IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

FUJITSU LIMITED, Plaintiff, v. TELLABS OPERATIONS, INC., TELLABS INC, AND TELLABS NORTH AMERICA, INC., Defendants.	Civil Action No. 1:09-CV-4530 Civil Action No. 1:12-CV-3229 JUDGE HOLDERMAN MAGISTRATE JUDGE COLE JURY TRIAL DEMANDED

FUJITSU LIMITED'S REPLY IN SUPPORT OF ITS MOTIONS *IN LIMINE* #10

I. INTRODUCTION

Tellabs' Response in opposition to Fujitsu Limited's Motion in L*imine* No. 10 demonstrates exactly why evidence related to Fujitsu's internal communications and reactions to the 2005 Verizon Bid results are irrelevant to the July 2014 trial, even if a question of Fujitsu's willful breach of the RAND contract is presented to the jury.

II. ARGUMENT

A. Tellabs Should Not Be Allowed to Present Fujitsu's Internal Response to the 2005 Verizon RFP to Show Alleged Intent.

Tellabs admits that it plans to use internal Fujitsu communications at trial, which supposedly demonstrate Fujitsu's motivations to breach an alleged RAND obligation. However, even if the question of whether Fujitsu's alleged RAND breach was willful is presented to the jury, Fujitsu's internal communications and business motivations are irrelevant to willfulness and should be excluded pursuant to Federal Rule of Evidence 402 and 403.

If Tellabs is allowed to argue a willful breach of contract, the question should be limited to whether Fujitsu knew or should have known of an obligation to offer to license the '737 Patent on RAND terms and, despite that knowledge, did not do so. Unlike Illinois contract law, Illinois tort law recognizes "willful and wanton conduct." In the tort context, a willful act is one that is "voluntary and intentional, but not necessarily malicious." *Aurora Internal Med., Ltd. v. Moore*, 2011 IL App (2d) 101042-U, at ¶¶73-78 (2d Dist.) (*citing Chicago's Pizza, Inc. v. Chicago's Pizza Franchise, Ltd. USA*, 384 Ill. App. 3d 849, 868 (2008)) (evaluating willful and wanton conduct in a trade secret misappropriation matter). Willful and wanton conduct requires a "conscious choice of a course of action, *either* with knowledge of the serious danger to others involved in it *or* with knowledge of facts which would disclose this danger to any reasonable

person." *Abruzzo v. City of Park Ridge*, 2013 IL App (1st) 122360 (*citing Choice v. YMCA of McHenry Cnty.*, 2012 IL App (1st) 102877, ¶ 71).

Even borrowing the meaning of "willful" from the tort context, the question of willfulness would not implicate Fujitsu's alleged rationale or motivation. The question, should the Court allow Tellabs to attempt to prove a willful breach of contract, is simply whether Fujitsu failed to offer a license to the '737 Patent on RAND terms even though it knew or had reason to know of an obligation to do so.

The question with respect to an allegedly willful breach of contract does not encompass Fujitsu's alleged rationale or motivation. Tellabs attempts to clutter the evidence that will go to the jury with evidence related to Tellabs' theories on *why* Fujitsu allegedly failed to comply with an alleged RAND obligation. The Court should not allow Tellabs to expand the scope of relevant evidence, particularly in light of the significant potential to confuse the jury and prejudice Fujitsu that comes with said evidence.

B. Tellabs Should Not Be Permitted to Introduce the Verizon Bid Through Mr. Evans.

As Tellabs points out, the Court has limited this trial to a RAND obligation and breach thereof. The Court has bifurcated the trial pursuant to Federal Rule of Civil Procedure 42(b). [Dkt. 1258]. There is no dispute that Fujitsu's expert, Larry Evans, has offered opinions on a reasonable royalty rate, nor is there dispute that after Tellabs' disclosure of its RAND affirmative defenses in May 2013, Mr. Evans opined on a RAND rate in this matter. See Tellabs' Response to Fujitsu's Motion *in Limine* #10, p. 2, 3 (referring to Larry Evans' RAND royalty opinion). The question of which RAND rate carries the day, which is a battle between the experts, is a question of damages if the jury finds that a RAND obligation exists. The bifurcated portion of the trial which is to proceed in July 2014 does not include the damages component. In the unlikely event

the jury determines that a RAND obligation exists and Fujitsu is obligated to offer to license the '737 Patent to Tellabs on RAND terms, the next trial would include a battle of the RAND experts to determine the applicable RAND rate.

Even if the Court finds that determining a particular RAND rate is relevant to the July 2014 trial, an expert's opinion with respect to a reasonable and non-discriminatory rate, disclosed after Tellabs asserted its RAND affirmative defense, should not be submitted as evidence of Fujitsu's alleged breach of a pre-litigation RAND obligation. While negotiations prior to litigation, and even the damages demanded at the outset of litigation, may under appropriate circumstances be considered in evaluating a RAND breach, an expert witness's reasoned opinions disclosed in the course of discovery on the RAND affirmative defense in the context of a litigated patent are not evidence of a RAND breach. Mr. Evans' analysis of a RAND rate and application of the *Georgia-Pacific* factors, including Mr. Evans' consideration of the impact the Verizon bid situation may have had on those factors, are consequently not relevant to the July 2014 trial. Moreover, given the tenuous and convoluted reasoning behind Tellabs' linkage of Mr. Evan's RAND analysis and Verizon bid evidence to Tellabs' RAND breach theory, allowing Tellabs to introduce Mr. Evans' analysis together with the complex Verizon bid fact pattern to the jury would lead to confusion and prejudice against Fujitsu.

Tellabs' attempt to expand the scope of this trial beyond its appropriate confines is clear. The Court should curb this attempt and ensure that the July 2014 trial is kept to the

straightforward RAND trial the Court intended. Fujitsu Limited respectfully requests that the Court grant its Motion *in Limine* No. 10.

Dated: June 30, 2014

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on June 30, 2014, I provided service to all counsel by causing a true and correct copy of **FUJITSU LIMITED'S REPLY IN SUPPORT OF ITS MOTION *IN LIMINE* #10** to be served on all counsel of record by electronic mail and/or as agreed to by the parties.

Dated: June 30, 2014

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