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SONICWALL INC.

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN JOSE DIVISION

FINJAN, LLC, a Delaware Limited Liability Company,

Plaintiff,

v.

SONICWALL INC., a Delaware Corporation,

Defendant.

Case No.: 5:17-cv-04467-BLF-VKD

SONICWALL INC.'S RESPONSE TO FINJAN'S MOTION IN LIMINE NO. 2 TO PRECLUDE CERTAIN DAMAGES TESTIMONY BY DR. BECKER

Date: March 18, 2021
Time: 1:30 PM
Courtroom: 3, 5th Floor
Judge: Hon. Beth Labson Freeman

REDACTED

TABLE OF REFERENCED EXHIBITS[1]

September 4, 2020 Expert Report of DeForest McDuff, Ph.D.	Ex. 37
October 9, 2020 Expert Report of Stephen L. Becker, Ph.D. on Behalf of Defendant	Ex. 38
Errata to Expert Report of Stephen L. Becker, Ph.D. on Behalf of Defendant, SLB-1A and SLB-1B	Ex. 39
November 2, 2020 deposition of DeForest McDuff, Ph.D	Ex. 41

[1] All exhibits are attached to the Declaration of Jarrad M. Gunther.

Dr. Becker correctly applied the governing damages law to the evidence in this case. Each of Finjan's challenges is separately addressed below, and each fails.

I. ARGUMENT AND CITATIONS TO AUTHORITY

A. Dr. Becker's Methodology Appropriately Captures Damages From the Date of First Infringement, and Then Limits Those Damages Based Upon Finjan's Failure to Comply with the Marking Statute

Finjan's first argument appears to be that Dr. Becker's opinion is too generous to Finjan, suggesting that Dr. Becker includes damages prior to Finjan's actual notice. While this would be an odd objection, the premise is (unsurprisingly) incorrect: Dr. Becker's ultimate reasonable royalty opinion *only* includes damages to compensate for the alleged infringement occurring from the date of actual notice through patent expiration.

To reach his ultimate opinions, Dr. Becker first determined the date of the hypothetical negotiation, which would have occurred on the dates of alleged first infringement for each patent. This is exactly what the law requires. *See*, *e.g.*, *Hanson v. Alpine Valley Ski Area, Inc.*, 718 F.2d 1075, 1079 (Fed. Cir. 1983) ("The key element in setting a reasonable royalty ... is the necessity for return to the date when the infringement began."); *Fromson v. W. Litho Plate & Supply Co.*, 853 F.2d 1568, 1575 (Fed. Cir. 1988) (hypothetical royalty negotiation methodology speaks of "negotiations as of the time infringement began"), *overruled on other grounds by Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004). Here, Finjan's damages expert, Dr. McDuff, opined that [redacted]." Ex. 37 ¶ 35; *see also* McDuff Table 1. Dr. Becker adopted these same dates for his analysis. Ex. 38 ¶ 12(A) [redacted].").

Next, Dr. Becker correctly opined that damages for SonicWall's alleged infringement ordinarily would begin as of the date of first infringement, not the date of actual notice. Again, this is what the law directs. *Wang Lab'ys, Inc. v. Toshiba Corp.*, 993 F.2d 858, 870 (Fed. Cir. 1993) ("[T]he court confused limitation on damages due to lack of notice with determination of the time

when damages first began to accrue, and it is the latter which is controlling in a hypothetical royalty determination."). Indeed, it would have been error to adopt the date of notice as the hypothetical negotiation date (and the beginning of damages), as opposed to the date of first infringement. *Id.* ("[T]his case is governed by the rule in *Fromson,* in which hypothetical negotiations were determined to have occurred when the infringement began . . . even though, under 35 U.S.C. § 286, the infringer was only liable for damages for the six years prior to the filing of the infringement action."). To show how he complied with the law, Dr. Becker "showed his work" and determined what the reasonable royalty would be as of the date of first infringement, absent any "limitation on damages due to lack of notice." *Id.* These calculations are set forth in the column titled "Total Discounted Royalties (prior to limitations)" in each of SLB-1A (Errata) and SLB-1B (Errata). Ex. 39. Had Finjan complied with the marking statute, Dr. Becker's analysis would have ended there.

But Finjan did not comply with the marking statute, and therefore Dr. Becker undertook additional analysis to determine Finjan's "recoverable damages" in light Section 287's "temporal limitation on *damages* for infringement." *Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, 711 F.3d 1348, 1379 (Fed. Cir. 2013) (emphasis in original); *see also id.* ("While the marking statute limits recovery of damages for infringement occurring before the 'infringer was notified *of the infringement,*' the statute refers to the pre-notice infringing activity as 'infringement.' 35 U.S.C. § 287(a). Indeed, pre-notice infringement is still infringement. What differs is that a patentee may not recover damages for such pre-notice infringement.") (emphasis in original)). Dr. Becker set forth these calculations in the column titled "Total Discounted Royalties (after limitations)" in each of SLB-1A (Errata) and SLB-1B (Errata), to account for the parties' differing views on when actual notice was provided. Ex. 39. These columns represent Dr. Becker's ultimate damages opinions.

AstraZeneca does not suggest a different result. Dkt. 370, at 2-3 (citing *AstraZeneca AB v. Apotex Corp.*, 782 F.3d 1324, 1343 (Fed. Cir. 2015)). The issue in that case was the inclusion of revenues in a royalty base that were earned after patent expiration. Because "there can be no infringement once the patent expires," this was improper. *Id.* None of Dr. Becker's opinions—his interim "prior to limitations" opinions or his final "after limitations" opinions—suffer this defect

because "pre-notice infringement is still infringement." *Power Integrations*, 711 F.3d at 1379. "What differs is that a patentee may not recover damages for such pre-notice infringement." *Id*.

Put simply, Dr. Becker's methodology for first determining when infringement began (and thus damages started to accrue), and then (second) limiting the damages based on the date of actual notice, is in full compliance with the relevant damages law, and Finjan has cited no authority to suggest otherwise. Accordingly, this portion of Finjan's motion should be denied.

B. Dr. Becker's Methodology for Determining the Appropriate Royalty Base Gives Full Effect to Finjan's Own Licensing Policies and Practices

Finjan's second complaint—that Dr. Becker's model "ignores years of accused SonicWall revenue" (Dkt. 370, at 2)—is also without merit. Finjan's complaint seems to assume that Dr. Becker was using exactly the same model as Finjan's expert, which (although nominally couched as a lump sum) is essentially a running royalty that has SonicWall paying Finjan a royalty on every sale of the accused products, projected out to expiration (as necessary). However, Dr. Becker opined that the hypothetical negotiation(s) would have resulted in a different methodology for calculating a reasonable royalty: a fully paid-up lump sum amount calculated using Finjan's own "lump sum" licensing policies and practices. Specifically, Dr. Becker noted that [redacted] Ex. 38 ¶ 298 & n. 547; *see also id.* ¶¶ 415 (the [redacted]") (emphasis added), 422 ("[redacted]") & nn. 666 – 669, 423 ("[redacted]"). Finjan does not challenge these conclusions.

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