

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

LECTEC CORPORATION,

Plaintiff,

v.

CHATTEM, INC., et al.,

Defendants.

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CIVIL ACTION NO. 5:08-CV-130

O R D E R

Before the Court is Defendants' Motion to Exclude the Testimony of David Enscore. Dkt. No. 241. Also before the Court are Plaintiff's response, Defendants' reply, and Plaintiff's sur-reply. Dkt. Nos. 254, 276, & 283.

Before the Court is Defendants' Motion to Exclude the Testimony of Sue Mecham. Dkt. No. 246. Also before the Court are Plaintiff's response and Defendants' reply. Dkt. Nos. 255 & 275.

Before the Court is Plaintiff's Motion to Exclude Dr. Russell Potts' Testimony. Dkt. No. 250. Also before the Court are Defendants' response and Plaintiff's reply. Dkt. Nos. 258 & 272.

Before the Court is Plaintiff's Motion to Exclude Ambreen Salters' Testimony. Dkt. No. 251. Also before the Court are Defendants' response and Plaintiff's reply. Dkt. Nos. 257 & 271.

Having considered the briefing and all relevant papers and pleadings, the Court finds that the above-mentioned motions should be resolved as set forth herein.

I. BACKGROUND

This is a patent case related to transdermal drug delivery, *e.g.*, medicated patches. The accused products include Chattem's "Icy Hot" patches and Prince of Peace's "Tiger Balm"

patches. The patents in suit are United States Patents No. 5,536,263 (“263 Patent”) and 5,741,510 (“510 Patent”), both of which have been through reexamination proceedings at Plaintiff’s request.

II. LEGAL PRINCIPLES

Federal Rule of Evidence (“Rule”) 702 requires that any expert be qualified to testify by “knowledge, skill, experience, training, or education”:

If scientific, technical, or other specialized knowledge will assist the trier of fact to understand the evidence or to determine a fact in issue, a witness qualified as an expert by knowledge, skill, experience, training or education, may testify thereto in the form of an opinion or otherwise, if

- (1) the testimony is based upon sufficient facts or data,
- (2) the testimony is the product of reliable principles and methods, and
- (3) the witness has applied the principles and methods reliably to the facts of the case.

Any such testimony must “assist the trier of fact to understand the evidence or to determine a fact in issue.” *Id.* When faced with a proffer of expert testimony, it is the trial judge’s responsibility to determine, at the outset, whether the expert is proposing to testify to expert knowledge and whether such testimony will assist the trier of fact to understand or determine a fact in issue. *Id.*; *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579, 592 (1993). In this regard, the trial judge acts as a gatekeeper by requiring a valid connection to the pertinent inquiry and assessing “whether the testimony has a reliable basis in the knowledge and experience of [the relevant] discipline.” *Daubert*, 509 U.S. at 592; *see also Kumho Tire Company, Ltd. v. Carmichael*, 526 U.S. 137, 149 (1999). The party offering the expert testimony bears the burden of demonstrating its admissibility. *See, e.g., Kilpatrick v. Breg, Inc.*, 613 F.3d

1329, 1335 (11th Cir. 2010).

III. DEFENDANTS' MOTIONS TO EXCLUDE

A. Drs. Enscore and Mecham

Defendants move to strike Plaintiff's technical expert, Dr. David Enscore, whose testimony Defendants argue is "unreliable, results-oriented, inconsistent with accepted practices and, by his own admission, subjective." Dkt. No. 241 at 2. Defendants submit that in opining on gel penetration depth, Dr. Enscore has simply viewed photographs and did not take any measurements. *Id.* at 5. Defendants argue this methodology is completely subjective, cannot be tested, and has a high error rate, that is, a large range of subjective opinion. *Id.* at 6. Dr. Enscore relied on photographs taken by another expert retained by Plaintiff, Dr. Sue Mecham, whom Defendants criticize as having used a cutting process to obtain cross-sections rather than using a "freeze fracturing" process previously used by Plaintiff. *See* Dkt. No. 246 at 6.

As to moisture vapor transmission rate ("MVTR"), Dr. Enscore relies on testing of Dr. Sue Mecham. Dkt. No. 241 at 7. Defendants submit that temperature has a large effect on MVTR and that Dr. Mecham tested at the wrong temperature. *Id.* at 7-8. Defendants further argue that because Dr. Mecham's test results included variations of greater than 50%, they cannot be relied upon. *Id.* at 9. Defendants also criticize Dr. Enscore's assumptions regarding equivalency of ingredients recited in the claims as compared with ingredients in the accused patches. *Id.* at 9-10.

Plaintiff responds that Defendants only present argument as to some of Dr. Enscore's opinions, not all of them. Dkt. No. 254 at 1. Plaintiff argues that Dr. Enscore and Dr. Mecham applied their expertise to select appropriate methods and then achieved results that are within the

normal range of variability expected in the relevant field. *Id.* at 1-2. Plaintiff also incorporates its opposition to Defendants' motion to exclude Dr. Mecham. *Id.* at 2. As to the equivalence of certain ingredients, Plaintiff submits a declaration of Dr. Ensore that attaches supporting literature. *Id.* at 4.

Defendants reply that Dr. Ensore "has no experience testing or reviewing depth of gel penetration for a patch" and has never tested MVTR. Dkt. No. 276 at 1. Defendants further argue that Dr. Ensore inappropriately relied on photographs that were attached to Dr. Mecham's report by Plaintiff's counsel, photographs that Dr. Mecham did not prepare or rely upon. *Id.* at 2. Regardless, Defendants reiterate that Dr. Ensore's self-described "subjective average" gel depth penetration measurement technique is unreliable. *Id.* at 3. Defendants further reiterate that Plaintiff has not shown that MVTR can be tested accurately enough to determine infringement of any claim. *Id.*

In sur-reply, Plaintiff submits that certain photographs taken by Dr. Mecham were modified by Dr. Ensore and inadvertently attached to Dr. Mecham's report, which Plaintiff argues does not undercut the opinions of either expert. Dkt. No. 283 at 1. Plaintiff also argues that the claims of the '510 Patent have no upper MVTR limit and that Dr. Mecham's MVTR data is well above the claimed minimum levels. *Id.* Plaintiff further argues that Defendants have not countered Dr. Mecham's gel depth penetration photography with any rebuttal opinion. *Id.* at 2.

Defendants also move to exclude Dr. Mecham, arguing that her gel penetration depth photography and MVTR testing methodologies are unreliable. Dkt. No. 246 at 6. Defendants also argue that Dr. Mecham's report should be rejected based on Dr. Mecham's purported failure to prepare and review it. *Id.* at 5. Defendants further argue that Dr. Mecham only passed on to

Dr. Ensore the photographs that were favorable and “did not disclose the pictures that did not provide the results [Dr.] Mecham wanted.” *Id.* at 7. Defendants’ remaining arguments are as set forth in their briefing regarding Dr. Ensore. *See also* Dkt. No. 275.

Plaintiff responds that Dr. Mecham’s cross-section samples did not modify the gel penetration depth and that as to MVTR, Defendants only take issue with the test temperature and not any other aspect of Dr. Mecham’s test methodology. Dkt. No. 255 at 1-3. Plaintiff also submits that Dr. Mecham found that “freeze fracturing” damaged the samples, meaning that any photographs thereof were not representative of an actual cross-section. *Id.* at 10. As to the temperature, Plaintiff submits that Dr. Mecham reviewed articles and decided that “the reported MVTR values of skin as found in the patent in suit suggest that room temperature, namely 23 [degrees Celsius], is correct.” *Id.* at 7. Plaintiff also notes that the Court construed the MVTR claim limitations to refer to the MVTR of the patch alone. *Id.* at 8. As to error rate, Dr. Mecham testified that even though some error rates spanned a factor of two, “the bulk of the samples” were “right in between” the extremes. *Id.* at 3. Plaintiff otherwise responds as set forth in its briefing regarding Dr. Ensore.

Both Dr. Ensore and Dr. Mecham are qualified in their respective fields. Defendants’ challenge Dr. Ensore’s qualifications to assess depth of gel penetration (*see, e.g.*, Dkt. No. 276 at 1), but Dr. Ensore has sufficient training and experience, such as in transdermal product research and development, to opine regarding the photographs. *See* 9/3/2010 Opening Report of David J. Ensore, Ph.D., Dkt. No. 241, Ex. 8 at ¶¶ 4-11 (Personal Background) & Ex. 1 (Curriculum Vitae). Defendants object that Dr. Ensore has not previously analyzed depth of gel penetration, but Defendants have not shown that *Daubert* or Rule 702 demand such specificity of

experience. Instead, Dr. Ensore is sufficiently qualified as an expert in the relevant field of transdermal drug delivery in general and transdermal patches in particular.

The reliability of Plaintiff's experts' methodologies, however, is itself a subject of competing expert opinions. Dr. Mecham has stated that the error rates in her MVTR testing are "within an expected range of variation for this test" (11/30/2010 Declaration of Sue Mecham, Dkt. No. 255 at Ex. F),¹ and Defendants can challenge that opinion through cross-examination and contrary evidence, if any. *See Daubert*, 509 U.S. at 596 ("Vigorous cross-examination, presentation of contrary evidence, and careful instruction on the burden of proof are the traditional and appropriate means of attacking shaky but admissible evidence."); *see also i4i Ltd. P'ship v. Microsoft Corp.*, 598 F.3d 831, 854 (Fed. Cir. 2010) ("*Daubert* and Rule 702 are safeguards against unreliable or irrelevant opinions, not guarantees of correctness.>").

Defendants can likewise test Dr. Mecham's bases for rejecting certain photographs and for rejecting "freeze fracturing" as a method of creating cross-sections. *See* 10/7/2010 Mecham dep., Dkt. No. 246, Ex. 1 at 133:11-135:18 & 148:1-14. Similarly, the methodology for analyzing photographs of gel penetration depth can be tested at trial, particularly because the photographs at issue will be available for the jury to examine. *See* 9/29/2010 Ensore dep., Dkt. No. 241, Ex. 3 at 149:2-167:2 & 174:15-175:15; 9/3/2010 Opening Report of David J. Ensore, Ph.D., Dkt. No. 241, Ex. 8 at Exs. 3-7 (cross-section photographs). As to equivalency of ingredients, Dr. Ensore has presented sufficient support to render his opinions admissible (*see*

¹ Defendants argue that Dr. Mecham's November 30, 2010 Declaration is untimely. *See* Dkt. No. 275 at 2. Having been filed to rebut Defendants' *Daubert* challenge, the declaration is timely. *Cf.* Fed. R. Civ. P. 26(a)(2)(D)(ii).

11/30/2010 Declaration of Davis Enscore, Dkt. No. 254 at Ex. C),² and Defendants can challenge those opinions through cross-examination and presentation of contrary evidence, if any. As to the apparent error in attaching Dr. Enscore's enhanced photographs to Dr. Mecham's report, this error appears harmless because Dr. Enscore is expected to opine on these photographs. Finally, the claim construction issue regarding the temperature for MVTR testing is addressed by separate Order. *See* 12/22/2010 Order, Dkt. No. 290.

In sum, Defendants' motions as to Drs. Enscore and Mecham should be DENIED.

IV. PLAINTIFF'S MOTIONS TO EXCLUDE

A. Dr. Potts

Plaintiff moves to excluded Defendants' technical expert, Dr. Russell Potts, from testifying regarding: (1) the 1990 Aqua-Patch; (2) obviousness; (3) moisture vapor transmission rate ("MVTR"); and (4) depth of gel penetration. Dkt. No. 250 at 1.

(1) 1990 Aqua-Patch

Plaintiff incorporates-by-reference its briefing on Defendants' Motion for Summary Judgment of Invalidity of U.S. Pat. No. 5,741,510 and Plaintiff's Motion for Summary Judgment Dismissing Defendants' Defense of Invalidity of U.S. Patent Nos. 5,536,263 and 5,741,510 in View of the 1990 Aqua-Patch. Dkt. Nos. 179 and 223, respectively. Plaintiff submits that Dr. Potts has no test results or other evidence to support his speculation that the 1990 Aqua-Patch had water or had gel made from a polymer. Dkt. No. 272 at 1.

The relevant motions for summary judgment have been denied, and Plaintiff has not

² Unlike with the November 30, 2010 Declaration of Dr. Mecham (*see* footnote 1, above), Defendants have not argued that Dr. Enscore's November 30, 2010 Declaration is untimely. *See* Dkt. No. 276.

sufficiently justified its request to exclude Dr. Potts' opinions regarding the 1990 Aqua-Patch. *See* 12/16/2010 Order, Dkt. No. 284. This portion of Plaintiff's motion to exclude should accordingly be DENIED.

(2) Obviousness

Plaintiff argues that Dr. Potts' obviousness analysis is "impermissibly vague" and would not assist the jury because Dr. Potts merely identifies claim elements in the prior art without "any explanation as to how to combine the various prior art references." Dkt. No. 250 at 1-2; *see also id.* at 5 (citing *Innogenetics, N.V. v. Abbott Labs.*, 512 F.3d 1363 (Fed. Cir. 2008)).

Defendants respond that Dr. Potts "identified on a claim element by claim element basis the specific pieces of art that apply to his obviousness analysis." Dkt. No. 258 at 5. Defendants further submit that Dr. Potts "described in detail in his report the pieces of prior art that disclosed the only two unique distinctions of the patents-in-suit, according to [Plaintiff's] prior expert: (1) a specific MVTR; and (2) depth of gel penetration." *Id.*

Plaintiff replies that "Dr. Potts proceeded in a sterile 'check list' fashion, without considering how or why the prior art references would or could be combined by a person of ordinary skill in the art." Dkt. No. 272 at 1.

Dr. Potts' report cites various prior art references and sets forth the purpose for which those references are offered. *See* 9/3/2010 Declaration of Russell O. Potts, Ph.D., Dkt. No. 250, Ex. A at 8-27. The Supreme Court of the United States has rejected any requirement that proof of obviousness must include any "teaching, suggestion, or motivation to combine." *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 415-422 (2007). On balance, Dr. Potts' opinions on obviousness are not "impermissibly vague," as Plaintiff argues, and this portion of Plaintiff's

motion to exclude should therefore be DENIED.

(3) Moisture Vapor Transmission Rate (“MVTR”) and Depth of Gel Penetration

Plaintiff argues that Dr. Potts offers new, untimely claim construction positions, requiring that MVTR be determined with an accuracy of $1\text{g}/\text{m}^2/24\text{hr}$ and that depth of gel penetration be shown with an accuracy of 1%. Dkt. No. 250 at 1, 3. Plaintiff urges that “[t]he accuracy required by the claims of the patents-in-suit is a legal question properly addressed” as part of claim construction. *Id.* at 6. Plaintiff submits that Dr. Potts’ opinions in this regard should be precluded as untimely. *Id.* at 7.

Plaintiff also seeks to exclude Dr. Potts’ opinion that, in Plaintiff’s words, “since the patents-in-suit do not explicitly set out a test method for MVTR capable of showing $1\text{g}/\text{m}^2/24\text{hr}$ accuracy, it is impossible to show infringement.” Dkt. No. 250 at 7. Plaintiff submits that this “is, in actuality, an invalidity opinion under 35 U.S.C. § 112, ¶ 1, which depends entirely on [Dr.] Potts’ untimely *Markman* argument.” *Id.* Plaintiff argues that Dr. Potts “ignore[s] the reality of MVTR testing,” which Plaintiff submits is that no method can achieve the accuracy that Dr. Potts demands. *Id.* at 8 (emphasis omitted).

Plaintiff incorporates these MVTR arguments in requesting that the Court strike Dr. Potts’ opinions regarding the accuracy necessary for proving depth of gel penetration. *Id.* at 9.

Defendants respond that “[t]he issue of whether the accused patch products meet the required MVTR and depth of penetration limitations is not a claim construction issue.” Dkt. No. 258 at 2. Defendants argue that after receiving Plaintiff’s infringement expert reports, Dr. Potts “realized that the [Plaintiff’s] patents are not enabling and fail to disclose the best mode.” *Id.* at 6. Defendants submit that “because the patents do not contain any methodology for

determining MVTR, there is nothing to be construed regarding what methodology should be applied.” *Id.* at 7. Defendants conclude that Dr. Mecham’s testing has such a large error rate, according to Dr. Potts, that it should be rejected as unreliable, thus leaving Plaintiff without any evidence to prove that the MVTR limitations are met. *Id.* at 9. Defendants present a similar argument regarding depth of gel penetration. *Id.* at 9-10.

Defendants also submit that Dr. Potts has not stated that MVTR must be proven within $1\text{g}/\text{m}^2/24\text{hr}$. *Id.* Instead, Defendants submit, Dr. Potts “actually states that to prove infringement, [Plaintiff] must show that the accused patches have the MVTR specifically provided in the patents.” *Id.*

In reply, Plaintiff cites the following passage from Dr. Potts’ September 23, 2010 report regarding measurement of MVTR, which Plaintiff argues presents a claim construction issue:

[A] difference of 1 out of 1952 (0.05%) in the MVTR value determines infringement. Consequently to fairly assert this claim the MVTR must be measured with variation less than $1\text{ g}/\text{m}^2/24\text{hr}$, or 0.05%. As discussed below the measurement of MVTR doesn’t come even remotely close to this level of precision. Due to this lack of measurement precision it is not possible to determine infringement and therefore the accused products cannot be shown with scientific certainty to infringe any asserted claim of the [Plaintiff’s] patents.

9/23/2010 Decl. of Russell O. Potts, Ph.D., Dkt. No. 250, Ex. C at 9-10. Plaintiff also argues that Dr. Potts has no basis or “underlying method” for opining that the MVTR test temperature should be 32 degrees Celsius, as suggested in a memo by one of the inventors, as opposed to 23 degrees Celsius, the temperature selected by Plaintiff’s testing expert, Dr. Mecham. Dkt. No. 272 at 2. Plaintiff also cites the following passage from Dr. Potts’ report regarding measurement of depth of gel penetration, which Plaintiff argues presents a claim construction issue:

[A] penetration value of 91% would not infringe since 90% is the upper limit, and

penetration of 24% would not infringe, since 25% is the lower limit. Therefore the method used to determine the depth of penetration must be able to distinguish a difference of 1/90 or 1.1%. As disclosed below, the methods used by LecTec and its experts to determine penetration do not come remotely close to achieving this precision.

9/23/2010 Decl. of Russell O. Potts, Ph.D., Dkt. No. 250, Ex. C at 17.

Neither party disputes the MVTR or gel penetration depth values set forth in the relevant claim limitations, which have already been construed by the Court, at least as to MVTR. *See* 5/20/2010 Claim Construction Order, Dkt. No. 167 at 15-18. To prove infringement, Plaintiff must prove by a preponderance of the evidence that these limitations are met. Whether the actual MVTR testing employed by Plaintiff has an accuracy of $1\text{g}/\text{m}^2/24\text{hr}$ is irrelevant so long as Plaintiff can prove by a preponderance that the relevant MVTR limitations are met by the accused products. The accuracy of Plaintiff's testing of depth of gel penetration is similarly irrelevant so long as it is sufficiently accurate to prove by a preponderance that the claim limitations are met by the accused products. The reliability, accuracy, and precision of each side's testing are matters of competing expert opinion and can be challenged through cross-examination and presentation of contrary evidence. *See Daubert*, 509 U.S. at 596 ("Vigorous cross-examination, presentation of contrary evidence, and careful instruction on the burden of proof are the traditional and appropriate means of attacking shaky but admissible evidence."); *see also i4i*, 598 F.3d at 854 ("*Daubert* and Rule 702 are safeguards against unreliable or irrelevant opinions, not guarantees of correctness.").

In sum, no further claim construction is necessary. To whatever extent Defendants and Dr. Potts maintain that MVTR and depth of gel penetration must be shown with an accuracy of $1\text{ g}/\text{m}^2/24\text{ hr}$ and 1%, respectively, such opinions are hereby expressly REJECTED as being

outside the Court's claim construction. Further, Plaintiff's request to strike Dr. Potts' opinions regarding MVTR and depth of gel penetration should be DENIED.

B. Ms. Salters

Plaintiff moves to preclude Defendants' damages expert, Ambreen Salters, "from relying on lump sum settlements, irrelevant comparative pricing information and undisclosed opinions of defendants' technical expert Dr. Russell Potts." Dkt. No. 251 at 1. Regarding lump sum settlements, Plaintiff cites the Court's exclusion of such settlements in *DataTreasury v. Wells Fargo, et al.*, Civil Action No. 2:06-CV-72. Dkt. No. 251 at 5. Regarding comparative pricing, Plaintiff argues that "[w]hile Ms. Salters assumed that the manufacturing pricing was the same between [Plaintiff] and Lead [Chemical,] she admitted that she has no information with respect to Lead's manufacturing price and what went into Lead's \$0.16 selling price." *Id.* As to Dr. Potts' opinions, "which from a technical perspective claim the patented invention did not contribute to the success of the Icy Hot product," Plaintiff argues that Dr. Potts "did not express any of the opinions that he gave to Ms. Salters in either his opening expert report or his rebuttal expert report." *Id.* at 6.

Defendants respond that Ms. Salters "did not rely on lump-sum royalties in determining the reasonable royalty rate" but instead conducted a *Georgia Pacific* analysis to arrive at a reasonable royalty rate of 3% and then merely "corroborated her conclusion with the . . . implied royalty rates from these settlement agreements[,] which ranged from less than 1 percent to approximately 1.4 percent." Dkt. No. 257 at 2 & 5. Defendants submit that Ms. Salters relied on publicly available financial statements of Plaintiff and other companies. *Id.* at 6. As to the Lead Chemical offer, Defendants respond that a competitor's offer to produce analgesic patches is

“clearly probative of the incremental value of the patented invention to the production of the accused patches.” *Id.* Defendants submit that Ms. Salters used Lead’s offer to Chattem to corroborate Ms. Salters’ independent analysis of Plaintiff’s offer to Chattem. *Id.* at 7.

As to Dr. Potts’ opinions, Defendants argue that Plaintiff “cites no law to support its position,” and Defendants submit that Plaintiff “had ample opportunity to cross-examine both [Ms.] Salters and [Dr.] Potts about these opinions expressed in [Ms.] Salters’ report” because their reports were filed more than a month before Plaintiff deposed them. *Id.* at 2-3. Defendants submit that Ms. Salters has properly relied on Dr. Potts’ opinion that the “primary value of a topical analgesic is in the active ingredient mix.” *Id.* at 8. Defendants further submit that Ms. Salters also considered “(1) the poor performance of [Plaintiff’s] own patches that used the technology of the patents-in-suit” and “(2) the dismal performance of Chattem’s Capzasin Patch (also accused of infringing the patents-in-suit) that contained an active ingredient mix that was different from (and apparently inferior to) the Icy Hot Patch.” *Id.* at 9.

Plaintiff replies that lump sum settlements are irrelevant to determining a running royalty rate, that coincidental price differences between the Lead Chemical offer and Plaintiff’s offer are irrelevant, and that “Defendants haven’t provided any written statements by Dr. Potts relative to the methodology he implemented in order to reach those opinions given to Ms. Salters.” Dkt. No. 270 at 1-2. As to Defendants’ argument that Plaintiff had Ms. Salters’ rebuttal report before Plaintiff deposed Dr. Potts, Plaintiff urges that “Defendants’ argument undermines the very purpose of Rule 26(a)(2) and the written report requirements stated therein.” *Id.* at 2.

First, litigation-related licenses are likely influenced to some degree by the litigation. *Rude v. Westcott*, 130 U.S. 152, 164 (1889). However,

[i]n *ResQNet. com, Inc. v. Lansa, Inc.*, the Federal Circuit commented that “the most reliable license in this record arose out of litigation.” 594 F.3d 860, 872 (Fed. Cir. 2010). Based on *ResQNet.com*, some courts have held that settlement licenses are admissible to prove a reasonable royalty while other courts have held that they are not. *Compare Datatresury Corp. v. Wells Fargo & Co.*, Case No. 2:06cv72, 2010 WL 903259 (E.D. Tex. Mar. 4, 2010) (Folsom, J.) (denying a motion *in limine* and admitting litigation-related licenses because concerns regarding the reliability of the licenses are better directed towards weight) *with Fenner Invs., Ltd. v. Hewlett-Packard Co.*, Case No. 6:08cv273, 2010 WL 1727916 (E.D. Tex. Apr. 28, 2010) (Love, Mag. J.) (granting-in-part a motion *in limine* precluding settlement agreements because their potential for prejudice and jury confusion substantially outweighed any probative value).

Clear with Computers, LLC v. Bergdorf Goodman, Inc., --- F. Supp. 2d ----, No. 6:09-CV-481, 2010 WL 4881801, at *1 (E.D. Tex. Nov. 29, 2010). In *DataTreasury*, in which the plaintiff sought a reasonable royalty for alleged infringement by check image systems used by banks, this Court found that “licenses based on a ‘per-check’ royalty are . . . highly probative, and the Court admitted such licenses In contrast, the Court excluded licenses that were not tied to check volume.” 10/5/2010 Order, C.A. No. 2:06-CV-72, Dkt. No. 2392 at 31; *see also* 3/16/2010 Order, Dkt. No. 2052 (excluding lump sum settlements).

In the above-captioned case, Plaintiff seeks a running royalty on a per-patch basis. *See* 9/3/2010 Expert Report of Michael J. Wagner, Dkt. No. 242, Ex. 1 at ¶¶ 146-147. The Court therefore reaches the same conclusion here as in *DataTreasury* that lump sum settlements, which do not in themselves provide any per-patch royalty rate, should not be admissible. Expert witnesses can generally rely on inadmissible evidence, but in order to avoid jury confusion and unfair prejudice, Ms. Salters should not testify regarding any lump sum settlement agreements.

Second, Ms. Salters’ consideration of the Lead Chemical offer is probative of a reasonable royalty. *See* 9/23/2010 Expert Report of Ambreen Salters, Dkt. No. 251, Ex. 2 at ¶¶

46-48. Plaintiff's criticisms go primarily to weight of this evidence rather than its admissibility. *See Daubert*, 509 U.S. at 596 ("Vigorous cross-examination, presentation of contrary evidence, and careful instruction on the burden of proof are the traditional and appropriate means of attacking shaky but admissible evidence."); *see also i4i*, 598 F.3d at 854 ("*Daubert* and Rule 702 are safeguards against unreliable or irrelevant opinions, not guarantees of correctness.")

Third, Plaintiff had ample opportunity to question Ms. Salters and Dr. Potts regarding the opinions of Dr. Potts on which Ms. Salters relied. These opinions were disclosed in Ms. Salters' September 23, 2010 expert report. *See, e.g.*, Dkt. No. 251, Ex. 1 at ¶¶ 33-41. Although Plaintiff properly emphasizes the notice requirements of Rule 26(a)(2), Ms. Salters' report gave Plaintiff notice of the opinions at issue, and a party cannot simply "lay behind the log" and hope to thereby exclude an entire swath of expert opinions. *Honeywell Intern. Inc. v. Acer America Corp.*, 655 F. Supp. 2d 650, 655 (E.D. Tex. 2009).

Finally, Ms. Salters can present her assumptions regarding the merits of the inventions, and Defendants can test the validity and import of those assumptions through cross-examination of Ms. Salters and others, as well as through presentation of Defendants' own evidence. *See Daubert*, 509 U.S. at 596 ("Vigorous cross-examination, presentation of contrary evidence, and careful instruction on the burden of proof are the traditional and appropriate means of attacking shaky but admissible evidence."); *see also i4i*, 598 F.3d at 854 ("*Daubert* and Rule 702 are safeguards against unreliable or irrelevant opinions, not guarantees of correctness."). Ms. Salters should not, however, present opinions regarding the merits of the claimed inventions as anything other than assumptions because Plaintiff has not shown that Ms. Salters is a technical expert.

In sum, Plaintiff's motion to exclude should be GRANTED IN PART so as to preclude

Ms. Salters from discussing any lump sum settlements and to preclude Ms. Salters from presenting the merits of the claimed inventions as anything other than assumptions. Plaintiff's motion should otherwise be DENIED.

V. CONCLUSION

Defendants' Motion to Exclude the Testimony of David Enscoe (Dkt. No. 241) is hereby **DENIED**.

Defendants' Motion to Exclude the Testimony of Sue Mecham (Dkt. No. 246) is hereby **DENIED**.

Plaintiff's Motion to Exclude Dr. Russell Potts' Testimony (Dkt. No. 250) is hereby **DENIED**, but to whatever extent Defendants and Dr. Potts maintain that MVTR and depth of gel penetration must be shown with an accuracy of 1 g/m²/24 hr and 1%, respectively, such opinions are hereby expressly **REJECTED** as being outside the Court's claim construction.

Plaintiff's Motion to Exclude Ambreen Salters' Testimony (Dkt. No. 251) is hereby **GRANTED IN PART** and **DENIED IN PART**. Specifically, Plaintiff's motion is **GRANTED IN PART** so as to preclude Ms. Salters from discussing any lump sum settlements. Also, Ms. Salters may not present her opinions regarding the merits of the claimed inventions as anything other than assumptions because Defendants have not shown that Ms. Salters is a technical expert. Plaintiff's motion is otherwise hereby **DENIED**. **IT IS SO ORDERED.**

SIGNED this 4th day of January, 2011.



DAVID FOLSOM
UNITED STATES DISTRICT JUDGE