

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

DATATREASURY CORPORATION,	§	
	§	
Plaintiff,	§	
	§	
v.	§	CIVIL ACTION NO. 2:06-CV-72 DF
	§	
WELLS FARGO & COMPANY, et al.,	§	
	§	
Defendants.	§	

ORDER

This case is set for a “Phase I” trial in March 2010. Before the Court is Defendants’ Omnibus Motion in Limine and to Exclude, as well as Plaintiff’s response, Defendants’ reply, and Plaintiff’s sur-reply. Dkt. Nos. 1876, 1896, 1920, & 1939, respectively. The Court entered an order on this motion on February 26, 2010, but the Court reserved final ruling on Defendants’ *in limine* item number 6. See Dkt. No. 1982 at 36-38.

At the February 18, 2010 Initial Pretrial Conference, the Court heard oral argument on this *in limine* item. Plaintiff submitted a recent appellate decision purportedly bearing on the admissibility of litigation-related licenses: *ResQNet.com, Inc. v. Lansa, Inc.*, --- F.3d ----, 2010 WL 396157 (Fed. Cir. Feb. 5, 2010). Because *ResQNet* may have changed the legal landscape regarding admissibility of litigation-related licenses, the Court permitted supplemental briefing. Defendants filed a supplemental brief on February 22, 2010. Dkt. No. 1961. Plaintiff responded on February 24, 2010. Dkt. No. 1973. Defendants replied on February 26, 2010. Dkt. No. 1990.

The Court heard further oral arguments at the March 4, 2010 Final Pretrial Conference.¹

Having considered the original briefing on Defendants' motion *in limine*, the supplemental briefing, and oral argument on both sets of briefing, the Court finds that this *in limine* item should be DENIED.

I. DISCUSSION

In their *in limine* item number 6, Defendants move to “preclude Plaintiff from offering evidence of litigation-induced licensing agreements, including any related consent decrees and judgments as well as communications related thereto, as evidence of the value of the patents-in-suit, whether pertaining to a ‘reasonable royalty’ analysis or as alleged ‘secondary considerations’ of nonobviousness and/or commercial success.” Dkt. No. 1876 at 13. Pursuant to Rules 401, 402, 403, and 408, Defendants argue that “Plaintiff should not be permitted to misuse the existence of these litigation-induced and bargained-for settlement agreements . . . by arguing that their existence proves that Plaintiff’s positions in this case are meritorious.” Dkt. No. 1876 at 13.

Defendants argue that *ResQNet* did not directly address admissibility and involved a bench trial, not a jury trial. *See* Dkt. No. 1961 at 1. Defendants also urge that ResQNet itself notes concerns about the use of litigation-related licenses. *See id.* at 3. Plaintiff responds that it intends to use the licenses at issue to show non-obviousness² and to rebut arguments that Plaintiff

¹ The Court has also reviewed summaries of the licenses-at-issue in a copy of the October 16, 2009 expert report of Plaintiff’s damages expert, Mr. Bokhart, regarding U.S. Bank, which Plaintiff submitted to the Court in connection with briefing on various motions to strike expert testimony.

² Since the filing of Defendants’ motion *in limine*, the Court has granted a motion to exclude testimony by Plaintiff’s damages expert that licenses are evidence of commercial success for purposes of secondary considerations of non-obviousness. *See* 2/26/2010 Order, Dkt. No. 1984. That Order only addressed the expert testimony that Defendants sought to exclude and did not pass on whether Plaintiff could show, through some other means, the

has failed to mark. Dkt. No. 1973 at 1. Also, although Plaintiff suggested at the February 18, 2010 Initial Pretrial Conference that litigation-related licenses may be used to show a reasonable royalty, Plaintiff submits in briefing that it “has no intention of offering the licensing agreement as evidence, or in support, of a reasonable royalty.” *Id.* at 1 & 4; *see* Dkt. No. 1953 at 65:1-4 (“I think, Your Honor, that the Fed Circuit’s recent ResQNet case makes clear that litigation licenses can be the most appropriate means of evaluating the reasonable royalty in that case.”).

Defendants reply that the court has already excluded Plaintiff’s evidence of commercial success and that Defendants are withdrawing any defense on marking grounds. Dkt. No. 1990 at 2.

At the March 4, 2010 Final Pretrial Conference, Plaintiff again reversed course, urging that litigation-related licenses should be admissible to show a reasonable royalty.

Acknowledging that the licenses at issue were generally for a lesser amount than what Plaintiff intends to seek at trial as a reasonable royalty, Plaintiff argued that the amounts of the licenses should be excluded. Later during the hearing, however, Plaintiff withdrew its request to exclude the amounts of the licenses. Plaintiff also argued that the licenses should be admissible for other purposes, such as secondary considerations of non-obviousness. The issue now presented to the Court is whether the litigation-related licenses (including their amounts) are admissible for essentially all purposes.

In light of *ResQNet*, litigation-related licenses should not be excluded from the March 2010 Phase I trial in the above-captioned case. Although *ResQNet* involved a bench trial, the licenses at issue were considered by that trial court sitting as trier of fact, just as the jury will sit

required nexus between the licenses and commercial success. The Court also did not pass on whether Plaintiff could show the required nexus between the licenses and other secondary considerations of nonobviousness.

in the above-captioned case. Defendants' concerns about the reliability of litigation-related licenses are better directed to weight, not admissibility. Defendants' *in limine* item number 6 should therefore be DENIED. Defendants (as well as Plaintiff) may nonetheless propose a final jury instruction that gives the jury guidance on applying litigation-related licenses.

Also at the March 4, 2010 Final Pretrial Conference, Defendants argued that if the litigation-related licenses are admitted, Defendants are entitled to discovery on the negotiations surrounding those licenses. The Court agrees. *See Tyco Healthcare Group LP v. E-Z-EM, Inc.*, Civil Action No. 2:07-CV-262, Dkt. No. 383 at 3-4 (E.D. Tex. Mar. 2, 2010) (discussing *ResQNet.com*, 2010 WL 396157, at *11). Defendants indicated at the Final Pretrial Conference that they can readily identify the discovery that they require. Plaintiff indicated that it can promptly provide the appropriate discovery. The parties should confer regarding the appropriate discovery, and Plaintiff should provide this discovery within 48 hours of this Order.

II. CONCLUSION

Defendants' Omnibus Motion in Limine and to Exclude (Dkt. No. 1876) is hereby **DENIED** as to *in limine* item number 6. The parties are hereby ORDERED to confer regarding the appropriate discovery, and Plaintiff is hereby ORDERED to provide this discovery within 48 hours of this Order.

IT IS SO ORDERED.

SIGNED this 4th day of March, 2010.



DAVID FOLSOM
UNITED STATES DISTRICT JUDGE