

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

PACT XPP TECHNOLOGIES, AG	§	
	§	
v.	§	Case No. 2:07-CV-563-RSP
	§	
XILINX, INC., et al.	§	

**ORDER**

Mary Woodford has been retained by defendants Xilinx, Inc. and Avnet, Inc. to provide a rebuttal expert opinion on patent infringement damages. Before the Court is Plaintiff PACT XPP Technologies, AG’s Motion to Exclude the Opinions of Ms. Mary Woodford Regarding North American Sales and Sales to the U.S. Government (Dkt No. 178, filed May 26, 2011). Having considered the arguments of the parties, PACT’s motion is **DENIED IN PART** and **GRANTED IN PART**.

**APPLICABLE LAW**

An expert witness may provide opinion testimony if “(a) the expert’s scientific, technical, or other specialized knowledge will help the trier of fact to understand the evidence or to determine a fact in issue; (b) the testimony is based on sufficient facts or data; (c) the testimony is the product of reliable principles and methods; and (d) the expert has reliably applied the principles and methods to the facts of the case.” Fed. R. Evid. 702. A trial court is “charged with a ‘gatekeeping role,’ the objective of which is to ensure that expert testimony admitted into evidence is both reliable and relevant.” *Sundance, Inc. v. DeMonte Fabricating Ltd.*, 550 F.3d 1356, 1360 (Fed. Cir. 2008).

**DISCUSSION**

In this action for patent infringement, PACT seeks damages for the alleged infringement by defendants Xilinx and Avnet. PACT has retained James Nawrocki to provide an opinion on

the amount of damages that should be awarded. Defendants have retained Mary Woodford to provide a rebuttal opinion. The parties agree, as they must, that a patentee may only recover damages for acts that constitute infringement under 35 U.S.C. § 271. In general, activities that occur wholly outside of the United States do not infringe a United States patent, and therefore no damages are available for those activities. *See* 35 U.S.C. §§ 271 and 284. Furthermore, 28 U.S.C. § 1498 prevents a patentee from recovering damages for infringement “by or for the United States” in this action. Woodford opines that Nawrocki’s damages base improperly includes sales of accused products that occurred outside of the United States, and includes sales of accused products to the United States government. Accordingly, Woodford estimates the extent of sales of accused products in the United States and to the United States government, and opines that the damages base should be adjusted using those estimates. PACT contends that both estimates should be excluded.

**A. Sales Outside of the United States**

PACT argues that Woodford should not be permitted to estimate Xilinx’s U.S. sales from Xilinx’s North America channel sales data because 1) actual U.S.-only sales data exists and Xilinx failed to produce the data during discovery, and 2) Woodford’s estimation methodology is unreliable.

**1. Xilinx’s Alleged Failure to Produce U.S.-Only Sales Data**

Even though the discovery order in this case requires the parties to produce all relevant documents without waiting for a request for production, PACT sent a request to Xilinx in September 2009 for:

All documents sufficient to show all sales and revenue information for the Accused Products and any products reasonably similar to any Accused Product from 1999 to the present, broken down by quarter and by country, including all documents sufficient to

explain any acronyms or terminology employed by your accounting system.

Dkt. No. 178 at 2. In July 2010, PACT requested that Xilinx designate witnesses for deposition on topics related to identifying U.S. sales of the accused products. The following topics are representative of that request:

1. A description of how Xilinx realizes, recognizes, and classifies revenues from the Accused Products, including a description of Xilinx's methodology for characterizing revenue as U.S. or international for U.S. tax purposes.

\* \* \*

5. The amount of sales, use, subscriptions, monetization, costs, or revenue related to the Accused Products purportedly occurring outside the United States, and the basis for any contention that such sales, uses, subscriptions, monetization, costs, or revenues occur outside the United States.

Deposition Notice, Dkt. No. 178-2 at 6-7. In response to the document request, Xilinx produced sales data for the accused products sold in Xilinx's "North American Channel." Dkt. 178 at 3. Even if the "North American Channel" legend did not put PACT on notice that the produced data included more than just U.S. sales, PACT learned of this fact at least by the time it took Xilinx's deposition in March 2011. At the deposition, Xilinx's representative explained that the North American Channel includes sales for all countries in North and South America. Dkt No. 178 at 3. Xilinx's representative testified that Xilinx can run a report showing total revenues on a country-by-country basis or run a report showing revenue data on a product-by-product basis for a particular region (e.g. North America, Asia Pacific, Europe, or Japan). Lorenzo Dep. 63:4-21 and 64:4-23, Dkt. No. 213-1. However, Xilinx does not have a report that shows revenue by product and by country, and it would be difficult to create such a report. *Id.* at 65:3-24.

PACT argues that Woodford's estimation of U.S.-only sales should be excluded because Xilinx has the capability to produce U.S.-only sales data and failed to produce it during

discovery. Dkt No. 178 at 7-10. Xilinx responds that U.S.-only sales data is not maintained in the ordinary course of business, Xilinx produced the best data available in its possession, and that PACT “presumably accepted Xilinx’s explanation regarding the impracticality of producing U.S.-only revenue data for the accused products and found the data that Xilinx did produce sufficient, because Plaintiff did not move to compel production of U.S.-only revenue data for the accused products or seek further clarification of the burden of producing such data.” Dkt No. 213 at 8-9.

The clear import of Xilinx’s corporate testimony is that Xilinx does not have a business need to examine sales for specific products (such as the accused products) on a country-by-country basis and therefore Xilinx does not have reports readily available to provide this data. This reading also explains why Xilinx’s representative was unable to explain a way to estimate the extent of sales of the accused products in the United States.

A patentee bears the burden of proving the damages to which it is entitled. To that end, a patentee must seek adequate evidence during discovery such that it can prove damages for acts of infringement in the United States. Here, Xilinx has produced the reports it maintains in the ordinary course of business. If such production was deficient, PACT should have met and conferred to reach an amicable resolution of the dispute, or filed a motion to compel production if an impasse was reached. Therefore the Court will not exclude Woodford’s estimation as a sanction for Xilinx’s alleged failure to produce data showing U.S. sales of the accused products, and PACT’s objection on this ground is overruled.

## **2. Reliability of the Estimates**

PACT further argues that Woodford’s estimate of non-U.S. sales should be excluded because the opinions do not satisfy the standards set forth by Federal Rule of Evidence 702. Woodford’s opinions allegedly not meet the Rule 702 standard because they rely on insufficient

facts or use an unreliable methodology to the extent that (1) Woodford “does not consider the changes in the proportion of revenue attributable to various products over time,” (2) Woodford does not account for the fact that “Xilinx’s U.S. revenue as disclosed in its Form 10-K includes a broader population of products than just the accused products,” and (3) Woodford assumes that “revenue equals units . . . overlook[ing] the fact that Xilinx’s products differ in price.” Dkt. No. 178 at 10.

The Court has reviewed the parties’ arguments and is not persuaded that Woodford’s opinions are so flawed as to be inadmissible. Woodford’s methods appear to be reasonable in light of the data that is available. PACT does not suggest that a superior methodology exists, and instead asks that no estimation be permitted. The very nature of estimates is that they are never a perfect substitute for the actual data. However, it is preferable to allow the jury to hear Woodford’s opinions and assess their credibility than to exclude them entirely. Otherwise, the jury will be left with no principled way to determine the appropriate damages base, which could result in PACT being compensated for sales that do not infringe its United States patents. PACT’s objections to the sufficiency of the facts or reliability of Woodford’s methods are overruled.

To the extent PACT’s motion seeks to exclude Woodford’s estimate of U.S.-only sales of accused products, PACT’s motion is DENIED.

**B. Sales to the U.S. Government**

PACT also objects to the Woodford’s estimate of the sales of accused products to the U.S. Government. Woodford’s report contains the following explanation of how sales to the U.S. Government were estimated:

In order to estimate [the amount of sales of the accused Xilinx products that were made in connection with government sales], I performed the following analysis:

- a) Compiled a list of Xilinx's top 25 customers in terms of sales units across its accused product families and select Xilinx customers known to sell to the U.S. Government;
- b) Reviewed each selected Xilinx customer company's most recent SEC 10-K filing to determine the percent of that company's revenues that are derived from sales to the U.S. Government;
- c) Determined the percentage of total Xilinx unit sales of each accused product family made to each of these select customers; and,
- d) Finally, I assumed that the percent of total unit sales estimated to be sold to the U.S. government is similar to the percent of accused unit sales that are sold to the U.S. government and multiplied the percentage of total units sold to the U.S. Government by the total accused units sold.

Woodford Rep. ¶ 82, Dkt. No. 178-5.

PACT offers a number of reasons why this methodology is unreliable. First, Xilinx's sales data suggests that this method overstates the number of sales to the U.S. government. "Xilinx's data include specific classifiers, 'DO' and 'DX,' which indicate that the corresponding orders are priority orders placed by the Department of Defense." Dkt. No. 178 at 11. The total "DO" and "DX" orders only amount to 20% of the units estimated by Woodford, which suggests the methodology is flawed. *Id.* Second, Woodford doesn't explain why some sales to the government include the DO/DX classifiers but not others. *Id.* Third, there is no evidence that any of these sales were ever made to the government. *Id.* Finally, there is no foundation for the assumption that percentage of each customer's sales to the government is representative of the percentage of that customer's Xilinx purchases that are sold to the government. *Id.* at 12-13.

The Court finds that PACT's final objection is well taken – there is no evidence supporting the assumption that the percentage of each customer's sales to the government is representative of the percentage of that customer's Xilinx purchases that are sold to the government. For example, Woodford found that roughly 3% of customer M's sales were made

to the government. Dkt. No. 178 at 13. However, there is no evidence supporting the assumption Woodford makes, which is that 3% of the Xilinx product bought by customer M was similarly sold to the government. It is unacceptably likely that 100% of the Xilinx product bought by customer M was sold to other 97% of customer M's customers. Therefore, this part of Woodford's methodology for estimating sales to the U.S. government does not rely on sufficient facts or a reliable methodology as required by Federal Rule of Evidence 702, and PACT's objection is sustained as to ¶ 82.

However, the Court finds that the methodology in ¶¶ 83-84, where Woodford simply adds up the total number of sales classified as DO/DX, relies on sufficient facts and is sufficiently reliable to be presented to the jury. Accordingly, PACT's objections to those paragraphs are overruled. Woodford may testify to the extent of DO/DX sales to the extent that there is adequate foundation supporting the assumption that these classifications relate to sales made to the Department of Defense.

Accordingly, to the extent PACT's motion seeks to exclude Woodford's estimate of U.S. government sales based upon the methodology disclosed in ¶ 82 of her report, PACT's motion is GRANTED.

### CONCLUSION

For the foregoing reasons, Plaintiff PACT XPP Technologies, AG's Motion to Exclude the Opinions of Ms. Mary Woodford Regarding North American Sales and Sales to the U.S. Government (Dkt No. 178) is **DENIED IN PART** and **GRANTED IN PART**.

**SIGNED this 16th day of April, 2012.**

  
ROY S. PAYNE  
UNITED STATES MAGISTRATE JUDGE