

**UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
ORLANDO DIVISION**

OMEGA PATENTS, LLC,

Plaintiff,

v.

Case No: 6:13-cv-1950-Orl-40DAB

CALAMP CORP.,

Defendant.

ORDER

This cause comes before the Court on the following:

1. Plaintiff's Motion and Memorandum of Law to Exclude the Testimony of Defendant's Expert Eric Andrews (Doc. 55), filed July 1, 2015;¹
2. Defendant CalAmp Corp.'s Response in Opposition to Plaintiff's Motion to Exclude the Testimony of Defendant's Expert Eric Andrews (Doc. 75), filed July 20, 2015;
3. Plaintiff's Motion and Memorandum of Law to Exclude the Testimony of Defendant's Expert on Damages (Doc. 56), filed July 1, 2015; and
4. Defendant CalAmp Corp.'s Response to Plaintiff's Motion to Exclude the Testimony of Defendant's Expert on Damages, (Doc. 74), filed July 20, 2015.

Upon consideration and having reviewed the pertinent pleadings and the exhibits submitted by the parties, the Court grants in part and denies in part Plaintiff's *Daubert* motion as to Eric Andrews and grants Plaintiff's *Daubert* motion as to DeForest McDuff.

¹ Mr. Andrews' expert report on the issue of invalidity is located at Docket Entry 57-12, and his report on the issue of noninfringement is located at Docket Entry 66-7.

I. BACKGROUND

Omega Patents, LLC (“Omega”) contends that CalAmp Corp. (“CalAmp”) infringes the claims of U.S. Patent No. 6,346,876 (“the ‘876 Patent”), U.S. Patent No. 6,737,989 (“the ‘989 Patent”), U.S. Patent No. 6,756,885 (“the ‘885 Patent”), U.S. Patent No. 7,671,727 (“the ‘727 Patent”), and U.S. Patent No. 8,032,278 (“the ‘278 Patent”) (collectively the “patents-in-suit”). (Doc. 1). The patents-in-suit relate to control systems for vehicles with a “data communications bus.” (Doc. 54, pp. 1–2).² Omega asserts that CalAmp’s devices are used to monitor particular vehicle characteristics and conditions and report vehicle information to an end user thus infringing on the patents-in-suit. (*Id.* at p. 2).

Defendant CalAmp advertises for sale the LMU-3000, LMU-3030, and LMU-3050 (the “Accused Devices”) which are described as full featured tracking systems which “access vehicle diagnostic interface data, track vehicle speed and location, plus detect hard braking, cornering, or acceleration.” (Doc. 114-1, p. 2; 114-2, p. 2). CalAmp denies that the Accused Devices infringe upon any claim of the patents-in-suit. (Doc. 10, p. 4). CalAmp further asserts that the Accused Devices do not infringe upon the patents-in-suit and that the patents-in-suit are unenforceable due to inequitable conduct, invalid due to anticipation by one or more prior art references under 35 U.S.C. § 102, and obvious in view of the prior art under 35 U.S.C. § 103. (Doc. 20).

² The Court has previously construed “data communications bus” to mean “wired connection for communication of digital messages among vehicle devices, with each message including one or more device addresses.” (Doc. 50, p. 25).

II. STANDARD OF REVIEW

A. *Daubert*

The Federal Rules of Evidence allow a witness who is qualified as an expert because of his “knowledge, skill, expertise, training, or education” to offer opinion testimony where certain requirements are satisfied. Fed. R. Evid. 702. Under Rule 702 and the U.S. Supreme Court’s ruling in *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579 (1993), district courts act as “gatekeepers” to “ensure that speculative, unreliable expert testimony does not reach the jury under the mantle of reliability that accompanies the appellation ‘expert testimony.’” *Rink v. Cheminova, Inc.*, 400 F.3d 1286, 1291 (11th Cir. 2005), *cert. denied*, 546 U.S. 935 (2005). To do this, district courts must engage in a rigorous three-part inquiry, which requires the court to ask whether: “(1) the expert is qualified to testify competently regarding the matters he intends to address; (2) the methodology by which the expert reaches his conclusions is sufficiently reliable . . . ; and (3) the testimony assists the trier of fact, through the application of scientific, technical, or specialized expertise, to understand the evidence or to determine a fact in issue.” *Id.* at 1291–92.

In forming the basis of his or her opinion, an expert may rely on “facts or data in the case that the expert has been made aware of or personally observed.” Fed. R. Evid. 703. To that end, the facts or data on which an expert forms his opinion need not be admissible for his opinion to be admitted as long as these facts and data are of the type that experts in his field normally rely upon in forming an opinion on the subject at hand. *Id.* However, an expert witness may not disclose otherwise inadmissible facts or data to the jury unless the probative value of the information substantially outweighs any

prejudicial effect. *Id.* Finally, an expert's opinion is not inadmissible simply because the expert opines on an ultimate issue in the case. Fed. R. Evid. 704(a).

In determining the admissibility of expert evidence, "it is not the role of the district court to make ultimate conclusions as to the persuasiveness of the proffered evidence." *Rosenfield v. Oceania Cruises, Inc.*, 654 F.3d 1190, 1193 (11th Cir. 2011). Indeed, cross-examination, contrary evidence, and instruction on the burden of proof are the proper tools for challenging questionable expert evidence. *Id.* It is ultimately the burden of the party who offers the expert to show that his opinion is admissible, and the party must do so by a preponderance of the evidence. *Rink*, 400 F.3d at 1292.

B. Limitation of Expert Testimony in Patent Cases

Unique to patent cases is the role of the Court in interpreting claims contained within the patents-in-suit. *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 977 (Fed. Cir. 1995), *aff'd*, 517 U.S. 370 (1996). The Court's construction of the claims limits the scope of the opinions which an expert may present to the jury. Omega correctly notes that an expert may not offer claim definitions to the jury that are at odds with the Court's construction as claim construction is solely the Court's role. *Cordis Corp. v. Bos. Sci. Corp.*, 561 F.3d 1319, 1337 (Fed. Cir. 2009). Thus, expert opinions in patent litigation must be based on the court's claim construction in order to be considered relevant and reliable and, therefore, admissible. See *Dynetix Design Sols., Inc. v. Synopsys, Inc.*, No. C11-5973 PSG, 2013 WL 4537838, at *4 (N.D. Cal. Aug. 22, 2013) ("Any expert testimony must adhere to the court's claim constructions and must not apply alternative claim constructions."); see also *Hochstein v. Microsoft Corp.*, No. 04-73071, 2009 WL 2022815, at *1 (E.D. Mich. July 7, 2009) (granting plaintiffs' motion to exclude testimony from

defendant's expert that conflicted with court's claim construction). This limitation exists because the question of infringement is resolved by comparing the claim terms—as construed by the court—to the accused device. *Apex Inc. v. Raritan Comput., Inc.*, 325 F.3d 1364, 1370 (Fed. Cir. 2003).

However, discerning when an expert has strayed from the Court's claim construction is not always a simple task. CalAmp is correct in pointing out that “[w]hile experts must apply the court’s claim construction, experts are also permitted to introduce evidence and discuss the plain and ordinary meaning of terms not construed by the Court to one skilled in the art.” (Doc. 75, p. 7). “At trial, parties may introduc[e] evidence as to the plain and ordinary meaning of terms not construed by the Court to one skilled in the art, so long as the evidence does not amount to argu[ing] claim construction to the jury.” *Apple, Inc. v. Samsung Elecs. Co.*, 2014 WL 660857, at *24 (N.D. Cal. Feb. 20, 2014) (internal citations and quotation marks omitted). Accordingly, while an expert may not deviate from the construction of claims already decided by the Court, the expert may explain the meaning of terms not construed by the Court by advising the jury how one skilled in the art would interpret those terms. It is within this framework that the Court evaluates admissibility of the testimony and opinions offered by Mr. Andrews.³

III. DISCUSSION AS TO ERIC ANDREWS

A. Control Function

Omega contends that CalAmp's expert, Eric Andrews, professes that he is using the Court's claim construction while he is actually relying on “new claim limitations added to the Court's construction in order to come up with noninfringement opinions.” (Doc. 55,

³ The Court's claim construction order is found at Docket Entry 50.

p. 5). The term “controller” is found in the claims of all five patents-in-suit, and the parties agreed to the definition of a controller which was adopted by the Court. (*Id.*) Omega contends that Mr. Andrews modifies the Court’s construction of “controller” by adding a limitation that requires the controller to “enable a physical change in a device or the system, for example, locking a door, starting the engine, or turning on a light.” (*Id.* at p. 6). The Court, however, construed the term “controller” as “[e]lectronic circuitry that performs one or more control functions.” (Doc. 50, p. 6). In his deposition, Mr. Andrews confirms that the language “enable a physical change” is his language and was not included in the Court’s construction. (Doc. 55, p. 6). Mr. Andrews also acknowledges that nothing in the patents-in-suit suggest that a controller must cause a physical change. (*Id.* at pp. 6–7). Omega contends that the inclusion of this limitation is necessary for Mr. Andrews to arrive at the opinion that the Accused Devices do not infringe. (*Id.* at pp. 7–8).

CalAmp responds that Mr. Andrews has not deviated from the Court’s construction of controller. (Doc. 75, p. 4). To the contrary, CalAmp argues that Mr. Andrews’ observation that “[a] controller (both as defined by this Court, and as described in the ‘876 patent) would have the ability to ‘perform one or more control functions’ to enable a physical change in a device or the system, for example locking a door, starting the engine, or turning on a light,” is merely an explanation of why the Accused Devices do not infringe upon the patent. (*Id.*) Mr. Andrews states in his report that “[a] person of ordinary skill in the art would recognize that neither the LMU-3000 nor the LMU-3030 are multi-vehicle compatible controllers” because they are passive devices that request and receive data

via the bus without the ability to “perform one or more control functions.”⁴ (*Id.*). Mr. Andrews submits that a person of ordinary skill in the art would understand the phrase “perform one or more control functions” to include enabling a physical change in the device or the system, such as locking a door. (*Id.*). CalAmp asserts that Mr. Andrews is explaining the plain meaning of the term “control function” and is not construing the term. (*Id.*).

The parties agreed that “controller” should be defined as “[e]lectronic circuitry that performs one or more control functions.” (Doc. 50, p. 6). The Court was not asked to interpret the term “control function,” leaving the parties free to present evidence regarding the meaning of these words to those of ordinary skill in the art. To the extent Omega disagrees with Mr. Andrews’ opinion regarding whether one of ordinary skill in the art would consider “control function” to include a physical change in a device or system, Omega may present contrary evidence. However, Mr. Andrews’ interpretation of the meaning of the previously undefined term “control function” does not rise to the level of claim construction which conflicts with the Court’s prior pronouncement. Omega’s motion to preclude Mr. Andrews from rendering an opinion concerning the meaning of “control function” to a person of ordinary skill in the art and the significance of that term to the issue of infringement is denied. Mr. Andrews will be permitted to offer his opinion

⁴The Court “may not use the accused product or process as a form of extrinsic evidence to supply limitations for patent claim language” which prevents the Court from “tailoring a claim construction to fit the dimensions of the accused product or process”; however, the rule does not preclude “awareness of the accused product or process to supply the parameters and scope of the infringement analysis.” *Wilson Sporting Goods Co. v. Hillerich & Bradsby Co.*, 442 F.3d 1322, 1330–31 (Fed. Cir. 2006). Omega suggests that Mr. Andrews has transgressed this rule, but the rule limits the Court’s construction of the claim and not the expert’s testimony. To the extent the same limitation should apply to an expert, Omega has failed to demonstrate how Mr. Andrews’ opinions transgress this rule.

regarding how persons of ordinary skill in the art would interpret the term “control function” and whether the Accused Devices infringe upon the patents-in-suit.⁵

B. Controller Storing A User Selected Reference Location

Omega seeks to preclude Mr. Andrews from presenting testimony concerning the meaning of “controller storing a user selected reference location” in relation to his opinion that the Accused Devices do not infringe upon the ‘989 Patent. (Doc. 55, p. 8). Omega contends that this term was never identified by CalAmp as a disputed term subject to construction by the Court and that Mr. Andrews’ testimony violates the prohibition against crafting claim limitations based on the Accused Products and contravenes the doctrine of claim differentiation. (*Id.* at p. 9). At the heart of this dispute is whether the ‘989 Patent requires a user to select a reference location at the controller. (*Id.*). If the ‘989 Patent contains this limitation, the Accused Devices do not infringe upon the patent because the Accused Devices do not permit the user to select a reference location at the controller. (*Id.*).

Mr. Andrews discusses the prosecution history before the USPTO in concluding that those skilled in the art would understand the term “controller storing a user selected reference location” to require the user to select the reference location at the controller in the vehicle. (*Id.*). Omega notes that claim 1 of the ‘989 Patent refers to the user selecting the location from within the vehicle, while claim 23 does not contain this limitation. (*Id.* at p. 10). According to Omega, the contrast between claim 1 and claim 23 are fatal to Mr.

⁵ Omega does not challenge Mr. Andrews’ testimony on any grounds other than the premise that he ignores the Court’s claim construction. Moreover, to the extent Omega suggests Mr. Andrews interprets “control function” differently in his validity and infringement opinions, Omega may inquire about this on cross-examination.

Andrews' opinion that the term "controller storing a user selected reference location" requires the user to select the reference location at the controller in the vehicle. (*Id.*).

CalAmp replies with two commonsense arguments: first, neither Omega nor CalAmp submitted the term to the Court for construction, and, second, Omega's expert, Joseph McAlexander, opines that the Accused Devices infringe upon the '989 Patent, making the response by Mr. Andrews fair game. (Doc. 75, p. 7). Since neither party elected to submit this term to the Court for construction, and because both parties' experts are discussing the meaning of the term, it defies logic to allow Mr. McAlexander to testify concerning the meaning of the term to persons of ordinary skill in the art while preventing Mr. Andrews from presenting his contrary interpretation. CalAmp correctly observes that where neither party seeks construction of a term which is at issue, the "courts give those terms their ordinary and customary meaning . . . to a person of ordinary skill in the art in question at the time of the invention." *Apple*, 2014 WL 660857, at *24.

It is clear that claim 1 of the '989 Patent includes the following limiting language: "at least one input device to be positioned within the vehicle for setting the user selected reference location." (Doc. 57-2). Claim 23 of the '989 Patent is nearly identical to claim 1, but claim 23 does not include an input device within the vehicle to allow the user to select the reference location. (*Id.*). Both of these claims are independent claims, and the doctrine of claim differentiation "refers to the presumption that an independent claim should not be construed as requiring a limitation added by a dependent claim." *Curtiss-Wright Flow Control Corp. v. Velan, Inc.*, 438 F.3d 1374, 1380 (Fed. Cir. 2006). In the context of two independent claims, such as claims 1 and 23 of the '989 Patent, "claim differentiation takes on relevance in the context of a claim construction that would render additional, or

different, language in another independent claim superfluous; and . . . claim differentiation ‘can not broaden claims beyond their correct scope.’” *Id.* at 1381. It appears that Mr. Andrews’ interpretation of claim 23 renders the language in claim 1 regarding “at least one input device to be positioned within the vehicle for setting the user selected reference location” superfluous. However, the Federal Circuit has cautioned that “claim drafters can also use different terms to define the exact same subject matter.” *Id.* at 1380.

Whether the testimony of Mr. Andrews is undermined by the embodiments contained in the patent, or by the juxtaposition of claims 1 and 23, is a matter for cross-examination. That is, Omega is free to cross-examine Mr. Andrews on the basis for his opinion that claim 23 would be understood by a person of ordinary skill in the art to require the user to select a reference location at the vehicle. Omega’s motion to preclude Mr. Andrews from rendering an opinion that the term “controller storing a user selected reference location” requires the user to select the reference location at the controller in the vehicle and its significance to the issue of infringement is therefore denied. However, the Court finds the admissibility of Mr. Andrews’ expert testimony on this point to be an extremely close question, and the Court may revisit this ruling during the course of the trial before Mr. Andrews testifies and may require a proffer from Mr. Andrews outside the presence of the jury, depending on the state of the evidence at that juncture.

C. Command Signal

Omega moves to exclude Mr. Andrews from testifying that the term “command signal” includes “using only a single bus interface protocol.” (Doc. 55, p. 10). At the *Markman* hearing, CalAmp proposed that “command signal” be construed as “signal generated on the data communications bus for operating a vehicle device to cause a

desired function to be performed at the vehicle.” (Doc. 50, p. 13). The Court adopted the construction proposed by Omega and construed “command signal” as “signal generated on the data communications bus for operating a vehicle device.” (*Id.* at p. 15). Unlike the term “controller storing a user selected reference location,” the term “command signal” was presented to the Court for construction. However, neither Omega nor CalAmp proposed or suggested that command signal should include a definition of the number of interface protocols used to send a non-working command signal. This issue appears for the first time in the report of Omega’s expert, Mr. McAlexander.

CalAmp contends that Mr. Andrews is not construing the term “command signal” to include any new limitations. (Doc. 75, pp. 10–11). Omega’s expert, Mr. McAlexander, opines in his report that “sending a Mode 1, PID 0 message using various interface protocols constitutes sending working and non-working command signals.” (*Id.* at p. 10). Mr. Andrews rebuts Mr. McAlexander’s opinion that various bus interface protocols are being used and opines that, in fact, the ‘876 Patent envisions a single bus protocol and a multitude of command signals. (*Id.*). CalAmp contends that Mr. Andrews does not construe “command signal” and is only explaining the difference between working and non-working command signals and is supporting his opinion that a Mode 1, PID 0 request incompatible with a particular bus cannot be a non-working command signal. (*Id.* at p. 11).

Omega’s motion to preclude Mr. Andrews from limiting the construction of “command signal” is denied. Mr. Andrews’ testimony is offered to rebut the opinion testimony of Mr. McAlexander and is not intended to construe the term “command signal.”⁶ It is noteworthy that CalAmp did not have the expert testimony of Mr.

⁶ The relevant portion of the ‘876 Patent provides as follows:

McAlexander at the time of the *Markman* hearing. Therefore, it seems unlikely CalAmp would have known to anticipate the need for construction of “command signal” to include construction of the number of interface bus protocols used to send working or non-working command signals.

D. Whether Mr. Andrews’ Opinions Rely on Inconsistent Claim Interpretations

Omega submits that CalAmp’s expert, Mr. Andrews, inconsistently applies his opinions regarding how a person of ordinary skill in the art would interpret certain language within the above claims. (Doc. 55, p. 11). That is, Omega contends that Mr. Andrews must apply claims the same way for validity and for infringement and may not apply a different construction for each analysis. (*Id.*). By failing to apply claim terms consistently, Omega concludes that Mr. Andrews’ testimony is unreliable and inadmissible. (*Id.*). Omega cites to a single question and answer contained in Mr. Andrews’ deposition to support the proposition that he applies terms inconsistently. (*Id.*).

The multi-vehicle compatible controller preferably generates at least one set of command signals on the data communications bus for the at least one vehicle device. The at least one set of command signals preferably comprises at least one working command signal and at least one non-working command signal for a given vehicle to thereby provide compatibility with a plurality of different vehicles. In other words, multiple signals or codes can be generated on the data communications bus, and only that code for the given vehicle and device will cause an operation or response from the vehicle device.

(Doc. 57-1, ‘876::3:9–20). Neither party directs the Court to the term “interface protocol” in the ‘876 Patent.

CalAmp replies that the single question and answer are taken out of context. (Doc. 75, pp. 11–12). The Court has reviewed the relevant portions of Mr. Andrews’ deposition and finds the quoted exchange insufficient to demonstrate that Mr. Andrews inconsistently applies terms in his validity and infringement analyses. Omega cites *W.L. Gore & Associates., Inc. v. Garlock, Inc.*, 842 F.2d 1275, 1279 (Fed. Cir. 1988), for the proposition that inconsistent application of terms renders the expert’s opinions unreliable. (Doc. 55, p. 11). However, *W.L. Gore* addresses the law of the case doctrine, which holds that once a court construes the claims one way for determining their validity, it must construe the claims the same way for infringement. *Id.* It is logical that an expert should not be permitted to use conflicting interpretations of terms in rendering validity and infringement opinions, but the record is insufficient for the Court to conclude that Mr. Andrews is, in fact, engaging in such analysis. Omega’s motion to preclude Mr. Andrews from relying on inconsistent claim interpretations is therefore denied.

E. Whether Mr. Andrews Failed to Articulate Motivation to Combine or Consider Secondary Considerations of Non-Obviousness

It is undisputed that Mr. Andrews’ opinions of invalidity as to all five of the patents-in-suit are based on obviousness. (Doc. 55, p. 12). With regard to the ‘876, ‘885, ‘727, and ‘278 Patents, Mr. Andrews combines several reference to prior art, including certain references to the Society of Automotive Engineers (“SAE”), in rendering his opinion of obviousness. (*Id.*). Omega identifies the patents-in-suit and the specific references to SAE standards in their motion. (*Id.* at p. 13).

“Generally, a party seeking to invalidate a patent as obvious must demonstrate by clear and convincing evidence that a skilled artisan would have had reason to combine the teaching of the prior art references to achieve the claimed invention, and that the

skilled artisan would have had a reasonable expectation of success from doing so.” *In re Cyclobenzaprine Hydrochloride Extended-Release Capsule Patent Litig.*, 676 F.3d 1063, 1068–69 (Fed. Cir. 2012) (internal quotation marks omitted). Obviousness must be established by clear and convincing evidence that a combination of prior art references leads to the conclusion that the invention was obvious to one of skill in the art at the time of the invention. *In Touch Techs., Inc. v. VGO Commc’ns., Inc.*, 751 F.3d 1327, 1352 (Fed. Cir. 2014). “[H]indsight analysis is inappropriate because obviousness must be assessed at the time the invention was made.” *Cyclobenzaprine Hydrochloride Litig.*, 676 F.3d at 1073. Accordingly, the failure of an expert to articulate why one of ordinary skill in the art would combine the prior art references warrants excluding the expert’s opinion on invalidity. *Innogenetics, N.V. v. Abbot Labs.*, 512 F.3d 1363, 1373 (Fed. Cir. 2008).

Omega contends that Mr. Andrews improperly relied on hindsight reasoning to support his obviousness conclusions and errs by using Omega’s infringement contentions and the patents as a road map to combine the prior art references. (Doc. 55, p. 13). Additionally, Omega asserts that Mr. Andrews failed to articulate a basis for combining the prior art references and that Mr. Andrews did not consider objective indicia of nonobviousness. (*Id.* at pp. 13–14). Objective indicia of nonobvious includes “evidence of unexpected results, expert skepticism, copying, commercial success, praise by others . . . , failure by others, and long-felt need.” *Mintz v. Dietz & Watson, Inc.*, 679 F.3d 1372, 1379 (Fed. Cir. 2012).

CalAmp disagrees with Omega’s characterization of Mr. Andrews’ invalidity analysis and quotes extensively from Mr. Andrews’ Invalidity Report. (Doc. 75, pp. 14–

15). Mr. Andrews identifies the proper legal standard for obviousness, including objective indicia of nonobviousness, and he attests that the principles were applied in his analysis. (*Id.* at p. 14). Furthermore, it is clear from his Invalidity Report that Mr. Andrews examines the issue of obviousness from the perspective of one skilled in the art before the date of the invention. (*Id.*). Based upon the record, including the Invalidity Report (Doc. 57-12), Mr. Andrews considered and expressed why a person skilled in the art would be motivated to use the teachings of J1978, the '479 Patent, and other prior art, prior to the date of the invention. (Doc. 75, pp. 14–15). Finally, CalAmp quotes from Mr. Andrews' deposition to demonstrate that he considered secondary indicia of nonobviousness and found it to be unpersuasive. (*Id.* at p. 18). Accordingly, the methodology employed by Mr. Andrews in rendering his invalidity (obviousness) opinions is sufficiently reliable to allow his opinions to be presented.⁷ Omega's motion to exclude Mr. Andrews' opinions as to invalidity (obviousness) is denied.

F. Exclusion of Opinions Not Clearly Reported

Omega objects to and seeks exclusion of any opinions offered by Mr. Andrews as to invalidity relating to the '850, '254, '492, '106, '545, '268, '157, and '537 Patents, Japanese Pub Hei 11[1999]-62793, and OBD II to RS-232 Interface Adapter AutoTap (1998 Copyright date), which are attached to the Invalidity Report as Exhibits 24 through 33 (Doc. 57-12, p. 14; Doc. 55, p. 15). Mr. Andrews identifies these prior art references under a section of his report entitled "Additional References." (Doc. 57-12, p. 14). The prior art references are preceded by the following narrative:

⁷ The Court is persuaded by CalAmp's explanation of Mr. Andrews' deposition testimony wherein he states he "ran out of time," referring to lacking time to continue his review of secondary indicia of nonobviousness.

In addition to the references discussed above, I also considered a number of additional prior art references that also disclosed the elements claimed by Omega's patents. For reasons of brevity, they were not include in the detailed discussion which follows. However, it is my opinion that these references also disclose all of the elements of each asserted claim of the Omega patents, and could be used alone, in combination with themselves, or in combination with references disclosed above to show additional reasons why the asserted Omega patents are not valid in view of the prior art.

(*Id.*).

Mr. Andrews dedicates the balance of the Invalidity Report to explaining how the prior art references identified in Exhibits 8 through 23 relate to obviousness. (Doc. 57-12, pp. 19–221). Omega contends that the “Additional References” to ten prior art references, devoid of any analysis, fails to comply with Federal Rule of Civil Procedure 26, justifying the exclusion of this testimony. If such testimony were permitted, it could result in each of the ten prior art references individually being combined with one or more of the fifteen prior art references already discussed to produce an opinion of invalidity.

In response, CalAmp suggests that an expert may testify beyond the scope of his report in the absence of surprise or bad faith. *Bowersfield v. Suzuki Motor Corp.*, 151 F. Supp. 2d 625, 631 (E.D. Pa. 2001). CalAmp rather surprisingly concludes that “there is no possibility of surprise as Mr. Andrews identifies the prior art reference” and included the ten prior art references as exhibits. (Doc. 75, p. 20).

Federal Rule of Civil Procedure 26 requires more than a mere recitation of exhibits which may—in some undefined manner and through numerous unspecified combinations—demonstrate obviousness. Complying with Rule 26 is “‘not merely an aspiration’ as ‘the expert witness discovery rules are designed to allow both sides in a case to prepare their cases adequately and to prevent surprise.’” *Bray & Gillespie Mgmt.*

LLC v. Lexington Ins. Co., No. 6:07-cv-222-Orl-35KRS, 2009 WL 1043974, at *3 (M.D. Fla. Apr. 17, 2009) (quoting *Reese v. Herbert*, 527 F.3d 1253, 1266 (11th Cir. 2008)). For this very reason, Rule 26 requires an expert to provide a “complete statement of all opinions the witness will express and the basis and reasons for them.” Fed. R. Civ. P. 26(a)(2)(B)(i). It took Mr. Andrews 202 pages to articulate the reasons why and how the fifteen prior art references attached to the report as Exhibits 8 through 23 support a finding of invalidity. Using this as a yardstick, Omega could reasonably expect a similar analysis involving the ten “additional references” to require approximately 134 pages of analysis.⁸ The fact that Mr. Andrews elected to exclude this detailed analysis “for reasons of brevity” is not an acceptable justification for deviating from Rule 26 and does not prevent Omega from being prejudiced. The omission of critical analysis from the Invalidity Report constitutes bad faith or, at a minimum, reflects an approach to litigation which runs contrary to the high standards of behavior established in the Federal Rules of Civil Procedure and which are expected to be followed by expert witnesses testifying in federal court.

The Court finds the violation of Rule 26, as it pertains to the ten prior art references identified in Mr. Andrews’ report, to have resulted in substantial prejudice to Omega such that the only proper remedy at this late date is the exclusion of Exhibits 24 through 33 along with the testimony relating to how the prior art references relate to Mr. Andrews’ opinions. Accordingly, Omega’s motion to exclude opinions not clearly stated in the Rule 26 report is granted.

⁸ If the ten additional references are combined with the existing fifteen references, the page count necessary to articulate the basis for invalidity climbs considerably.

IV. DISCUSSION AS TO DEFOREST MCDUFF

Omega moves to exclude CalAmp's expert, DeForest McDuff, Ph.D. Dr. McDuff was retained by CalAmp to opine on the amount of damages to which Omega would be entitled if CalAmp is found to have infringed Omega's asserted patents. Omega argues that Dr. McDuff utilizes improper methodologies to reach his ultimate opinion. Therefore, Omega contends that Dr. McDuff should be excluded from testifying in this case.

A. Whether Dr. McDuff is qualified to testify competently regarding the matters he intends to address.

Omega stated at the *Daubert* hearing that it does not contest that Dr. McDuff is qualified to render testimony regarding damages in this case. A review of Dr. McDuff's qualifications (McDuff Report, Doc. 66-1, p. 1) assures the Court that this prong of the analysis need not be addressed further.

B. Whether the methodology by which Dr. McDuff reaches his conclusions is sufficiently reliable.

Dr. McDuff's ultimate opinion on the amount of damages to which Omega may be entitled can be broken down into three steps. First, Dr. McDuff calculated CalAmp's incremental profits on the sales of the Accused Devices. This reduced the average sales price of an Accused Device from \$101 to an incremental profit value of approximately \$11.00 to \$12.40. Second, Dr. McDuff utilized a word count methodology based on the Accused Devices' marketing materials. Using a calculation explained in further detail below, this reduced the \$11.00 to \$12.40 value range to an \$0.81 to \$0.90 value range. Third, Dr. McDuff employed a marketing theory with a variation of a 50/50 split to reduce the \$0.81 to \$0.90 value range to a final value of \$0.37 to \$0.41 value range. The Court addresses each step of Dr. McDuff's analysis in turn.

1. Step One: Artificial Cap

Omega first argues that Dr. McDuff's opinion should be excluded because Dr. McDuff improperly used the incremental profits of the sales of the Accused Devices as a hard cap on Omega's damages. In measuring patent infringement damages, "[a] patentee is entitled to no less than a reasonable royalty on an infringer's sales for which the patentee has not established entitlement to lost profits." *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1554 (Fed. Cir. 1995). Lost profits are not at issue in this case; thus, Omega's damages are limited to a reasonable royalty. In determining what constitutes a reasonable royalty, the factfinder may look to either (1) an established royalty, if available, or, if not (2) "the supposed result of hypothetical negotiations between the plaintiff and defendant" at the time infringement began. *Id.* As to the hypothetical negotiation, the Federal Circuit "has sanctioned the use of the *Georgia-Pacific*⁹ factors to frame the reasonable royalty inquiry." *Uniloc USA, Inc. v. Microsoft, Corp.*, 632 F.3d 1292, 1317 (Fed. Cir. 2011). "A reasonable royalty may be a lump-sum payment not calculated on a per unit basis, but it may also be, and often is, a running payment that varies with the number of infringing units. In that event, it generally has two prongs: a royalty base and a royalty rate." *VirnetX, Inc. v. Cisco Sys.*, 767 F.3d 1308, 1326 (Fed. Cir. 2014).

Dr. McDuff first calculated the incremental profits for the sales of the Accused Devices as follows:

First, I calculate CalAmp's incremental expenses by multiplying CalAmp's average sales price by CalAmp's incremental expenses as a percent of revenue. Then, I deduct the incremental expenses from CalAmp's gross profit to determine CalAmp's incremental profit. This results in an

⁹ *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970) (setting forth a non-exhaustive list of fifteen factors).

apportioned incremental profit per unit for the LMU-3000 ranging from \$11.00 to \$17.73 and for the LMU-3030 ranging from \$6.31 to \$21.71.

(McDuff Report, Doc. 66-1, p. 34). Omega asserts that this methodology, while not flawed in and of itself, improperly caps Omega's reasonable royalty rate at a number no larger than CalAmp's historical incremental profits.

Omega argues that such a cap is improper because an infringer's profits cannot be used as a hard cap on the reasonable royalty rate. Omega contends that this error alone necessitates the exclusion of Dr. McDuff as an expert. In *Douglas Dynamics, LLC v. Buyers Products Co.*, 717 F.3d 1336, 1346 (Fed. Cir. 2013), the Federal Circuit noted that the district court erred in limiting the royalty rate of the infringer's profit margins, stating, "This court has held that an infringer's net profit margin is not the ceiling by which a reasonable royalty is capped." See also *Powell v. Home Depot U.S.A., Inc.*, 663 F.3d 1221, 1238 (Fed. Cir. 2011). Stated differently, "There is no rule that a royalty be no higher than the infringer's net profit margin." *Golight, Inc. v. Wal-Mart Stores, Inc.*, 355 F.3d 1327, 1338 (Fed. Cir. 2004). Additionally, Omega asserts that Dr. McDuff did not look at or analyze any of the other *Georgia-Pacific* factors in reaching his starting point for calculating a reasonable royalty.

While CalAmp agrees with Omega as to the law on this issue, CalAmp responds that Dr. McDuff employed this methodology to simply determine a measure of economic value to CalAmp as a starting point that would be relevant to the hypothetical negotiation for the patents-in-suit. CalAmp explains that the figure provides a sense for the profit that would be earned from the sale of each product and a number by which CalAmp would be willing to enter into a hypothetical licensing agreement. As Dr. McDuff explains, a party

to a hypothetical negotiation would want to consider the incremental profit of each additional sale of the allegedly infringing product.

The Court agrees with CalAmp that the first step in Dr. McDuff's analysis is merely a starting point for his calculations. The methodology used by Dr. McDuff in calculating CalAmp's incremental profits is technically sound. Had this been Dr. McDuff's sole methodology used to calculate a reasonable royalty in this case, the Court's conclusion might have been different. However, because Dr. McDuff's calculation of a reasonable royalty does not stop here, the Court will not exclude Dr. McDuff's opinion in this case solely on this basis.

2. Step Two: Relative Marketing Emphasis Theory/Word Count

Omega asserts that Dr. McDuff has employed a novel and untestable approach to further reduce the royalty rate to which Omega might be entitled. "No matter what the form of the royalty, a patentee must take care to seek only those damages attributable to the infringing features." *VirnetX*, 767 F.3d at 1326. Thus, an expert must apply "principles of apportionment" in determining a reasonable royalty rate. *Id.* Here, Dr. McDuff analyzed two of CalAmp's marketing brochures (Docs. 57-6, 57-7)¹⁰ to conduct a word count of certain key words and phrases. He describes the methodology as follows: "Next, I apportion to the contribution of the accused functionality as alleged to be commercialized within the LMU-3000 and LMU-3030 tracking units. I utilize the relatively [sic] marketing emphasis of various phrases relating to the contributions of the accused data bus and vehicle tracker functionalities." (McDuff Report., Doc. 66-1, p. 34). Explained more simply,

¹⁰ Docket Entry 57-6 relates to the LMU-3000 and Docket Entry 57-7 relates to the LMU-3030.

Dr. McDuff counted the total words in certain sections of the marketing brochures and then selected certain words which related to the asserted patents. (McDuff Report, Doc. 66-2, Figs. 3, 4). He then counted the number of chosen words and calculated the proportion of these words to all words to assign a value to solely the patented features in the Accused Devices. For example, as to the LMU-3000, out of the 280 words selected by Dr. McDuff, 5.4% of the device is apportioned to the data bus feature and 2% to the vehicle tracker feature.

Omega contends that this word counting technique is subjective since the back side of the marketing brochures' words and the bolded bullet points' words on the front side of the marketing brochures were not counted. The backside of the marketing brochure lists "Key Features" of the products, but Dr. McDuff did not account for these. Moreover, Dr. McDuff testified in his deposition that the information in the bullet points can be to highlight the most important product features. (McDuff Depo., Doc. 66-4, 75:8–24). However, he excluded them because they were "less representative of a means of determining a relative marketing emphases." (*Id.*).

More importantly, Omega contends that Dr. McDuff did not reliably count the words he did select in apportioning them to the asserted patents. For example, as to the LMU-3000, part of the marketing brochure reads, "These features enable the LMU-3000 to access vehicle diagnostic data, track vehicle speed and location, plus detect hard braking, cornering, and acceleration." (Doc. 57-6). The phrase "track vehicle speed and location" is not apportioned to the patents despite the asserted claims to a "vehicle position detecting device" in the '989 Patent and determining "vehicle speed" in the '727 Patent.

Further, the same weighted value is given to articles such as “the” and “and” as they are to phrases like “interface data.”

On a broader level, Dr. McDuff did not speak to anyone at CalAmp to determine whether his choice of words in the marketing materials was appropriate given that he is not an engineer. (McDuff Depo., Doc. 66-3, 18:5–11). Further, it is unclear to the Court who wrote the marketing materials and whether they should even be relied upon for any meaningful comparison. As discussed at the *Daubert* hearing, it is unclear whether the sophisticated buyers of the Accused Devices rely on these marketing brochures in deciding whether to purchase the products. CalAmp has not presented any evidence to tie the specific portions of the marketing brochures to the asserted patents.

Neither Dr. McDuff nor CalAmp has been able to point the Court to this type of methodology being accepted by or even utilized by other courts or experts in this field. Dr. McDuff himself acknowledged that there was no way to calculate an error rate using this methodology. (McDuff Depo., Doc. 66-4, 91:3–6). Thus, there is no way for the Court to determine reliability as to this portion of Dr. McDuff’s opinion. Dr. McDuff’s methodology cannot be tested, has not been subjected to peer review, has no known error rate, and, as far as the Court is aware, has not been generally accepted in the relevant scientific community. *Daubert*, 509 U.S. at 593–94. These are deficits that cannot be cured on cross-examination. Thus, Dr. McDuff’s opinion is due to be excluded.

3. Step Three: Nash Bargaining Solution/Muthoo

As a final matter, Omega contends that Dr. McDuff’s last step in his damages opinion uses what is, in reality, a version of the rejected “Nash Bargaining Solution.” Dr. McDuff undertakes what could be considered a second round of apportionment to

determine “how much of the benefit from Omega’s patented inventions was contributed by Omega, and as a corollary, how much benefit Calamp gets for incorporating functionality that infringes Omega’s patents in Calamp’s products.” (Doc. 56, p. 12). The Nash Bargaining Solution envisions two people in a bargaining negotiation and attributes a 50/50 split of the incremental profits between the licensor and the licensee based on generic assumptions. CalAmp contends that the framework Dr. McDuff employed from economist Abhinay Muthoo utilizes discount rates specific to the parties and is not the Nash Bargaining Solution.

The Federal Circuit has previously rejected the utilization of blanket assumptions in determining a reasonable royalty rate; rather, the application of a general theory must be tied to the facts of the particular case. *Uniloc*, 632 F.3d at 1316. In *Uniloc*, the Federal Circuit rejected the 25% Rule of Thumb because it had no relation to the facts of the case such that it was “arbitrary, unreliable, and irrelevant.” *Id.* at 1318. Similarly, in *VirnetX, Inc. v. Cisco Sys.*, 767 F.3d 1308 (Fed. Cir. 2014), the expert on damages modified a Nash Bargaining Solution profit split by 10% to represent a weaker bargaining position for one of the parties. The Federal Circuit rejected this use of the Nash Bargaining Solution as similar to the 25% Rule of Thumb and not tied to the particular facts of the case. *Id.* at 1331–34.

Omega asserts that the Muthoo theory put forth by Dr. McDuff is a form of the Nash Bargaining Solution in disguise. Omega asserts two reasons why Dr. McDuff’s opinion on this topic is improper: (1) Dr. McDuff made six assumptions in deriving his opinion which are not specific to the facts of this specific case, and (2) the WACC derived for Omega uses unrelated company data that cannot be compared to Omega.

First, Dr. McDuff sets forth six assumptions for the Muthoo model. The assumptions are as follows: (1) gains from trade, (2) positive discount rates, (3) additional offers can be made, (3) concentration of offers at a point in time, (5) linear utility in monetary value, and (6) symmetric information regarding time preference. (McDuff Report, Doc. 66-1, pp. 41–42). Then, to distinguish his opinion from a straightforward Nash calculation, Dr. McDuff uses a weighted average costs of capital (“WACC”) as follows:

I determine the share of the apportioned incremental profits that would go to Omega based on relative discount rates according to their respective weighted average costs of capital (WACC). The companies’ respective WACCs provide an economic determination of the parities’ opportunity costs of capital and thus willingness to contribute to the respective negotiation over apportioned revenues. I use Calamp’s WACC as reported by Bloomberg, which indicates WACCs ranging from 8.8% to 12.7% for fiscal years 2010 to 2015. I calculate Omega’s WACC using Ibbotson Cost of Capital Yearbooks and the relevant SIC code for Omega, which indicates WACCs ranging from 12.1% to 14.6% for years 2011 to 2012. I utilize 12.2% for Calamp’s discount rate and 14.6% for Omega’s discount rate in 2011, the year when the hypothetical negotiation would occur, noting that Omega’s small size and individual ownership indicate that, if anything, its discount rate would be relatively higher than the values report by Ibbotson.

(*Id.* at pp. 42–43) (citations and footnotes omitted).

WACCs measure the overall financial strength of a company. (McDuff Depo., Doc. 66-6, 145:19–146:4). Dr. McDuff utilized WACCs taken from Bloomberg for CalAmp and from Ibbotson Cost of Capital Yearbooks, using what he asserts are comparable companies, for Omega. To calculate the WACC for a company, one must know the company’s cost of equity and debt, the market value of the company’s debt and equity, the percentage of financing that is debt and equity, and the corporate tax rate. Dr. McDuff

testified that he did not know this information as it pertained to Omega. (McDuff Depo., Doc. 66-5 126:7–12; Doc. 66-6, 142:6–11, 143:12–13). Ultimately, Dr. McDuff determined that Omega would receive a 45.5% share of the apportioned incremental profits with the remaining share to CalAmp using the Muthoo model and WACC calculations. (McDuff Report, Doc. 66-1, p. 43).

Setting aside the six assumptions put forth by Dr. McDuff and looking only at the WACC he calculated for Omega, the Court finds that CalAmp has failed to offer sufficient evidence that the Ibbotson Cost of Capitol Yearbook provides an adequate and reliable WACC for Omega. As stated above, Dr. McDuff did not attempt to calculate the WACC for Omega using its own data. Other than the fact that Omega was not reported as an individual company in Ibbotson or on Bloomberg, the extent of the explanation for using a small subset of companies in Ibbotson for Omega's WACC is contained in a footnote which only describes Ibbotson's mission "to provide the latest and most up-to-date financial and cost of equity information possible." (McDuff Report, Doc. 66-1, p. 42 n.152). The exact companies used in the Ibbotson analysis are not specifically identified. (McDuff Depo., 66-5, 122:6–123:22). Thus, it is unclear to the Court what, if any, economic similarities these companies share with Omega. Dr. McDuff asserts that the companies within this subset are comprised of smaller companies within the patent industry (McDuff Depo., Doc. 66-5, 122:22–123:3), but other than this general proposition, no further detail is provided. Further, Dr. McDuff concedes that if the WACC calculation is excluded, the implication of the Muthoo model would result in a 50/50 split (McDuff Depo., Doc. 66-5, 137:9–13), a method that has been rejected by the Federal Circuit when the rationale for doing so is not tied to the specific facts of the case. Thus, even if the Court were not to

exclude Dr. McDuff's analysis under Step 2, Step 3 is also unreliable as being insufficiently grounded in the particular facts of this case. Dr. McDuff's opinion is due to be excluded under this step as well.

C. Whether Dr. McDuff's testimony will assist the trier of fact

As the Court has found that the methodology used by Dr. McDuff to reach his ultimate damages calculation is flawed and unreliable, the Court does not reach the issue of whether his testimony would assist the trier of fact. CalAmp has failed to prove by a preponderance of the evidence that Dr. McDuff passes the *Daubert* threshold to testifying as an expert in this case.

V. CONCLUSION

Accordingly, it is **ORDERED AND ADJUDGED** as follows:

1. Plaintiff's Motion and Memorandum of Law to Exclude the Testimony of Defendant's Expert Eric Andrews (Doc. 55) is **GRANTED IN PART AND DENIED IN PART** as follows:

- a. The Motion is **GRANTED** as provided for in Section III.F.
- b. The Motion is **DENIED** in all other respects.

2. Plaintiff's Motion and Memorandum of Law to Exclude the Testimony of Defendant's Expert on Damages (Doc. 56) is **GRANTED**.

DONE AND ORDERED in Orlando, Florida on December 23, 2015.


PAUL G. BYRON
UNITED STATES DISTRICT JUDGE

Copies furnished to:
Counsel of Record