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

ALLERGAN, INC., *Plaintiff*, v. TEVA PHARMACEUTICALS USA, INC., et al., *Defendants*.	§ § § § § § § § § §	Case No. 2:15-cv-1455-WCB

MEMORANDUM OPINION AND ORDER

Before the Court is Mylan Pharmaceuticals Inc., and Mylan Inc.'s Motion to Compel, Dkt. No. 210. The Mylan defendants ("Mylan") ask the Court to order plaintiff Allergan, Inc., to produce a settlement agreement between Allergan and Apotex (formally, Apotex Corp. and Apotex Inc.), one of the generic drug manufacturers initially sued by Allergan in this case. The Court GRANTS the motion to compel and directs that the agreement be produced on an Outside Counsel's Eyes Only basis.

BACKGROUND

After the Apotex settlement, Mylan requested that Allergan produce the Apotex Settlement and License Agreement, the document that reflects the terms on which Allergan and Apotex settled this action against Apotex. Allergan refused to produce the agreement, citing the confidentiality clause in the agreement that prohibited Allergan from revealing the terms of the agreement to others. Allergan ultimately agreed to produce the agreement on an Outside Counsel's Eyes Only basis if Mylan would agree that the attorneys who were privy to the agreement would not be involved in any settlement negotiations with Allergan. Mylan refused to accept that offer and filed the present motion to compel.

DISCUSSION

Settlement and license agreements are frequently the subjects of discovery requests, including in patent cases where one accused infringer settles with a patentee and others seek to discover the agreement between the settling parties. The parties seeking disclosure of such agreements claim that the agreements are relevant to issues in the remaining litigation, such as damages, secondary indicia of non-obviousness, the availability of injunctive relief, and patent misuse.

Courts have frequently ordered the production of such agreements, subject to appropriate guarantees of confidentiality. See, e.g., PerdiemCo, LLC v. Industrack LLC, 2:15-cv-727, 2016 WL 6611488, at *4-5 (E.D. Tex. Nov. 9, 2016) (Payne, J.); Charles E. Hill & Assocs., Inc. v. ABT Elecs., Inc., 854 F. Supp. 2d 427, 428 (E.D. Tex. 2012) (Gilstrap, J.); Datatreasury Corp. v. Wells Fargo & Co., No. 2:06-cv-72, 2010 WL 903259, at *2 (E.D. Tex. Mar. 4, 2010) (Folsom, J.); Tyco Healthcare Grp. LP v. E-Z-EM, Inc., No. 2:07-cv-262, 2010 WL 774878, at *2 (E.D. Tex. Mar. 2, 2010) (Ward, J.); State Farm Mut. Auto. Ins. Co. v. Universal Health Grp., Inc., Case No. 14-cv-10266, 2016 WL 6822014, at *2 (E.D. Mich. Nov. 18, 2016); Phillips v. Ottey, Civil Action No. DKC 14-980, 2016 WL 6582647, at *2 (D. Md. Nov. 7, 2016); Blount v. Major, No. 4:225-cv-322, 2016 WL 6441597, at *2 (E.D. Mo. Nov. 1, 2016); Blair v. Transam Trucking, Inc., Case No. 09-2443, 2016 WL 1756446, at *3 (D. Kan. Apr. 29, 2016); Simms v. Nat'l Football League, Civil Action No. 3:11-cv-248, 2013 WL 11570273, at *4 (N.D. Tex. Feb. 27, 2013); Automated Merchandising Sys. Inc. v. Crane Co., 279 F.R.D. 366, 371 (N.D.W. Va. 2011); Small v. Nobel Biocare USA, LLC, 808 F. Supp. 2d 584, 590 (S.D.N.Y. 2011); Volumetrics Med. Imaging, LLC v. Toshiba Am. Med. Sys., Inc., No. 1:05-cv-955, 2011 WL 2470460, at *13-14 (M.D.N.C. June 20, 2011) (citing numerous cases); Wyeth v. Orgenus

Pharma Inc., Civil Action No. 09-3235, 2010 WL 4117157, at *4 (D.N.J. Oct. 19, 2010); Thermal Design, Inc. v. Guardian Bldg. Prods., Inc., 270 F.R.D. 437, 439 (E.D. Wis. 2010); In re Enron Corp. Sec. Derivative & ERISA Litig., 623 F. Supp. 2d 798, 838 (S.D. Tex. 2009) (citing numerous cases); Abbott Diabetes Care Inc. v. Roche Diagnostics Corp., No. C05-03117, 2007 WL 4166030, at *4 (N.D. Cal. Nov. 19, 2007); Gutter v. E.I. DuPont De Nemours & Co., No. 95-2152-CIV, 2001 WL 36086590, at *2 (S.D. Fla. Jan. 31, 2001); Datapoint Corp. v. Picturetel Corp., No. Civ. A. 3:93-cv-2381, 1998 WL 51356, at *2 (N.D. Tex. Jan. 23, 1998); Key Pharms., Inc. v. ESI-Lederle, Inc., No. Civ. A. 96-1219, 1997 WL 560131, at *3 (E.D. Pa. Aug. 29, 1997); Koch Indus., Inc. v. Columbia Gas Transmission Corp., Civ. A. No. 89-2156, 1990 WL 72789, at *2 (E.D. La. May 29, 1990).

Although Allergan is correct that many of the courts that have required the production of settlement agreements have done so after determining that the agreements may be relevant to damages—a matter that is not at issue in this case—a number of courts have required the production of settlement agreements based at least in part on their relevance to issues of validity. See Wyeth v. Organus Pharma, Inc., 2010 WL 4117157, at *4; Datatreasury Corp. v. Wells Fargo & Co., 2010 WL 93259, at *1; Datapoint Corp. v. Picturetel Corp., 1998 WL 51356, at *2; In re Mahurkar Double Lumen Hemodialysis Catheter Patent Litig., 831 F. Supp. 1354, 1378-79 (N.D. Ill. 1993) (Easterbrook, J., sitting by designation); Am. Standard Inc. v. Pfizer Inc., 722 F. Supp. 86, 136 n.55 (D. Del. 1989); Am. Standard, Inc. v. Pfizer, Inc., Misc. 87-1-73, 1988 WL 156152, at *2 (S.D. Ind. July 8, 1988). Moreover, although Allergan suggests that the general principles requiring disclosure of such agreements do not apply to Hatch-Waxman cases, one of

the cases cited above, Key Pharmaceuticals, Inc. v. ESI-Lederle, Inc., was a Hatch-Waxman case in which the court ordered a third-party settlement agreement produced.[1]

Allergan contends that Mylan has not shown that the settlement agreement is relevant to any issue in the case. Allergan is correct that because this is a Hatch-Waxman case, certain theories of relevance that would be applicable in other infringement actions are not applicable here. Thus, while settlement agreements are often regarded as relevant to damages, Allergan points out that damages are not likely to be an issue in this case, as damages are typically not awarded in Hatch-Waxman cases. In addition, while settlement agreements can be pertinent to the availability of injunctive relief to the extent they bear on the adequacy of monetary relief, that is less likely to be a factor in a Hatch-Waxman Act case, because an injunction is the ordinary remedy granted to a successful patentee. See 35 U.S.C. § 271(e)(4)(B). Finally, to the extent that Mylan argues that the settlement agreement could be relevant to a defense of patent misuse, Allergan points out that no defendant has raised patent misuse as a defense, and the time for amending pleadings has long since passed.

While Allergan has successfully rebutted several theories of relevance, the Court finds that the settlement agreement is nonetheless at least minimally relevant to the secondary consideration of commercial success, which in turn relates to the issue of obviousness. Allergan responds that it does not plan to use the settlement with Apotex to argue commercial success, and that the settlement agreement is therefore not relevant to the secondary considerations bearing on the validity of the patents in suit. But that is an unsatisfactory response; the settlement agreement is potentially relevant to commercial success regardless of whether

[1] To be sure, as Allergan points out, the Key Pharmaceuticals case is distinguishable because the court in that case based its relevance determination on a claim of patent misuse, which has not been pleaded in this case.

Allergan plans to exploit it, since it is possible that the defendants may wish to make use of that evidence. Significantly, Allergan is not saying that it does not intend to argue commercial success, only that it does not intend to use the settlement agreement with Apotex to support its commercial success argument. On that point, Mylan's argument as to relevance is persuasive.

Allergan argues that Mylan is seeking to obtain access to the settlement agreement not because of its relevance to any issue in the litigation, but for the improper purpose of aiding Mylan in potential settlement negotiations. Allergan points out that it has offered to provide the settlement agreement to Mylan if Mylan would limit access to outside counsel who are not involved in settlement negotiations. Mylan, however, has refused that offer, arguing that such a restriction would impose an unjustified burden on it by restricting the ability of its attorneys to advise their client in the course of this litigation. Creating a group of "litigation" counsel and a separate group of "settlement" counsel, Mylan argues, would be both cumbersome and expensive, and is not justified by any of Allergan's arguments regarding the sensitivity of the settlement agreement. The confidentiality of that agreement, Mylan argues, will be sufficiently protected by limiting its access to outside counsel who are engaged in the litigation, with no restrictions placed on the ability of those attorneys to advise their client with regard to settlement. The Court agrees that Allergan has not made the showing of exceptional need that would be required to justify the kind of restriction on access that Allergan is requesting, which would go beyond even the highly restrictive "Outside counsel—attorneys' eyes only" limitation.

Allergan contends that as a policy matter disclosure of settlement agreements will discourage parties from settling cases such as this one if the parties know their settlement agreements will be discoverable by their competitors who may be co-defendants in the litigation.

DOCKET ALARM

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.