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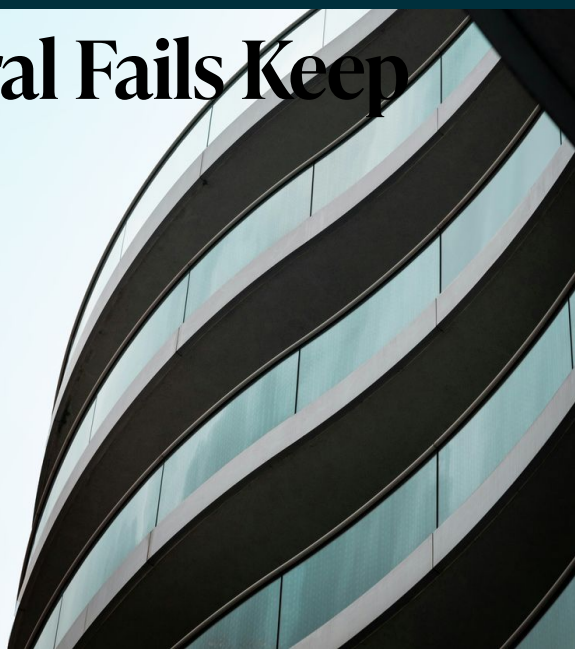
Patent Damages Procedural Fails Keep Coming



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May 13, 2024, 8:19 AM
By: Ted Mathias

Last month I checked in on a discovery dispute regarding the timeliness of disclosing noninfringing alternatives (NIAs) in a case with only two rounds of expert reports. I noted that the problem (defendant waiting until the second round of reports to address NIAs) is usually avoided in cases with three rounds of expert reports. Now we have a new month, a new dispute despite three rounds of expert reports, and a new twist.

In *Rex Computing v. Cerebras Systems*, No. 21-525-MN (D. Del. Apr. 15, 2024), the patentee sought to strike portions of a rebuttal expert report directed to four noninfringing alternatives. The defendant had briefly identified the NIAs in an interrogatory response, but the patentee argued that the expert's report improperly "include[d] technical details constituting contentions that were not fully disclosed during fact discovery."

The court rejected the patentee's argument. The patentee did not object to the lack of detail in the interrogatory response or pursue any follow-up discovery based on the response. And its expert addressed the NIAs in both the first and third round of expert reports. For those reasons, the court concluded that the defendant's experts were not untimely and, even if they were, there was insufficient prejudice or inability to cure that would warrant exclusion.

The twist came in the court's disposition of a different argument, concerning the expert's reliance on testing relating to the apportionment of damages. The expert had requested the

testing after receiving the patentee's opening expert reports. The court struck the expert's opinions based on the testing done by the defendant's employees. The court explained that the testing could have been done and produced during fact discovery. And because the testing was conducted by the employees and not the expert, the prejudice could not be cured without re-opening fact discovery and allowing the patentee's expert to file a supplemental report.

The defendant likely would have avoided the exclusion if the defendant had cast the relevant employees as quasi-experts by having them provide Rule 26(a)(2)(C) disclosures during expert discovery. As the testing was not information kept in the ordinary course of business, the patentee would have had a more difficult argument that the testing was required to be disclosed before expert discovery. As to prejudice, the patentee would have had little choice but to depose the employees during the expert discovery period.

In any event, *Rex Computing* is a further reminder that all kinds of patent damages issues, including but not limited to NIAs, require plenty of planning to avoid the procedural pitfalls that frequently arise when they are asserted.

> **Defendant does not explain why similar testing could not have been run during the fact discovery period, with the results produced to Plaintiff. Nor does Defendant cite any authority supporting its position that an expert may properly rely on such undisclosed data in a rebuttal expert report.**
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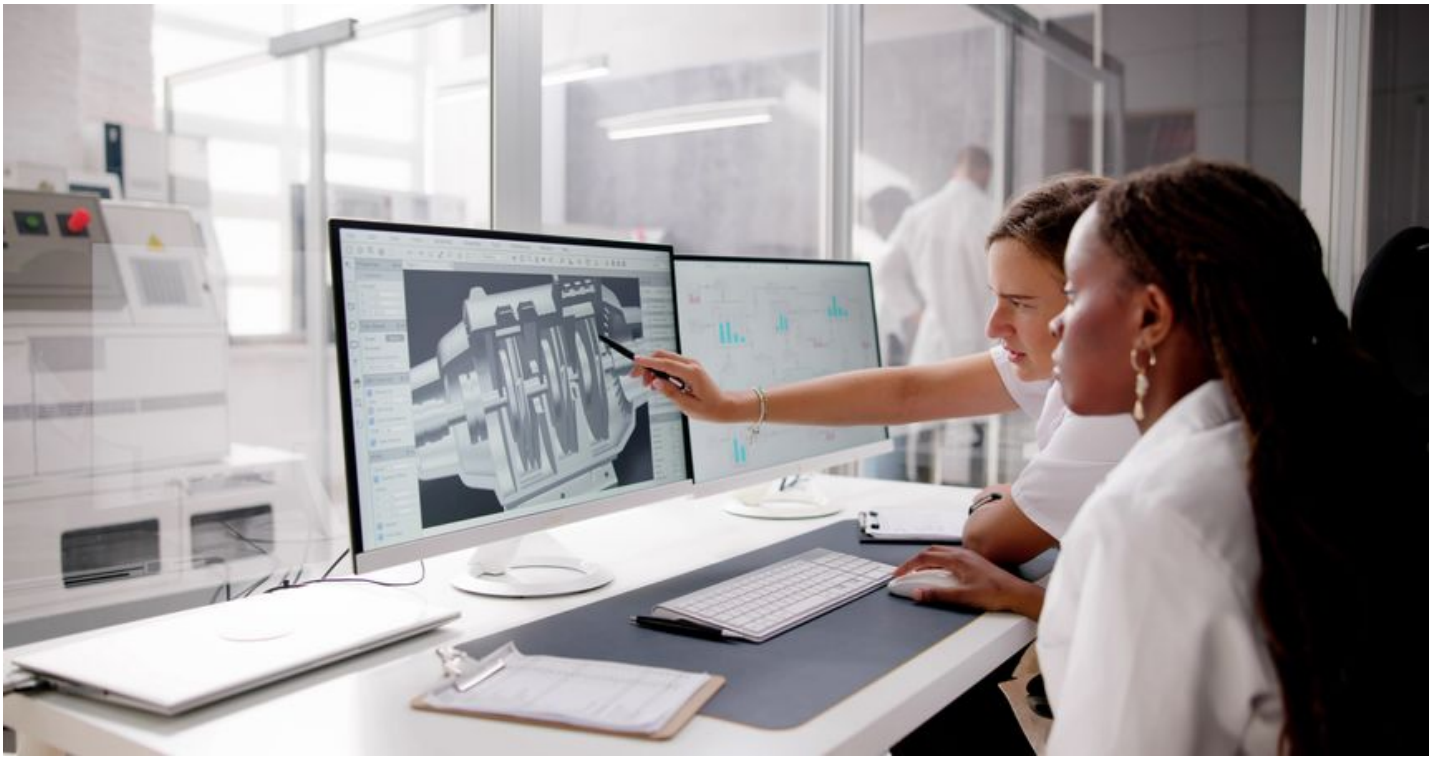

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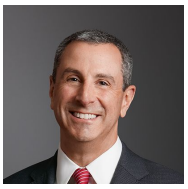

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