PUBLIC VERSION

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
TEXARKANA DIVISION

MAXELL, LTD., *Plaintiff*, v. APPLE INC., *Defendant*.	Case No. 5:19-cv-00036-RWS **JURY TRIAL DEMANDED** PUBLIC VERSION

MAXELL, LTD.'S REPLY IN SUPPORT OF OPPOSED MOTION TO STRIKE MR. GUNDERSON'S USE OF OFFERS MADE IN LICENSING NEGOTIATIONS AND EXCLUDE TESTIMONY REGARDING THE SAME

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Apple admits Mr. Gunderson relies on an exchange of offers between Maxell and Apple during pre-suit negotiations. Opp. at 3. The timing and context of those offers absolutely demonstrate they were made under threat of litigation. Yet Apple asserts that, even if the offers were made under threat of litigation, "they are still admissible to show the form of license the parties would have agreed to at the hypothetical negotiation, and their likely opening positions at that negotiation." *Id.* There are certain purposes for which pre-suit offers could be appropriately introduced,[1] but Mr. Gunderson's use of the offers to "[redacted]" is not such a purpose. *See* Mot. at Ex. A, Gunderson Rpt. at ¶ 319 (emphasis added). Given that he relies upon negotiations and offers made under threat of litigation directly to arrive at his reasonable royalty damages, the offers and Mr. Gunderson's opinions related thereto must be stricken and excluded.

I. ARGUMENT

A. The Offers Relied Upon Were Made Under Threat of Litigation

The specific offers from the Maxell-Apple negotiations on which Mr. Gunderson relied were exchanged in [redacted]. Mot. at Ex. A, Gunderson Rpt. at ¶ 295. Well before that time, it was clear that the parties' negotiations were being held under a threat of litigation. Though Maxell addressed this issue in its motion (Mot. at 6, Exs. C-G), given Apple's surprising objection, Maxell will elaborate here.

While the marking of a communication as covered by "FRE 408" does not alone establish a threat of litigation, that does not mean such marking is irrelevant to the inquiry. Courts in this District have held that such marking "when considered alongside other evidence, do suggest that both parties were no longer acting at arms-length and were beginning to contemplate litigation."

[1] Maxell does not challenge Mr. Gunderson's **overview** of the parties' negotiations. The challenge is to his direct reliance on offers to value Apple's infringement and undercut Ms. Mulhern's analysis of the same.

Pioneer Corp. v. Samsung SDI Co., No. 2:06-CV-384-DF, 2008 WL 11348480, at *1–2 n.1 (E.D. Tex. Oct. 15, 2008). For example, it has been held that negotiations were shown to have been conducted under the threat of litigation where the patentee had accused defendant of infringement and provided evidence of such infringement (and vice-versa) and both parties had retained outside counsel and were marking their materials in a manner that contemplated future litigation. *Id.* at *2. The offers here were made under very similar circumstances.

By [redacted], the parties had engaged in licensing negotiations for nearly two years—at least [redacted] positions on infringement and validity. For example, [redacted]. Mot. at Ex. E. The l[redacted] *Id.* Similar positions are set forth in [redacted]. Mot. at Ex. F. There was a clear accusation of infringement and evidence of infringement exchanged.

After a meeting [redacted], Maxell engaged Alan Loudermilk as outside counsel for the negotiations. Ex. I, Nakamura Dep. Tr. at 104:2-10; Ex. J, Loudermilk Dep. Tr. at 17:3-11. Maxell retained Mr. Loudermilk [redacted]. Ex. J, Loudermilk Dep Tr. at 47:18-22. It was clear Apple was consulting with counsel as well. [redacted].

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