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28***E-FILED 11-04-2010***

NOT FOR CITATION
 IN THE UNITED STATES DISTRICT COURT
 FOR THE NORTHERN DISTRICT OF CALIFORNIA
 SAN JOSE DIVISION

HALO ELECTRONICS, INC.,

No. C07-06222 RMW (HRL)

Plaintiff,

**ORDER GRANTING IN PART AND
DENYING IN PART PLAINTIFF'S
MOTION TO COMPEL DISCOVERY**

v.

BEL FUSE INC., E & E MAGNETIC
 PRODUCTS LIMITED, ELEC & ELTEK
 (USA) CORPORATION, WURTH
 ELECTRONICS MIDCOM, INC., WURTH
 ELEKTRONIK GMBH & CO. KG, and
 XFMRS, INC.,

[Re: Docket No. 212]

Defendants.

_____ /

This is an action for alleged patent infringement. Plaintiff Halo Electronics, Inc. (“Halo”) moves for an order compelling defendant Bel Fuse, Inc. (“Bel Fuse”) to answer interrogatories and produce documents. Bel Fuse opposes the motion. The parties were directed to, and did, file supplemental letter briefs. Upon consideration of the moving and responding papers, as well as the arguments of counsel, this court grants the motion in part and denies it in part as follows:

1. Responsive Paper Files

Bel Fuse says that, prior to the filing of the instant motion, it agreed to produce all non-privileged responsive documents that are located in the course of Bel Fuse’s forensic computer search of its servers in the U.S. and overseas. At the motion hearing, Bel Fuse confirmed that it

1 (a) has also committed to producing responsive paper files and (b) did not intend for its server
2 search to preclude a search of paper files for documents responsive to Halo's requests for
3 production. At the time the instant motion was heard, Bel Fuse stated that it believed that
4 electronic documents and hard copy documents responsive to plaintiff's requests could be
5 produced within one month of the hearing on the instant motion. Accordingly, this court
6 expects that this production will already have been completed. But, to the extent Bel Fuse has
7 not yet done so, it shall produce those documents within 14 days from the date of this order.
8 Halo's motion to compel is otherwise denied as moot.

9 2. Emails Originating from Third Parties

10 Halo says that Bel Fuse has produced emails from Bel Fuse to various third parties, but
11 has not produced emails from third parties to Bel Fuse. Plaintiff also asserts that defendant has
12 not produced full email strings or attachments. Bel Fuse completely disagrees. This court sees
13 no need to belabor the point. Based on the discussion at the motion hearing, there does not
14 appear to be controversy that nonprivileged, responsive documents should and will be
15 produced, including hard copy documents and electronic files. Halo stated that it
16 misunderstood Bel Fuse to have represented that its production was complete; and, Bel Fuse
17 agrees to produce any additional non-privileged responsive documents that it may find.
18 Additionally, at the motion hearing, Bel Fuse confirmed that it would be producing responsive
19 documents pertaining to third-party customers other than Cisco. To the extent Bel Fuse has not
20 yet done so, it shall produce any additional responsive, nonprivileged documents within 14 days
21 from the date of this order.

22 3. Searches re Nine Identified Bel Fuse Employees

23 Halo requests an order directing Bel Fuse to search for and produce responsive
24 documents from the paper files and computers of the following Bel Fuse employees: (a) Jeffrey
25 M. Mead, Bel Fuse's Strategic Account Manager; (b) James Hvidt, Bel Fuse's Strategic
26 Representative/Office Manager; (c) Mark Coggan, Bel Fuse's North American Sales Director;
27 (d) Alan Kwan, Bel Fuse employee in Hong Kong; (e) Daniel Bernstein, Bel Fuse's President,
28 CEO and Director; (f) Kathy Biegay, Bel Fuse's Corporate Customer Service Manager; (g) Joe

1 Berry, Bel Fuse’s Engineering Manager; (h) Raymond Cheung, Bel Fuse’s Vice President of
2 Asia Operations; and (i) Dennis Ackerman, Bel Fuse’s Vice President of Operations.

3 As noted above, Bel Fuse has agreed to produce non-privileged responsive electronic
4 and hard copy documents. At oral argument, Bel Fuse represented to the court that any use of
5 these individuals’ computers is automatically stored on Bel Fuse servers (and which should be
6 captured by the forensic search of those servers). Although Halo is somewhat skeptical of this
7 representation, it has also not established any facts to the contrary. Accordingly, defendant will
8 not be required to carry out an additional search of these individuals’ computers over and above
9 the server search being conducted by Bel Fuse.

10 4. Design and Development of Bel Fuse’s Products

11 Halo moves to compel answers to Interrogatories 2 and 5 and for the production of
12 documents responsive to Requests for Production 10-18 and 21. With respect to the accused
13 products (i.e., defendant’s inner-lead products), Bel Fuse agrees to produce responsive
14 documents located in its forensic search. To the extent it has not already done so, Bel Fuse
15 shall also conduct a reasonable inquiry and diligent search and produce engineering drawings,
16 engineering notebooks and other responsive design documents re the accused products that will
17 not be captured by Bel Fuse’s forensic computer search. Bel Fuse shall produce all non-
18 privileged, responsive documents re the accused products within fourteen days from the date of
19 this order.

20 The bigger controversy here is over Halo’s request for design and development
21 information for Bel Fuse products which have not been accused of infringement—namely,
22 defendant’s outer-lead and L-lead families of “toppers.” Bel Fuse contends that its outer-lead
23 and L-lead products are acceptable noninfringing substitutes. As such, Halo argues that it needs
24 documents concerning the design, development, manufacturability, marketability, reliability,
25 performance, cost, and automation as to these products. At the motion hearing, Bel Fuse said
26 that it is willing to provide engineering drawings for its four L-lead products and to provide
27 drawings for a sampling of its outer-lead products. (And, as to the sampling of products, Bel
28 Fuse further agrees to provide declaration(s) attesting that the sample is representative of all

1 other outer-lead toppers). Pointing out that there are approximately 250 outer-lead drawings,
2 Bel Fuse otherwise maintains that Halo seeks virtually every document in Bel Fuse’s business
3 pertaining to products that have not been accused of infringement. As such, defendant argues
4 that Halo’s discovery requests seek information that is unduly burdensome, duplicative, and
5 irrelevant.

6 With respect to relevance, Bel Fuse argues that it need only show that a noninfringing
7 substitute has been designed and is “available.” There being no dispute that Bel Fuse’s alleged
8 alternatives are “available” during the relevant time period, defendant contends that engineering
9 drawings for the L-lead products and a sampling of outer-lead products should suffice. Halo,
10 however, correctly notes that a noninfringing substitute must also be “acceptable.” *See, e.g.,*
11 *Fonar Corp. v. General Elec. Co.*, 107 F.3d 1543, 1553 (Fed. Cir. 1997) (affirming an award of
12 lost profits where substantial evidence showed that the available alternatives would have led to
13 a significant compromise in speed and quality compared to the claimed invention); *TWM Mfg.*
14 *Co., Inc. v. Dura Corp.*, 789 F.2d 895, 901 (Fed. Cir. 1986) (“Mere existence of a competing
15 device does not make that device an acceptable substitute.”). Accordingly, this court agrees
16 that Halo should be permitted some discovery beyond just engineering drawings as to the outer-
17 lead and L-lead toppers.

18 At the same time, however, a court must limit the extent or frequency of discovery if it
19 finds that the discovery sought is unreasonably cumulative or duplicative or can be obtained
20 from a source that is more convenient, less burdensome or less expensive; or where the burden
21 or expense of the discovery sought outweighs its likely benefit, considering the needs of the
22 case, the amount in controversy, the parties’ resources, the importance of the issues at stake,
23 and the importance of the discovery in resolving those issues. FED.R.CIV.P. 26(b)(2)(C)(i),
24 (iii). Here, the court agrees that some limitation on discovery is required; and, with some
25 modification, this court finds Bel Fuse’s previously proposed compromise to be a reasonable
26 one. So, plaintiff’s motion as to the outer-lead and L-lead products is granted as follows:

27 With respect to Bel Fuse’s four L-lead toppers, within 14 days from the date of this
28 order, Bel Fuse shall produce the engineering drawings, as well as documents sufficient to show

1 the manufacturability, marketability, reliability, performance, cost, and automation of those
2 products.

3 As for Bel Fuse’s outer-lead products, Halo shall promptly choose 10 outer-lead
4 products for discovery. Within 14 days from Halo’s selection, Bel Fuse shall produce
5 documents sufficient to show the design, manufacturability, marketability, reliability,
6 performance, cost, and automation of those products. Bel Fuse shall also provide an affidavit
7 confirming that the remaining outer-lead toppers are substantially similar to the selected
8 products.

9 5. Customer Communications and Sales

10 Halo moves to compel documents responsive to Requests for Production 31-37, 42-44
11 and 52-55. This court is told that Bel Fuse has produced a 237-page summary sales report
12 pertaining to approximately 7,000 transactions. Bel Fuse contends that Halo is being vague as
13 to what “underlying documents” it now seeks. Indeed, it was somewhat unclear precisely what
14 further documentation Halo sought. However, plaintiff confirms that it is not asking for
15 production of underlying invoices. (*See Reply at 2 n.2*). Based on the discussion at the motion
16 hearing, it seems that what Halo seeks is Bel Fuse’s quarterly sales reports (which Bel Fuse
17 agrees to produce) and any internal documents substantiating the information in those reports
18 and pertaining to Bel Fuse’s sales—*e.g.*, documents concerning sales projections, sales
19 strategies, cost information, profit margins, and customer presentations.

20 Plaintiff’s motion as to these requests is granted as follows: To the extent it has not
21 already done so, Bel Fuse shall produce quarterly sales reports responsive to these requests, as
22 well as customer presentations, and other documents sufficient to show Bel Fuse’s sales
23 projections, sales strategies, cost information, and profit margins. Bel Fuse’s production shall
24 be made within 14 days from the date of this order.

25 6. Promotional and Competitive Information

26 Halo moves to compel documents responsive to Requests for Production 38-41 and 56.
27 At the motion hearing, defendant represented that it has produced everything that exists, save
28 for any additional information that might turn up in Bel Fuse’s server search. To the extent

1 there are any non-privileged responsive documents that have not yet been produced, defendant
2 shall produce them within 14 days from the date of this order.

3 7. Organizational Chart

4 Halo moves to compel an organizational chart in response to Request for Production 49.
5 Bel Fuse has produced some 70 organizational charts pertaining to its Asia and U.S. operations
6 and says that it has produced every organizational chart that it knows of that exists. Halo's
7 motion is denied as moot because it is not apparent that there is anything to compel.

8 8. Bel Fuse's Noninfringement Contentions

9 Halo moves to compel Bel Fuse's noninfringement contentions in response to
10 Interrogatory No. 1. Halo also confirms that it seeks Bel Fuse's contentions only as to the
11 remaining patent claims that are being asserted. Arguing that the interrogatory is premature,
12 Bel Fuse contends that it should be permitted to wait to make such disclosures until some time
13 after claims construction is complete. Although it would be unfair to require defendant to
14 answer this interrogatory before Halo complied with its obligation to serve infringement
15 contentions, there is no express basis in the Patent Local Rules for objecting to this
16 interrogatory as premature. *See Townshend Intellectual Property LLC v. Broadcom Corp.*, No.
17 C06-05118JF (RS), 2007 WL 2462152 at *3 (N.D. Cal., Aug. 29, 2007). Moreover, Halo's
18 infringement contentions were served nearly one year ago on December 21, 2009. Accordingly,
19 Halo's motion is granted as follows: Within fourteen days from the date of this order, Bel Fuse
20 shall provide its noninfringement contentions in response to Interrogatory No. 1 with respect to
21 (a) the representative products identified in Halo's infringement contentions served on
22 December 21, 2009 and (b) whatever remaining asserted patent claims there are in the case.

23 SO ORDERED.

24 Dated: November 4, 2010

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26 _____
27 HOWARD R. LLOYD
28 UNITED STATES MAGISTRATE JUDGE

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