

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

HONEYWELL INTERNATIONAL INC.)	
and HONEYWELL INTELLECTUAL)	
PROPERTIES INC.,)	
)	
Plaintiffs,)	
)	C.A. 04-1337-JJF
v.)	(Consolidated)
)	
APPLE COMPUTER, INC., et al.,)	DM 19
)	
Defendants.)	

**SPECIAL MASTER’S REPORT AND RECOMMENDATIONS ON
HONEYWELL’S MOTION TO EXCLUDE DEFENDANTS’ LATE DISCLOSURES**

The matter is presently before the Special Master on Honeywell International Inc. and Honeywell Intellectual Properties Inc.’s (“Honeywell”) Motion to Exclude (the “Motion”) Defendants Fujifilm Corporation and Fujifilm U.S.A. (“Fuji”) and Samsung SDI (“Samsung”) (collectively, “Defendants”) from offering: (i) testing data and contentions that Honeywell alleges were not disclosed in response to Honeywell’s contention interrogatories in accordance with the Amended Scheduling Order (D.I. 711); (ii) testimony from Defendants’ expert Elliot Schlam, Ph.D. (“Dr. Schlam”) regarding testing performed by Canadian firm Chipworks Incorporated (“Chipworks”); (iii) any trial testimony from Chipworks because they did not submit a Fed. R. Civ. P. 26 expert report and Samsung represented via letter that they did not intend to call a Chipworks representative at trial; and (iv) the Declaration of Chipworks representative Jason Proud, and the underlying testing materials attached thereto (“Underlying Chipworks Testing Materials”).

Having read and considered the papers submitted by the parties, the Special Master concludes that Honeywell’s Motion should be DENIED.

BACKGROUND

On March 29, 2006, Honeywell served its First Set of Interrogatories on Defendants Samsung and Fuji (“Plaintiffs’ First Set of Interrogatories”). (D.I. 805, Exhs. “A” and “B”).

Interrogatory 5 states:

For each Accused Structure identified in response to Interrogatory 1 that you contend does not infringe the ‘371 patent, specify each claim element or limitation that allegedly is not met by the Accused Structure, the factual bases for that contention, and the three persons most knowledgeable about those facts. Your response may take the form of the claim chart.

(Id. at 5).

Interrogatory 10 states:

For each Accused Structure that you manufacture, distribute and/or sell, state all reasons why you rotate at least one of the lens array(s), state whether you have tested other angles of rotating the lens array(s), and if so, state why you chose to use the angle of rotation currently being used.

(Id. at 7).

On May 30, 2006, Fuji served its Objections and Responses to Plaintiffs’ First Set of Interrogatories. In response to Interrogatory 5, Fuji objected to the interrogatory as “premature” and stated that it would supplement its responses after the terms of claim 3 were interpreted by the Court at the Markman proceeding. (D.I. 805, Exh. “C”). Similarly, Fuji responded that it would respond to Interrogatory 10 after certain terms were interpreted by the Court in a Markman proceeding. Id. at 14.

In response to Interrogatory 5, Samsung responded, in part, that it would supplement its response after substantial discovery had taken place. (D.I. 805, Exh. “D”). In response to Interrogatory 10, Samsung responded that it will respond after the Court issued a claim construction order. (Id.).

On March 29, 2006, Honeywell served its First Set of Document Requests on Defendants. Request No. 44 requested “all documents referring or relating to the issue, practice, or reasons for rotating the lens array(s) in your liquid crystal display modules.” (D.I. 805, Exh. “F”). Samsung responded that, subject to its objections, it would produce all responsive, non-privileged documents. (Id. at Exh. “G”). Fuji responded that it was unable to respond to Request 44 until the terms are interpreted by the Court in a Markman proceeding. (Id. at Exh. “H”).

On January 11 and 12, 2007, and March 21, 2007, Honeywell deposed Kenji Saito (“Dr. Saito”), Fuji’s Fed. R. Civ. P. 30(b)(6) witness. Dr. Saito testified that angling of the prisms in some of Fuji’s products was “probably” done to “combat moiré.” See Dep. Trans. of Kenji Saito dated Jan. 11, 2007 (D.I. 805, Exh. “K”) at 59:8 to 59:18, 91:22 to 91:24, 132:4 to 132:9; Dep. of Kenji Saito dated Jan. 12, 2007, at 146:4 to 142:6. Dr. Saito testified as follows:

Q: Did Fuji ever encounter a moiré effect in the first model?

A: No. We didn’t pay much attention.

Q: So Fuji didn’t make a conscious decision in the first model to rotated due to moiré?

A: Not in the case of the first model.

See Dep. Trans. of Kenji Saito dated March 21, 2007 (D.I. 805, Exh. “K”) at 182:22 to 182:25.

Dr. Saito also testified that:

Q: Did those discussions with Enplas include discussions of avoiding moiré?

A: Well we had asked Enplas to design backlights for us, and so for the overall performance of the backlight I believe moiré was one issue included.

Q: Do you know if any—

CHECK INTERPRETER: Excuse me. I'm not sure if I would use the word "issue". Specifically, he didn't use the word "issue" in Japanese. The answer would be "Well we had asked Enplas to design light guides for us, and so when it comes to the total module and the performance of the backlight, moiré was considered to be one factor.

INTERPRETER: Do you think he said "factor" rather than "issue"? I don't think it matters.

CHECK INTERPRETER: Issue is a --- As long as issue is not a problem, since he didn't use the word "problem", which is generally translated as an issue.

INTERPRETER: Let's continue.

MS. RAHNE: It doesn't matter to me.

Q: Are you aware of any reason for rotating other than avoiding moiré?

A: No, I'm not.

See Dep. of Kenji Saito dated March 21, 2007, (D.I. 805, Exh. "K") at 185:14 to 185:16.

On May 2, 2007, Honeywell deposed Tae Hyeong Jung ("Dr. Jung"), Samsung's Fed. R. Civ. P. 30(b)(6) witness. Dr. Jung testified that Samsung rotated its prism sheets in order to improve the uniformity of brightness of its products, which also included eliminating moiré. See Dep. Trans. of Tae Hyeong Jung dated May 2, 2007 (D.I. 805, Exh. "N") at 57:1 to 57:19, 62:5 to 62:7, 108:23 to 109:1, and 131:20 to 132:2. For example, Dr. Jung testified as follows:

Q: Why was 20 degrees used for the two sheets?

Q: Is it used to improve the uniformity of brightness?

Q: Was it also used to combat moiré?

A: That is included.

Id.

On October 26, 2007, Honeywell wrote to Fuji stating that it intended to rely on Fuji's position regarding Interrogatory 10 when completing its supplementation of its discovery

responses, and to “please confirm that Fuji’s Rule 30(b)(6) testimony, combines with its responses to Honeywell’s Interrogatory No. 10 represent the universe of Fuji’s knowledge as to why a particular angle of rotation is selected for the lens sheet in Fuji’s accused products.” (D.I. 805, Exh. “L”).

On November 1, 2007, Fuji responded that Honeywell’s request was without merit, that “Fuji offered Mr. Saito as a 30(b)(6) witness and therefore he has Fuji’s knowledge aside from the privileged knowledge of counsel and the expert opinions of Fuji’s experts, which you already have.” (D.I. 805, Exh. “M”). Fuji also stated that it “contemplates filing a motion for summary judgment of non-infringement of its LCD modules in view of a Markman decision and the physical structure of Fuji’s LCD modules. This motion will be supported by the expert testimony of Dr. Elliot Schlam.” Id.

Pursuant to Amended Scheduling Order No. 2, fact discovery closed on January 31, 2008. (D.I. 303). The Court conducted a Markman hearing on July 10, 2008, and on December 9, 2008 issued its Tentative Order on Claim Construction (“Tentative Markman Decision”). (D.I. 500). On August 12, 2009, the Court issued a Memorandum Opinion on supplemental claim construction, making its Tentative Markman Decision final with a revised construction of the term “slight misalignment” (the “Final Markman Decision”). (D.I. 712).

In its Tentative Markman Decision (D.I. 500), the Court construed the term “slight misalignment” to mean “a misalignment of typically 2-16 degrees between an axis of the lens array and an axis of the pixel arrangement causing moiré effects.” On May 4, 2009, upon consideration of the Customer Defendants’ objections to the Court’s Tentative Markman Decision, the Special Master recommended the Court modify its tentative construction of the term “slight misalignment” to mean “a slight misalignment resulting from a rotation of the

lenslets of the lens arrays relative to an edge of the LCD panel by just enough, and not more, number of degrees to eliminate residual moiré.” (Id. at 18).

In its Final Markman Decision, the Court modified the Special Master’s proposed construction of the term “slight misalignment” in claim 3 of the ’371 patent to mean “a slight misalignment resulting from a rotation of the lenslets of the lens array, relative to an axis of the LCD panel causing moiré, by just enough, and not more, number of degrees to eliminate moiré effects due to the structure of the display.” (Id. at 11).

The deadline for the parties to supplement interrogatory responses, responses to request for admissions, request for production of documents and supplemental contention interrogatories was August 17, 2009. (D.I. 712). On August 17, 2009, Samsung supplemented its response to Interrogatories 5 and 10 as follows:

Fourth Supplemental Response to Interrogatory 5:

None of the Accused Structures, or any versions thereof, satisfy the “wherein at least one of said first and second lens arrays is rotated about an axis perpendicular to said liquid crystal in order to provide a slight misalignment between said lenslets and said liquid crystal panel” limitation. There is no evidence that the lens array exhibit “[a] misalignment resulting from a rotation of the lenslets of the array relative to an edge of the LCD panel by just enough, and not more, number of degrees to eliminate residual moiré.

(D.I. 805, Exh. “V”). In supplementing its response to Interrogatory 10, Samsung responded that:

Samsung SDI incorporates the deposition testimony of Tae Hyeog Jung, including at least pages 56-63 of his testimony on May 2, 2007. For any given module, Samsung SDI chose a backlight design from a group of standard backlight designs provided by its suppliers. Samsung SDI selected the backlight that yielded the best performance in terms of brightness uniformity for that module.

(Id.) Fuji did not supplement its responses to Interrogatories 5 and 10.

On August 31, 2009, Honeywell served its expert report on infringement, authored by Dr. Ian Lewin (“Dr. Lewin”). On September 15, 2009 at 12:15 a.m., Defendants served a joint responsive Expert Report of Non-Infringement for Defendants Fujifilm U.S.A., Samsung SDI Co., Ltd. and Samsung SDI America, Inc. (“Dr. Schlam’s Expert Report”) (D.I. 768, Exh. “G”). In forming his opinions, Dr. Schlam considered a four-page report of Chipworks, titled “Moire Effect Analysis on Various Cellular Phones Containing Saumsung SDI LCD Modules” (the “Chipworks Report”), which included a one-page summary of results regarding the degree of rotation required to eliminate moiré in twenty-one specific modules. (D.I. 768, Exh. “G” at Exh. 1). Chipworks performed the aforementioned testing between August 20, 2009 and September 4, 2009. (D.I. 841 at 4).

In his report, Dr. Schlam concludes that the Fuji FinePix E550, Fuji FinePix S5200, Fuji FinePixA210, and Fuji FinePixS2Pro do not exhibit “moiré interference at any angle. It must be concluded that the lenticular was not oriented in this module to eliminate moiré interference.” (D.I. 842, Exh. “G” at 82). With respect to FujiPix S3000, “where the lenticular is placed at 5 degrees to the display panel,” Dr. Schlam concluded that although moiré interference was observed, it disappeared at rotations of 3 degrees and greater, and the module therefore did not infringe Claim 3 because the angle at which the lens array is rotated is not “just enough, but no more number of degrees necessary” to eliminate visible moiré interference. (*Id.* at 82-83). Dr. Schlam also opined that the 21 Samsung modules tested by Chipworks “either (1) were not rotated in order to eliminate moiré, or (2) are rotated at angles beyond that which is just enough, and not more, number of degrees to eliminate moiré effects to visually acceptable levels.” (*Id.* at 61).

On September 15, 2009, Honeywell wrote to Fuji noting that Fuji did not supplement its interrogatory responses to disclose the Chipworks testing and inquired if a Chipworks representative would testify at trial. (D.I. 805, Exh. "W"). Honeywell also stated that it would need to delay that portion of Dr. Schlam's testimony that addressed the Chipworks testing until Fuji produced a Chipworks representative for deposition. (Id.). Honeywell did not request that Defendants produce the Underlying Chipworks Testing Materials. On September 16, 2009, Samsung responded that Dr. Schlam was entitled to rely on testing data to support his opinions as an expert witness, that Samsung did not intend to call a Chipworks representative as a witness at trial, and that they were willing to make a Chipworks representative available for deposition. (D.I. 805, Exh. "X"). Neither Fuji nor Samsung offered to produce the Underlying Chipworks Testing Materials.

Notwithstanding their complaints and not having filed an application with the Special Master addressing same, on September 17, 2009, Honeywell took the deposition of Dr. Schlam. On September 29, 2009, Samsung served the declaration of Chipworks representative Jason Proud. Attached as exhibits were a copy of the 1-page summary relied upon by Dr. Schlam, a summary of the qualifications of Jason Proud and his associate, and over thirty pages of photographs and testing results.¹

Sometime before September 29, 2009, Defendants identified Jason Proud as a witness in their proposed Pretrial Order submission.

On October 14, 2009, Honeywell filed its Motion.

DISCUSSION AND CONCLUSIONS

I. ALTHOUGH DEFENDANTS' DISCLOSURE OF THE UNDERLYING CHIPWORKS TESTING MATERIALS AND THE DECLARATION OF JASON PROUD WERE UNTIMELY, DEFENDANTS' NON-SUPPLEMENTATION WAS HARMLESS UNDER FED. R. CIV. P. 37(C)(1).

Honeywell argues that Defendants should be precluded from using the Chipworks' testing, Declaration of Jason Proud and Underlying Chipworks Testing Materials pursuant to Fed. R. Civ. P. 26(a) and 37(c)(1) because (i) Defendants did not supplement their responses to Interrogatories 5 and 10 in accordance with the Scheduling Order; (ii) Defendants changed their position at the close of expert discovery; and (iii) Defendants "renege" on their earlier statement that they did not intend to call a Chipworks representative as a witness at trial, all of which resulted in incurable prejudice to Honeywell. (D.I. 804 at 11-15). Honeywell's arguments will be addressed elsewhere in conjunction with a discussion of the Tracinda Corp. v. DaimlerChrysler AG, 362 F. Supp. 2d 487, 506 (D. Del. 2005) factors.

The Special Master is mindful that a District Court must exercise restraint in considering motions to exclude evidence. Id. "[E]xclusion of critical evidence is an extreme sanction, not normally to be imposed absent a showing of willful deception or flagrant disregard of a court order by the proponent of the evidence." See Tracinda, 362 F. Supp. 2d at 506 (internal quotations omitted). Lack of diligence in disclosure does not amount to bad faith. See In re Paoli R.R. Yard Pcb Litig., 35 F.3d 717, 791 (3d Cir. 1994) (holding the district court's finding of willfulness and bad faith as clearly erroneous where the witness was timely named, where most of the substance of the witness' testimony was timely provided, wherein additional substance was provided about one month after the deadline, and where the producing party had

¹ Honeywell claims that it received "over thirty pages of photographs of testing results (many dated in August)". (D.I. 804 at 11), referred to herein as the Underlying Chipworks Testing Materials. The photographs attached to the Declaration of Jason Proud were not submitted to the Special Master.

little to gain from the delay in provision of the additional material); Borden v. Ingersoll-Rand Co., 2003 U.S. Dist. LEXIS 1272, *7-8 (E.D. Pa. Jan. 17, 2003) (denying defendant's motion to exclude deposition testimony where plaintiff had offered the deposition testimony of his expert witnesses more than three months before the case was scheduled to go to trial, thereby vitiating any claims of extreme unfairness or surprise).

Violations of a parties' duty to supplement discovery responses under Fed. R. Civ. P. 26(e) are addressed in Federal Rule of 37(c)(1), which provides: "If a party fails to provide information or identify a witness as required by Rule 26(a) or (e), the party is not allowed to use that information or witness to supply evidence on a motion, at hearing or at trial, unless the failure was substantially justified or is harmless." Fed. R. Civ. P. 37(c)(1).

This Court has relied on the analysis of four factors in determining whether a failure to supplement is "harmless" under Fed. R. Civ. P. 37(c)(1):

- (1) prejudice or surprise to a party against whom evidence is offered;
- (2) ability of that party to cure the prejudice;
- (3) likelihood of disruption to trial; and
- (4) bad faith or willfulness involved in not complying with the disclosure rules.

See Tracinda Corp., 362 F. Supp. 2d at 506. The Court also considers the importance of the evidence to the proffering party's case. Mercedes Benz USA LLC v. David Michael Motor Car Corp., 2008 U.S. Dist. LEXIS 72172, at *7 (D.N.J. Sept. 23, 2008).

(A) Prejudice and Ability to Cure Prejudice

The Special Master concludes that Defendants supplemented their responses to Interrogatories 5 and 10 through the expert report of Dr. Schlam, produced on September 15, 2009, at 12:15 a.m., and that Dr. Schlam's conclusions are not wholly inconsistent with

Defendants' Fed. R. Civ. P. 30(b)(6) testimony. Thus, Defendants' failure to supplement their discovery responses until they served Dr. Schlam's Expert Report on September 15, 2009, and the Declaration of Jason Proud and the Underlying Chipworks Testing Materials on September 29, 2009, was harmless.

In 2007, Dr. Saito testified that angling in the prisms contained in *some* of Fuji's products was done to avoid moiré. See Dep. Trans. of Kenji Saito dated March 21, 2007 (D.I. 805, Exh. "K") at 185:14 to 185:16. At best, Dr. Saito's testimony is not clear. Dr. Jung also testified in 2007 that Samsung rotated its prism sheets in order to improve the uniformity of brightness of its products, which also included eliminating moiré. See Dep. Trans. of Tae Hyeong Jung dated May 2, 2007 (D.I. 805, Exh. "N") at 57:1 to 57:19. Honeywell claims that Dr. Schlam's expert report differs from Defendants' Fed. R. Civ. P. 30(b)(6) testimony because Dr. Schlam opines "that none of the accused modules infringe either because they do not experience moiré at all or because the lens arrays are rotated more than 'just enough' to eliminate moiré." (D.I. 804 at 10).

Based upon the record before the Court, the Special Master concludes that Dr. Schlam's Expert Report is not wholly inconsistent with the testimony of Defendants' Fed. Rule 30(b)(6) deponents in 2007. (D.I. 864, Exh. 6). Dr. Schlam opined that the Fuji and Samsung LCD modules accused of infringement by Honeywell "do not infringe claim 3 of the '371 patent, either literally or under the doctrine of equivalents." (Id. at 2). In this regard Dr. Schlam expresses an opinion with respect to five specific Fuji modules. He opines that the Fuji FinePix E550, S5200, A21, S2Pro exhibited "no moiré interference at any angle. It must be concluded that the lenticular was not oriented in this module to eliminate moiré interference." (Id. at 82).

Dr. Jung and Dr. Saito in the Special Master's view did not opine specifically as to the aforementioned modules detailed in Dr. Schlam's Expert Report, or, if they did, Honeywell did

not point to such testimony in the record. Thus, although Dr. Schlam opines that the lenses in specific modules were not rotated to eliminate moiré interference, it is not wholly inconsistent with Dr. Saito's expert testimony that some lenses were rotated to eliminate moiré, or Dr. Jung's testimony that Samsung generally rotated lenses to improve uniformity of brightness, which includes eliminating moiré. See Dep. Trans. of Kenji Saito dated Jan. 11, 2007 (D.I. 805, Exh. "K") at 911:22 to 91:24; see Dep. Trans. of Tae Hyeog Jung (D.I. 805, Exh. "N") dated May 2, 2007 dated Jan. 11, 2007 at 62:5 to 62:7.

The Special Master concludes that Dr. Schlam's Expert Report produced on September 15, 2009 satisfied the Defendants' obligation to supplement its discovery responses on an ongoing basis. See Fed. R. Civ. P. 26(e). See also Minuteman Int'l, Inc. v. Nilfisk-Advance, A/S, 2004 U.S. Dist. LEXIS 19451 (N.D. Ill. Sept. 23, 2004) (denying motion to strike expert report as untimely where expert report was submitted in accordance with deadlines and plaintiffs were aware of information that would have been included in supplemental interrogatory responses through the expert report).

Moreover, Honeywell had the ability to cure any claimed prejudice. In this regard, the Special Master notes that Honeywell was served with Dr. Schlam's Expert Report on September 15, 2009, and was therefore aware of the Chipworks testing as of that date. (See Sept. 15, 2009, Letter from M. Woods to L. Rosenthal and S. Korniczky) (D.I. 805, Exh. "W"). Although Honeywell inquired whether a Chipworks representative would testify at trial, Honeywell ignored Defendants' offers to make a Chipworks representative available for deposition. (See Sept. 16, 2009, Letter from S. Korniczky to M. Woods) (D.I. 805, Exh. "X"). Honeywell could have deposed a Chipworks representative, as well as requested the Underlying Chipworks Testing Materials anytime after September 15, 2009. Honeywell chose to wait until October 14,

2009 to file the instant Motion – a full two weeks after receipt of the Proud Declaration and Underlying Chipworks Testing Materials.

At the same time the Special Master concludes that the Underlying Chipworks Testing Materials should have been produced by the Defendants' within a short period of time after the testing was completed on September 4, 2009. Similar to In re Paoli and Borden, Defendants timely named Jason Proud as a fact witness in accordance with the September 29, 2009 Pretrial Order deadline, the substance of Jason Proud's anticipated testimony was provided to Honeywell more than one month before trial and only two weeks after Dr. Schlam's Expert Report. The Special Master concludes that although the Underlying Chipworks Testing Materials were produced by Defendants in an untimely manner, Honeywell failed to take any effort to secure Jason Proud's deposition. In no small part, running up against the trial date of November 9, 2009 resulted from Honeywell's own inaction. This Court has denied a motion to exclude expert testimony where the opposing party had an opportunity to depose the expert witness on the subject of his testimony. See Boehringer Ingelheim Int'l GmbH v. Barr Labs., Inc., 2008 U.S. Dist. LEXIS 53475, *6-7 (D. Del. July 15, 2008) (holding that plaintiffs were not unduly prejudiced where they had an opportunity to examine defendants' witnesses before trial and present plaintiffs' own witnesses on the topics).

Honeywell also takes issue with the fact that Defendants reneged on their representation that they would not call a Chipworks representative at trial. (D.I. 804 at 15). In this regard, the Defendants have violated no Rule of Civil Procedure and have timely complied with the requirements of this Court's pre-trial Order process. Accordingly, the Special Master concludes that Defendants' decision to call a Chipworks representative at trial is not prejudicial to

Honeywell. Moreover, as pointed out, Honeywell has failed to make any effort to secure Jason Proud's deposition.²

(B) Likelihood of Disruption to Trial

Based on the Special Master's conclusion that Dr. Schlam's Expert Report is not wholly inconsistent with Defendants' Fed. R. Civ. P. 30(b)(6) testimony, it is unlikely that trial will be disrupted by inclusion of such evidence.

(C) Bad Faith or Willfulness Involved in Not Complying with Disclosure Obligations

The Special Master recognizes that the declaration of Chipworks representative Jason Proud and the Underlying Chipworks Testing Materials were produced eleven (11) days after the deadline to serve responsive expert reports. (D.I. 804 at 11).

Honeywell's reliance on Mercedes-Benz is in the Special Master's view inapposite to the matter subjudice. In Mercedes Benz, defendants failed to supplement their Rule 26(a) disclosures with respect to damages calculations until filing of the Pre-Trial Order. 2008 U.S. Dist. LEXIS 72172, *11. The court held that defendants' behavior was a strategic manipulation of the discovery process because their actions were willful, they did not provide an explanation for their actions, and they did not take reasonable steps to clarify their calculation of damages. Id. at *12. In contrast, here, Defendants produced Dr. Schlam's Expert Report in accordance with the Amended Scheduling Order, and properly attached what Dr. Schlam said he relied on, namely the 1-page summary of the Chipworks testing. While untimely, the Defendants did produce the Underlying Chipworks Testing Materials on September 29, 2009 – after they

² The Special Master is mindful that as of October 20, 2009 Samsung still offers to make Jason Proud available for deposition. (D.I. 841 at 7 n. 7). As Honeywell has not made any request seeking the alternate relief to order a deposition for Jason Proud, the Special Master declines to consider same. At the same time, the Special Master encourages the parties to meet and confer in this regard.

realized – as well they should – that Dr. Schlam’s Expert Report would be subject to attack because he did not rely on the Underlying Chipworks Testing Materials.

On this record, the Special Master concludes that Honeywell has not demonstrated either bad faith or willful non-compliance with its discovery obligations.

(D) Importance of Evidence to Proffering Party’s Case

Dr. Schlam is Defendants’ main non-infringement expert, and his conclusions in reliance on the Chipworks testing are critical to Defendants’ defenses of non-infringement. Under the Mercedes Benz test, the Special Master concludes that Honeywell has not shown prejudice or surprise that cannot be cured, or likelihood of disruption at trial justifying exclusion of the expert report of Dr. Schlam, the Declaration of Jason Proud and the Underlying Chipworks Testing Materials. Moreover, it is evident that the evidence Honeywell seeks to exclude is critical to Defendants’ defenses of non-infringement, and any delay in securing the Underlying Chipworks testing was largely caused by Honeywell’s own inaction.

II. DR. SCHLAM’S REPORT COMPLIES WITH FED. R. CIV. P. 26 AND, THEREFORE, DR. SCHLAM WILL BE PERMITTED TO TESTIFY CONSISTENT WITH HIS REPORT.

Federal Rule of Civil Procedure 26(a)(2) provides, in pertinent part, as follows:

(A) *In General.* In addition to the disclosures required by Rule 26(a)(1), a party must disclose to the other parties the identity of any witness it may use at trial to present evidence under Federal Rule of Evidence 702, 703, or 705.

(B) *Written Report.* Unless otherwise stipulated or ordered by the court, this disclosure must be accompanied by a written report—prepared and signed by the witness—if the witness is one retained or specially employed to provide expert testimony in the case or one whose duties as the party’s employee regularly involve giving expert testimony. The report must contain:

(i) a complete statement of all opinions the witness will express and the basis and reasons for them;

(ii) the data or other information considered by the witness in forming them;

(iii) any exhibits that will be used to summarize or support them;

(iv) the witness's qualifications, including a list of all publications authored in the previous 10 years;

(v) a list of all other cases in which, during the previous 4 years, the witness testified as an expert at trial or by deposition; and

(vi) a statement of the compensation to be paid for the study and testimony in the case.

Fed. R. Civ. P. 26(a)(2). The Rule additionally provides that “[a] party must make these disclosures at the times and in the sequence that the court orders.” Fed. R. Civ. P. 26(a)(2)(C). Pursuant to the Court’s Amended Scheduling Order (D.I. 711), opening expert reports were due to be served by August 31, 2009, with responsive reports due September 14 and expert depositions to be conducted by September 25, 2009.

According to Honeywell, Defendants served Dr. Schlam’s report at 12:15 a.m. on September 15, 2009. (D.I. 804 at 10). Dr. Schlam’s report was signed and dated September 14, 2009. (D.I. 842 Exh. G at 84). Honeywell does not assert that Dr. Schlam’s report is untimely due to its service 15 minutes after the deadline set forth in the Amended Scheduling Order. Honeywell does argue that Dr. Schlam’s Expert Report contains conclusions based on testing by both Dr. Schlam and Chipworks that had not been previously disclosed.

Honeywell does not assert that Dr. Schlam’s report is deficient under Fed. R. Civ. P. 26(a)(2)(B). Rather, Honeywell’s motion seeks to exclude Dr. Schlam’s testimony to the extent it relates to the Chipworks testing because Dr. Schlam assertedly has no personal knowledge of the testing conducted by Chipworks.

Concluding that Dr. Schlam is not required to have personally conducted or observed the testing performed by Chipworks in order to form a competent expert opinion, the Special Master concludes that Honeywell's request should be denied.

"Rule 702 of the Federal Rules of Evidence allows expert testimony 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.'" Monsanto Co. v. David, 516 F.3d 1009, 1015 (Fed. Cir. 2008) (quoting Fed. R. Evid. 702). Additionally, Fed. R. Evid. 703 provides as follows:

The facts or data in the particular case upon which an expert bases an opinion or inference may be those perceived by or made known to the expert at or before the hearing. If of a type reasonably relied upon by experts in the particular field in forming opinions or inferences upon the subject, the facts or data need not be admissible in evidence in order for the opinion or inference to be admitted. Facts or data that are otherwise inadmissible shall not be disclosed to the jury by the proponent of the opinion or inference unless the court determines that their probative value in assisting the jury to evaluate the expert's opinion substantially outweighs their prejudicial effect.

Fed. R. Evid. 703.

Honeywell does not assert that Dr. Schlam's testimony is applied improperly or based on unreliable methods or insufficient data; rather, Honeywell challenges Dr. Schlam's reliance on the testing performed by Chipworks and not by Dr. Schlam personally. Under the Federal Rules of Evidence, "an expert need not have obtained the basis for his opinion from personal perception." Monsanto, 516 F.3d at 1015 (citing Sweet v. United States, 687 F.2d 246, 249 (8th Cir. 1982); Data Line Corp. v. Micro Techs., Inc., 813 F.2d 1196, 1200-01 (Fed. Cir. 1987)). Scientific testing conducted by others as well as the specific results obtained may be relied upon by an expert witness under Rule 703. Id. (citing Ratliff v. Schiber Truck Co., 150 F.3d 949, 955 (8th Cir. 1998); Gussack Realty Co. v. Xerox Corp., 224 F.3d 85, 94, 95 (2d Cir. 2000)). The

Federal Rules of Evidence and the courts are clear that experts are permitted to offer opinions that are not based on first-hand knowledge. Id. (quoting Daubert v. Merrell Dow Pharms., 509 U.S. 579, 592 (1993)).

Fed. R. Evid. 703 expressly authorizes the admission of expert opinion as long as the evidence relied upon is “of a type reasonably relied upon by experts in the particular field in forming opinions.” Fed. R. Evid. 703. Honeywell has not challenged the actual tests or analysis conducted by Chipworks or Dr. Schlam, only their timeliness. There is no record to support a conclusion that the tests conducted in this case are of the type not reasonably relied upon by experts in this field. Therefore, the Special Master concludes that Dr. Schlam’s testimony is admissible.

Moreover, the record indicates that Dr. Schlam did at least have some involvement with development and implementation of the testing performed by Chipworks. For example, Dr. Schlam testified at his deposition as follows:

- Q. Were you physically present for any of the tests?
- A. I was not.
- Q. Were you -- Were you involved in determining which modules would be studied?
- A. I was not involved in determining which modules would be studied.
- Q. Were you involved in conducting -- or setting the parameters for the test?
- A. I was in that, you know, in this case counsel was an intermediary, so I explained to counsel what Chipworks should do and I assume counsel related that to Chipworks.
- Q. Now prior to September 14th when you signed off on the report, had you talked to anyone at Chipworks?
- A. I did have a conversation with the person and persons who did the tests, I just don’t recall what the date was of that conversation.

(D.I. 842 Exh. H at 683:15-684:9). Additionally, Dr. Schlam's report states that he is satisfied that the Chipworks tests were "scientifically accurate and repeatable":

I have reviewed the report provided by Chipworks and have determined that the results of the report are reliable. . . . Moreover, the methodology used to conduct the tests was scientifically accurate and repeatable. Indeed, I spoke with Chipworks regarding the methodology used to conduct the test and reviewed the methodology described in their report. It is my opinion that the Chipworks tests are very accurate at determining the maximum angle at which moiré can be observed between 0 degrees and the angle of rotation of the prism films ("cut prism angle") in Samsung SDI's LCD modules.

(D.I. 842 Exh. G at ¶ 110).

Dr. Schlam's report proceeds to describe in further detail the testing methodology performed and restates his conclusion that the methodology was accurate and reliable. *Id.* at ¶¶ 111-119. In the Special Master's view the record demonstrates that Dr. Schlam had at least some level of personal involvement in the testing conducted by Chipworks. To the extent Honeywell contests the extent of Dr. Schlam's involvement, it is an issue that can be dealt with on cross-examination, as it goes to the weight, not the admissibility, of Dr. Schlam's testimony. See, e.g., Cryovac Inc. v. Pechiney Plastic Packaging, Inc., 430 F. Supp. 2d 346, 363-64 (D. Del. 2006). Accordingly, the Special Master recommends that Dr. Schlam's testimony related to the Chipworks testing be admitted.

Honeywell also asserts that Dr. Schlam's Expert Report is somehow deficient because Dr. Schlam relied on "only a one-page table of Chipworks 'results'—not the actual testing." (D.I. 861 at 3). Indeed, Dr. Schlam states in his report, "I have reviewed and evaluated the report of Chipworks Incorporated, headquartered in Ottawa, Canada ("Chipworks"), regarding the accused SDI LCD modules (the "Chipworks Report," annexed hereto as Exhibit 1)." (D.I. 842 Exh. G at ¶ 9). Exhibit 1 to Dr. Schlam's report contains four pages, only two of which have any substantive information and include the testing methodology and a table presenting the summary

of results. (See D.I. 842 Exh. G at Exh. 1). However, as explained above, Honeywell has not met its burden of demonstrating that the Chipworks report is not the “type reasonably relied upon by experts in the particular field in forming opinions or inferences upon the subject,” (Fed. R. Evid. 703) and Dr. Schlam himself has stated that it is.

The Special Master concludes that Dr. Schlam be permitted to testify as to the Chipworks results and methodology presented in his expert report.

III. JASON PROUD SHALL NOT BE PERMITTED TO TESTIFY AS AN EXPERT WITNESS AT TRIAL, BUT MAY TESTIFY AS A LAY WITNESS PURSUANT TO FED. R. EVID. 701.

Honeywell requests that the Court exclude “[a]ny proffered trial testimony from Chipworks, which did not submit a Rule 26 expert report and which Samsung SDI represented would not be called as a witness at trial.” (D.I. 804 at ¶ 4).

The Special Master is mindful that Defendants have not designated Jason Proud as an expert witness. Indeed he did not submit a Fed. R. Civ. P. 26 expert report. Rather, Dr. Schlam relied upon a 1-page summary of the testing performed by Chipworks in offering his expert opinions.

Fed. R. Evid. 701 provides:

If the witness is not testifying as an expert, the witness’ testimony in the form of opinions or inferences is limited to those opinions or inferences which are (a) rationally based on the perception of the witness; (b) helpful to a clear understanding of the witness’ testimony or the determination of a fact in issue, and (c) not based on scientific, technical or other specialized knowledge within the scope of Rule 702.

The work performed by Chipworks is described as follows: “[a]ll cellular phones were taken apart to get access to the LCD display. After the LCD was accessed, the panel was taken apart to allow for rotation of the prism films. The prism films were removed and the angle of rotation was measured . . . The prism films were then rotated and visual observation was used to

inspect for the moiré pattern. The angle was measured at the point at which the moiré pattern was no longer visible.” (D.I. 768, Exh. “G” at Exh. 1 at 3). Jason Proud and his colleague Matthew Garong rotated the prism films and visually observed the angle at which moiré interference was no longer visible.

The Special Master concludes that Jason Proud is a lay witness who may offer opinions consistent with Fed. R. Evid. 701. See Forest Labs., Inc. v. Ivex Pharms., Inc., 237 F.R.D. 106, 114 (D. Del. 2006) (FRE provides that “if a witness is not testifying as an expert, the witness’ testimony in the form of opinions and inferences is limited to those opinions and inferences which are (a) rationally based on the perception of the witness, and (b) helpful to a clear understanding of the witness’ testimony or the determination of a fact in issue”).

CONCLUSION

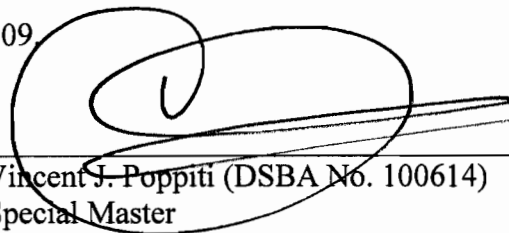
For the reasons set forth above,

IT IS THEREFORE HEREBY RECOMMENDED THAT:

1. Honeywell’s Motion be DENIED.

THE SPECIAL MASTER’S OPINION AND ORDER WILL BECOME A FINAL ORDER OF THE COURT UNLESS OBJECTION IS TAKEN IN ACCORDANCE WITH THE ANTICIPATED ORDER OF THE COURT WHICH SHORTENS THE TIME WITHIN WHICH AN APPLICATION MAY BE FILED PURSUANT TO FED. R. CIV. P. 53(f)(2).

SO ORDERED this 3rd day of November, 2009.



Vincent J. Poppiti (DSBA No. 100614)
Special Master