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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

BE IN INC., a New York Corporation,

Plaintiff,

v.

GOOGLE INC., a California corporation; YOUTUBE, LLC, a Delaware limited liability company; and GOOGLE UK LTD., a private limited company registered in England and Wales,

Defendants.

Case No. 5:12-CV-03373-LHK-HRL

DISCOVERY DISPUTE JOINT REPORT #1

The Honorable Howard R. Lloyd

This Joint Report covers a dispute regarding a provision in the proposed protective order governing discovery of designated confidential information related to the qualification of expert witnesses. The parties have agreed on all other provisions of the proposed order. Counsel for the parties engaged in numerous meet and confer sessions regarding the proposed protective order by phone and in writing, and conducted a two-hour-long in-person meet and confer session on Friday, August 30, 2013, at Morrison & Foerster's offices in Palo Alto, and a follow-up telephone conference on September 10, 2013. Lead counsel for both parties affirm that they have complied with the Standing Order re: Civil Discovery Disputes in preparing this Joint Report.

PLAINTIFF'S POSITION

I. Introduction

Plaintiff Be In Inc. and Defendants Google Inc., YouTube, LLC, and Google UK Ltd. are at an impasse regarding a provision that Google insists be included in the protective order. The parties have agreed on all other provisions of the order.

Google demands that the protective order include a provision with a blanket, *per se* prohibition on employees of a competitor of a Party from serving as an expert in this case. Google's proposed provision would be unduly restrictive because Google operates in a uniquely broad and diverse array of fields, most of which have nothing to do with the technology at issue. Google refuses to put any bounds on who it considers a competitor. In fact, during meet and confer, Google's counsel stated Google would consider even a company that manufactures a "driverless" car—technology that has absolutely nothing to do with the issues in this case—to be a competitor within the meaning of this provision. As a result, any person working for such a company would be automatically disqualified from serving as an expert here.

Google's proposed provision is unnecessary. The parties have already agreed to include a dispute resolution provision in the protective order that allows either party a fourteen day period to challenge a proposed expert. As such, the Parties have already negotiated sufficient protection to prevent the disclosure of confidential information to an expert as long as the party can offer a legitimate, credible reason why a proposed disclosure is a competitive threat. In contrast, Google's proposed provision would automatically disqualify individuals from expert service where there is no meaningful conflict, because it defines the term "expert" to *per se* exclude any individual who is an employee of a competitor.

Google has rejected all compromise proposals put forth by Be In that attempted to limit the scope of competitor in any way. In particular, Google rejected Be In's proposal to tailor the definition of competitor to the scope of this case, *i.e.*, experts may not be employees of ***a direct competitor*** of a Party ***in the technology or line of business relevant to this action***.

Google's sole rationale for insisting on its proposal is that the provision is contained in the model protective order in the Northern District. However, this provision does not make sense

where one of the parties asserts that it competes with "companies that seek to connect people with information on the web," a definition so broad that it could engulf nearly every entity that maintains a website, and yet still captures only a part of what Google claims to do. Be In will be severely prejudiced in retaining an expert in this case if Google's proposed order is adopted.

Be In therefore requests that the Court enter a protective order containing Be In's compromise proposal. A copy of the proposed protective order is attached as Exhibit A. The only disputed provision is section 2.7, which defines the term "expert."

II. Google Competes in a Vast and Diverse Array of Fields Related to Technology

At the core of this dispute is Google's unique breadth in the technology industry. Google competes in a vast and diverse array of fields including: search engines, social networks, mobile phones, tablets, wearable computing, online media consumption, mobile applications, and driverless cars. The number of technology companies that could be deemed a "competitor" of Google is nearly limitless. Indeed, Google itself provides an extremely broad definition of its competitors in its Form 10-K: "We face formidable competition in every aspect of our business, ***particularly from companies that seek to connect people with information on the web***, and provide them with relevant advertising." Google Inc., Annual Report (Form 10-K) ("Form 10-K") at 8 (Jan. 29, 2013), (emphasis added.) This definition is so broad that it would encompass virtually every entity that maintains a website with content for people to access. Immediately after this sentence, Google's Form 10-K lists a broad and diverse array of competitors including "general purpose search engines," "vertical search engines and e-commerce websites," "social networks," "other forms of advertising," "mobile applications," and even "providers of online products and services." *Id.* This hardly narrows the field.

Google's Form 10-K is the best evidence of what Google considers to be a competitor because Google has refused to state what it would consider as a competitor. Instead, Google provided Be In with this tautological definition of competitor: "a person or entity who competes with one or more of the Defendants." Google has steadfastly refused to put any limit on the term "competitor" and has rejected Be In's numerous compromise proposals, and has confirmed in the parties' most recent meet and confer that it would consider even a company that manufactures a

driverless car to be a competitor within the meaning of this provision.

III. The Dispute Resolution Provision in the Protective Order Provides the Parties with an Additional Layer of Protection

The Parties have agreed on a dispute resolution provision that allows either party to object to the sharing of any information with an expert. Provision 7.4(c) provides that a party may object in writing within fourteen days of the proposed disclosure of confidential information to the expert. This provision provides Google with ample protection to prevent the disclosure of sensitive information to an expert if circumstances so warrant. Moreover, Google will not be forced to bear an unreasonable burden if it is chooses to object to a disclosure, because the party seeking the disclosure must file a motion under 7.4(c). Google suggests the model order recognizes that a court "may not be well situated to make judgment calls about just how competitive a competitor really is." Nonsense. Courts make such decisions all the time, and that is far better than automatically disqualifying an expert regardless of the potential for prejudice.

IV. Be In Offered Several Reasonable Compromise Solutions

Although Be In believes the protections of the dispute resolution provision are sufficient, it offered Google several reasonable compromises in an effort to resolve this dispute. In particular, Be In proposed the following provision which it now asks this Court to enter:

> 2.7 Expert: a person with specialized knowledge or experience in a matter pertinent to the litigation who (1) has been retained by a Party or its counsel to serve as an expert witness or as a consultant in this action, (2) is not (a) a past or current employee of a Party or (b) a current employee of ***a direct competitor of a Party in the technology or line of business relevant to this action*** or (c) a past employee of such a competitor with a continuing connection to the former employer such as ongoing consulting, contracting, service on a board or advisory board, or project support, and (3) at the time of retention, is not anticipated to become an employee of a Party or of ***a direct competitor of a Party in the technology or line of business relevant to this action***. The Parties agree that they will act reasonably and in good faith in making any assertion that an entity is or is not properly deemed a direct competitor for purposes of this order. Any dispute concerning whether an entity is or is not a direct competitor may be resolved pursuant to the procedure set forth in paragraph 7.4(c) of this order.

Google disputes the bolded and italicized language. Google does not want the provision limited to direct competitors nor to companies in the technology or line of business relevant to this action. Be In's compromise provision prevents someone most likely to have reason or ability to misuse confidential information from serving as an expert. And Be In's proposed compromise offers a second level of protection since Google still can challenge any proposed expert under the dispute resolution provision.

V. The Model Protective Order Provision Is Not Appropriate For This Case

During meet and confer, Google's sole rationale for insisting on its provision is that it is contained in the model protective order for patent and trade secret cases in the Northern District. But the model protective order provision is by no means sacrosanct. There is no similar provision in the Northern District's model protective order for other cases. The provision is also not found in model protective orders in other courts.[1] In addition, it appears that fewer than half of the protective orders entered in this Court in the past year contained this provision.[2] Indeed, the Court's website states: "the Local Rules do not require the parties to use any of the model protective orders and counsel may stipulate to or move for another form of protective order." http://www.cand.uscourts.gov/stipprotectorder.

While model orders may be useful starting points, not all provisions are appropriate in all cases.[3] It is unlikely that the model protective order provision contemplates a party with Google's extraordinarily wide claimed competitive reach. Entering the model protective order provision in this case would severely prejudice Be In in its attempts to retain an expert. Instead, the *per se* ban on experts should be limited as Be In proposes, to employees of ***a direct competitor*** of a Party ***in the technology or line of business relevant to this action***. Any conflicts not addressed through this compromise solution can be handled via the dispute resolution process.

[1] For example, the Model Protective Order in the Eastern District of Texas does not contain a similar provision. *See* http://www.txed.uscourts.gov/cgi-bin/view_document.cgi?document=22242.

[2] In cases filed within the past twelve months in front of Judge Lloyd or Judge Koh, only five of the fourteen protective orders contain this provision.

[3] Indeed, at Google's request, several provisions of the model order have been modified, and several other provisions added. *See, e.g.*, Exhibit A, §§ 2.2, 2.8, 5.3, 7.3(g), 13, 14.5.

VI. Google's Alleged Harms Are De Minimis

Google is fully protected by the dispute resolution provision agreed upon by both Parties since disclosure to any challenged expert will not occur unless this Court decides disclosure is not a threat.

In addition, Be In does not seek the overbroad discovery that Google claims. Be In's discovery is reasonably tailored Google Hangouts, the technology relevant to this action. Most of the requests are directed to the development of Hangouts, which Google claims was developed between 2007 and 2011 and is now publicly released. Google has not explained how that information remains commercially sensitive today. Be In also seeks discovery of damages related documents, such as marketing strategies, concerning Google Hangouts and Google's social networking initiative, Google+ (of which Hangouts is a part) to the extent they relate to Hangouts. Be In would not retain an expert who works for a competitor of either Hangouts or Google+. Further, while Google asserts that that an employee of its competitors may have access to its financial information, the only expert that would need access to this information is a damages expert, who would be retained from what Google refers to as "traditional" sources, such as an economic or litigation consulting firm or academia.[4]

VII. Conclusion

Be In respectfully requests that the Court adopt Be In's proposed protective order provision concerning the qualification of experts in this action.

DEFENDANTS' POSITION

Defendants ("Google") respectfully request that the Court require the parties to follow the Northern District's model protective order by restricting Plaintiff from hiring experts who currently work for competitors of Google.

The mere fact of civil litigation does not entitle a competitor's personnel to access a litigant's confidential business documents by serving as an expert for the opposing side. Google

[4] Even universities and other educational institutions would fit within Google's definition of a competitor to the extent that they are "providers of online products and services . . . which offer communication, information, and entertainment services." *See* Form 10-K at 8.

believes that the Northern District's model language – that an expert cannot be a "current employee" of "a Party's competitor" – strikes the right balance in protecting litigants without unduly hindering the ability to choose and hire experts. Plaintiff advocates for a provision that would preclude only "direct" competitors working in the same technology or line of business at issue in this lawsuit, thereby permitting direct Google competitors outside the specific subject matter of this litigation to be retained. In other words, Plaintiff's proposal would allow nearly all of Google's direct competitors to serve as experts and thereby access its confidential documents. Plaintiff has not identified any actual prejudice it could or will suffer from complying with the model order's restriction and hiring an expert from the traditional pool of candidates: non-competitors, persons who are retired or no longer work for competitors, persons retained through litigation consulting firms and academics. Plaintiff has articulated no legitimate reason to allow an employee of a current Google competitor to view Google's confidential business documents. Google therefore requests that the Court deny Plaintiff's request to modify the model protective order.

Background Facts

Section 2.7 of the Northern District's model protective order for cases involving sensitive information prohibits employees of a litigant's competitors from serving as experts for the opposing party against that litigant. Plaintiff and Defendants have agreed on every term of a protective order for this litigation except for the wording of Section 2.7.

In negotiations with Google, Plaintiff argued that Section 2.7 of the model order should be modified to permit (1) past employees of competitors to serve as experts; and (2) persons from industries not involved in the technology at issue in this lawsuit to serve as experts, even if they currently work for an active Google competitor. Google agreed to Plaintiff's first request – regarding past employees of competitors – even though the model order would impose the stricter prohibition. But Google does not agree that current personnel of any Google competitor should be permitted to serve as Plaintiff's expert and thereby access Google's confidential business records and testimony.

In this lawsuit, Plaintiff seeks discovery from Google that is not limited to the specific technology or line of business at issue, namely a video conferencing platform called Hangouts, launched in June 2011. Rather, Plaintiff seeks discovery regarding Google's broader "Google+" social networking initiatives, Google's marketing strategies, Google's methods of assessing the success or failure of a Google product, information about the relationship between Google and its corporate affiliates, information about Google's abilities (or lack thereof) to perform certain searches for Internet browser histories, and various other sensitive business and financial information that is not limited to the specific technology at issue. Google has objected in part to these requests. Plaintiff's requests relate to recently-launched, current products, and could provide a competitor with useful insights about how Google develops, markets, and assesses the success of its products.

Defendants' Argument

I. THE MODEL ORDER'S PROHIBITION ON COMPETITORS-AS-EXPERTS IS GOOD POLICY.

A civil lawsuit does not give a litigant's current competitors a free ticket to view the information a party designates as confidential under a protective order. That is one reason that the Northern District, like other courts, permits litigants to file such material under seal – so that competitors cannot view PACER filings to learn useful information about the internal activities of the filing party. The Local Civil Rules governing filing under seal do not make exceptions for large companies who have more competitors than smaller companies, or for companies who are active in industries that attract many competitors. If the exposure of confidential information meets the standard, it may be sealed. *E.g.*, Civ. Local R. 79-5.

Protective orders in civil litigation recognize these principles. The Northern District model orders allow designation of documents whose exposure would be competitively harmful (as defined by Rule 26(c)) so that only specified classes of people may view them.

Consistent with the concept that competitors may not view competitively sensitive materials produced by a civil litigant, the Northern District's model order for cases involving "Patents, Highly Sensitive Confidential Information, and/or Trade Secrets" avoids a potential

loophole by prohibiting a party from hiring an expert witness who works for (or formerly worked for) the opposing party's competitors. This *per se* prohibition on competitors-as-experts avoids messy disputes over whether a proposed expert works for a "direct" or "indirect" competitor, recognizing that a court may not be well-situated to make judgment calls about just how competitive a competitor really is. It also encourages parties not to skirt the line, and instead to hire experts from traditional sources, such as litigation consulting firms and academia.

II. PLAINTIFF'S ARGUMENTS IGNORE GOOGLE'S INTERESTS.

Each of Plaintiff's various arguments against the model order's prohibition on competitors-as-experts is unconvincing. Most important, there is no principled reason why a Google competitor should be able to sign up as an expert for an opponent in a civil litigation and thereby access Google's internal, confidential records and testimony. No such competitor could stand before this Court and assert any such interest. In this case, Plaintiff seeks a wide variety of confidential information from Google. No Google competitor has a right to learn about how Google internally designs, plans, and markets new products, and thereby gain a market advantage. While Plaintiff argues that, under its proposal, Google could object on a case-by-case basis to Plaintiff's designation of a direct competitor as an expert, the arguments would be the same in the future as they are now. The key difference is that Plaintiff's proposal has the potential to significantly increase the number of disputes that would result in motion practice before this Court. Plaintiff has offered no reason why a current employee of a direct competitor should *ever* be permitted to view Google's confidential, internal business records. A *per se* prohibition appropriately recognizes this principle and incentivizes Plaintiff not to push the boundaries inappropriately.

Second, Plaintiff argues based on its review of protective orders available on PACER, that other companies have waived the prohibition on competitors-as-experts agreed and agreed to protective orders without the clause at issue. But that is no basis to require Google to waive its own rights. It is impossible to tell simply by looking at protective orders from other cases what circumstances or negotiations led to the provisions in those orders. PACER filings in other lawsuits are not precedent or authority to force Google to do the same.

Third, Plaintiff's assertions that Google is active in many markets, and has many competitors, are no justification for requiring Google to receive less protection against intrusion by competitors than smaller companies with fewer competitors. The principle that a competitor should never have free access to one's confidential documents produced in litigation applies equally to all companies, as companies of all sizes may suffer competitive harm from such disclosures. Plaintiff has offered no convincing argument to justify its contrary position.

Fourth, Plaintiff's argument that Google illogically defines its competitors as anyone who deals in information, in any way, on the Internet is based on Plaintiff's misleading quotation of an incomplete portion of Google's 10-K filing. Google actually described its "Competition" as follows in its Form 10-K for the year ending December 31, 2012:

> We face formidable competition in every aspect of our business, particularly from companies that seek to connect people with information on the web and provide them with relevant advertising. We face competition from:
>
> - General purpose search engines, such as Yahoo and Microsoft's Bing.
> - Vertical search engines and e-commerce websites, such as Kayak (travel queries), Monster.com (job queries), WebMD (for health queries), and Amazon.com and eBay (e-commerce). Some users will navigate directly to such websites rather than go through Google.
> - Social networks, such as Facebook and Twitter. Some users are relying more on social networks for product or service referrals, rather than seeking information through general purpose search engines.
> - Other forms of advertising, such as television, radio, newspapers, magazines, billboards, and yellow pages, for ad dollars. Our advertisers typically advertise in multiple media, both online and offline.
> - Mobile applications on iPhone and Android devices, which allow users to access information directly from a publisher without using search engines.
> - Providers of online products and services. A number of our online products and services, including Gmail, YouTube, and Google Docs, compete directly with new and established companies, which offer communication, information, and entertainment services integrated into their products or media properties.

See <http://www.sec.gov/Archives/edgar/data/1288776/000119312513028362/d452134d10k.htm#toc1452134_2>. Thus, contrary to Plaintiff's contention that Google vaguely describes its competitors as all companies which seek to connect people with information on the Internet, Google's description provides Plaintiff with clear notice of the categories of entities that are Google's competitors. Google's description avoids the uncertainty of trying to distinguish between "direct" competitors and "indirect" competitors, the position Plaintiff advocates here.

Fifth, Plaintiff's argument that employees of companies competing in markets not at issue in this lawsuit (such as driverless cars) should be able to serve as experts ignores that such competitors can learn useful, confidential information about Google's internal business practices by viewing discovery materials in this lawsuit. Moreover, a direct Google competitor not currently working in the technology at issue here might also have plans to enter that market.

Finally, Plaintiff's contention that only "direct" versus "indirect" competitors should be prohibited from serving as its experts does not preclude active, undisputed Google competitors from serving as Plaintiff's experts. Rather, and as shown by Plaintiff's driverless car example, the only offer Plaintiff has made is to exclude competitors who work in the markets and products at issue in this lawsuit. There is no principled basis for *any* Google competitor to be permitted to view its confidential records; any competitor can misuse Google's confidential information, whether or not is a competitor in the particular market at issue in this case.

III. PLAINTIFF OFFERED NO EVIDENCE OF PREJUDICE OR HARM.

Plaintiff has never identified any potential expert that would be barred by the model order's competitors-as-experts prohibition. Plaintiff has never pointed to any prejudice or harm it has or will suffer, only the theoretical complaint that it would like the freedom to use employees of Google's competitors as its experts. Parties in intellectual property lawsuits do not normally hire employees of an opponent's current competitors as experts. To the contrary, experts are traditionally drawn from a pool of professional litigation consultants, academics, and retired industry veterans. Plaintiff gives no reason why it should not be required to do the same.

IV. GOOGLE'S REASONABLE PROPOSAL.

Google has already agreed to one of Plaintiff's two proposals, regarding former employees of competitors. The Northern District model order's current-competitors–as-experts prohibition is well-reasoned, prevents collateral disputes, and prevents a party's competitors from viewing its competitively sensitive internal documents. Google respectfully requests that the Court deny Plaintiff's effort to remove that important protection in this case.

Dated: September 11, 2013

MORRISON & FOERSTER LLP

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Dated: September 11, 2013

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GOOGLE UK LTD.

LOCAL RULE 5-1(I)(3) ATTESTATION

I, Charles S. Barquist, am the ECF User whose ID and password are being used to file the Joint Proposed Case Management Schedule. In compliance with Local Rule 5-1(i)(3), I hereby attest that Colleen Bal has concurred in this filing.

/s/ Charles S. Barquist
Charles S. Barquist