Dkt. Nos. 198 at 4; 198-3 at 5.) Additionally, Biscotti highlights the fact that Microsoft concedes that the HDMI standards setting organization “imposes a patent non-assertion covenant and reserves the right to establish royalty fees.” (Dkt. No. 198 at 4; 180 at 7.) While the Court declines to determine whether or not the HDMI licenses are subject to RAND obligations, the Court is persuaded that the economic differences between the HDMI licenses and the hypothetical license in suit (due to the fact that the HDMI licenses are standard



essential) are such that Ms. Salters should have accounted for them. Failure to do so warrants exclusion.

In sum, the Court finds that Ms. Salters and Dr. Orchard have failed to provide the requisite opinion testimony in their reports analyzing the technological and economic comparability of the HDMI licenses. Failure to do so prevents Biscotti from being able to adequately probe the experts' ultimate conclusions and thus warrants exclusion. Accordingly, Biscotti's Motion to Exclude the Testimony and Opinion of Ambreen Salters Regarding the HDMI Licenses (Dkt. No. 169) is **GRANTED**.

**SIGNED this 25th day of May, 2017.**

  
ROY S. PAYNE  
UNITED STATES MAGISTRATE JUDGE