

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

FINJAN, INC.,

Plaintiff,

v.

ESET, LLC and ESET SPOL. S.R.O.,

Defendants.

Case No.: 17CV183 CAB (BGS)

ORDER ON DISCOVERY DISPUTES

[ECF 300, 328]

This Order addresses numerous discovery disputes raised by the parties, argued at discovery conferences, and briefed via joint statements. (ECF 300, 328.) The Court rules as set forth below as to each dispute.

DISCUSSION

I. Legal Standards¹

A. Scope of Discovery

The Federal Rules of Civil Procedure provide that “parties may obtain discovery regarding any non-privileged matter that is relevant to any party’s claim or defense and

¹ The Court sets out general standards as to the scope of permissible discovery and general authority regarding damages to avoid repetition in analyzing each of the disputes. Authority unique to an individual dispute is discussed in analyzing that dispute.

1 proportional to the needs of the case, considering the importance of the issues at stake in
2 the action, the amount in controversy, the parties' relative access to relevant information,
3 the parties' resources, the importance of the discovery in resolving the issues, and
4 whether the burden or expense of the proposed discovery outweighs its likely benefit."
5 Fed. R. Civ. P. 26(b)(1).

6 District courts have broad discretion in determining what is relevant. *Facedouble,*
7 *Inc. v. Face.com*, No. 12cv1584 DMS (MDD), 2014 WL 585868, at *1 (S.D. Cal. Feb.
8 13, 2014). And, the 2015 Amendments to Rule 26 made clear that "[r]elevancy alone is
9 no longer sufficient—discovery must also be proportional to the needs of the case." *In re*
10 *Bard IVC Filters Prods. Liability Litig.*, 317 F.R.D. 562, 564 (D. Ariz. 2016). When a
11 dispute implicates proportionality, the party claiming undue burden has an obligation to
12 explain what is burdensome about complying with the request and the party claiming it is
13 important enough to require a response must explain why it is important. Fed. R. Civ. P.
14 26 advisory committee's notes.² "The court's responsibility, using all the information
15 provided by the parties, is to consider these, [undue burden or expense and importance of
16 information sought,] and all the other factors in reaching a case-specific determination of
17 the appropriate scope of discovery." *Id.* Limits on discovery may be issued where the
18 "burden or expense outweighs the likely benefits." *Id.* (citing Fed. R. Civ. P. 26(b)).

21
22 ² In explaining the 2015 Amendments to Rule 26, the Advisory Committee explains it this
23 way:

24 [I]f the parties continue to disagree, the discovery dispute could be
25 brought before the court and the parties' responsibilities would remain
26 as they have been since 1983. A party claiming undue burden or
27 expense ordinarily has far better information — perhaps the only
28 information — with respect to that part of the determination. A party
claiming that a request is important to resolve the issues should be
able to explain the ways in which the underlying information bears on
the issues as that party understands them.

1 **B. Damages³**

2 “When a patent is infringed, the patentee is entitled to ‘damages adequate to
3 compensate for the infringement, but in no event less than a reasonable royalty for the use
4 made of the invention by the infringer.’” *Whitserve, LLC v Computer Packages, Inc.*,
5 694 F.3d 10, 26 (Fed. Cir. 2012) (quoting 35 U.S.C. § 284). “A reasonable royalty can
6 be calculated from an established royalty, the infringer’s profit projections for infringing
7 sales, or a hypothetical negotiation between the patentee and infringer based on the
8 factors in *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.
9 N.Y.1970).”⁴ *Wordtech Sys., Inc. v. Integrated Network Solutions, Inc.*, 609 F.3d 1308,

11 ³ Most of the discovery disputes addressed below concern ESET’s discovery requests
12 seeking information it argues is relevant to calculating damages. Although neither party
13 set out any basic authority on the topic in its briefing on most of the damages disputes,
14 (see ECF 300), the parties clearly dispute whether the sought discovery is relevant to
15 calculating a reasonable royalty, including a calculation based on a hypothetical
16 negotiation between the parties.

17 ⁴ The parties only address particular *Georgia-Pacific* factors in one dispute addressed
18 below, however, they raise the hypothetical negotiation as to numerous dispute, and the
19 factors are relevant to the hypothetical negation. The *Georgia-Pacific* factors are:

20 (1) royalties the patentee has received for licensing the patent to others; (2)
21 rates paid by the licensee for the use of comparable patents; (3) the nature
22 and scope of the license (exclusive or nonexclusive, restricted or
23 nonrestricted by territory or product type); (4) any established policies or
24 marketing programs by the licensor to maintain its patent monopoly by not
25 licensing others to use the invention or granting licenses under special
26 conditions to maintain the monopoly; (5) the commercial relationship
27 between the licensor and licensee, such as whether they are competitors; (6)
28 the effect of selling the patented specialty in promoting sales of other
 products of the licensee; (7) the duration of the patent and license term; (8)
 the established profitability of the product made under the patent, including
 its commercial success and current popularity; (9) the utility and advantages
 of the patent property over old modes or devices; (10) the nature of the
 patented invention and the benefits to those who have used the invention;
 (11) the extent to which the infringer has used the invention and the value of
 that use; (12) the portion of profit or of the selling price that may be
 customary in that particular business to allow for use of the invention or

1319 (Fed. Cir. 2010) (citing *Lucent Techs. v. Gateway, Inc.*, 580 F.3d 1301, 1324 (Fed. Cir. 2009) and *Minks v. Polaris Indus.*, 546 F.3d 1364, 1372 (Fed. Cir. 2008)); *see also* *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1317 (Fed. Cir. 2011) (“This court has sanctioned the use of the *Georgia-Pacific* factors to frame the reasonable royalty inquiry. Those factors properly tie the reasonable royalty calculation to the facts of the hypothetical negotiation at issue.”). “The hypothetical negotiation ‘attempts to ascertain the royalty upon which the parties would have agreed had they successfully negotiated an agreement just before infringement began,’ and ‘necessarily involves an element of approximation and uncertainty.’” *Id.* (citing *Lucent Techs.*, 580 F.3d at 1324–25).

II. Discovery Disputes Regarding Damages⁵

A. ESET’s Interrogatory No. 11 and Request for Production Nos. 157 and 160 – Licensing Information and Settlement Negotiations

ESET seeks to compel Finjan to provide a supplemental response to Interrogatory 11 with the number of infringing units covered by Finjan’s lump sum licensing agreements to allow ESET’s expert to calculate a running royalty.⁶ Requests for

analogous inventions; (13) the portion of the realizable profit that should be credited to the invention as opposed to its non-patented elements; (14) the opinion testimony of qualified experts; and (15) the results of a hypothetical negotiation between the licensor and licensee.

i4i Ltd. P’ship v. Microsoft Corp., 598 F.3d 831, 853 n.3 (Fed. Cir. 2010).

⁵ Sections A-G address the disputes raised in the parties’ Joint Statement on disputes regarding ESET’s First Set of Interrogatories and Fourth Set of Requests for Production regarding damages. (ECF 300.) Section H addresses a dispute raised as to Finjan’s RFP 155 in a separate Joint Statement that also relates to damages. (ECF 328.)

⁶ Interrogatory 11’s request for “an explanation of the math underlying each of the [Finjan] licensing agreements” is broader than the number of infringing units covered by Finjan’s lump sum licensing agreements. However, the Court understands ESET to be seeking to compel the number “of infringing units that are covered by any Finjan license agreement that is stated as a lump sum . . . instead of a running royalty,” to calculate a running royalty. ESET’s briefing on compelling a further response to Interrogatory 11 only addresses compelling Finjan to provide this information. To the extent ESET is

1 production 157 and 160 seek all documents relating to negotiations concerning licenses
2 covering technology that is comparable to the technology covered by any of the asserted
3 patents and all documents related to settlement negotiations in Finjan's prior litigations.
4 This dispute concerns information and documents underlying the licensing agreements.
5 Finjan has produced the actual licensing agreements.

6 ESET argues the answer to Interrogatory 11 and the documents requested are
7 relevant to determining a reasonable royalty rate. As to RFPs 157 and 160 ESET
8 indicates it is seeking documents reflecting the mathematical calculations needed to
9 answer Interrogatory No 11, Finjan's settlement negotiations regarding prior licenses, and
10 settlement negotiations in Finjan's prior litigations that resulted in a license. ESET
11 argues that because Finjan's damages case against ESET will be predicated on Finjan's
12 general licensing practices and these practices may be reflected in these underlying
13 settlement negotiation documents, they are relevant and should be produced.
14 Additionally, ESET argues it needs the underlying calculations and negotiation
15 documents because Finjan has indicated in discovery responses that all of its previous
16 licenses and settlement agreements are comparable licenses to the patents-in-suit. ESET
17 relies on *In re MSTG, Inc.* to argue the documents requested are not privileged and are
18 relevant to patent damages analysis. 675 F.3d 137 (Fed. Cir. 2012)

19 Finjan first emphasizes what it has already produced and expects to produce —
20 license agreements, written correspondence to the extent any numbers were identified
21 leading up to the execution of the settlement and license agreements, deposition
22 testimony regarding royalty rates, and an exemplary damages expert report. Finjan then
23 argues the request is overbroad, seeking all documents and discovery "concerning" or
24 "related to" any licensing and settlement negotiations. Finjan also distinguishes *MSTG*,
25 accurately noting that discovery of negotiation documents was only permitted because a
26 _____

27
28 seeking something broader, the Court finds it has not shown it is entitled to more,
particularly in light of Finjan having produced its licensing agreements.

Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

Real-Time Litigation Alerts



Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

Advanced Docket Research



With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

Analytics At Your Fingertips



Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

LAW FIRMS

Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

FINANCIAL INSTITUTIONS

Litigation and bankruptcy checks for companies and debtors.

E-DISCOVERY AND LEGAL VENDORS

Sync your system to PACER to automate legal marketing.