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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

BRIGHTON COLLECTIBLES, INC., a
California Corporation,

Plaintiff,

v.

DYNASTY DESIGNS, LLC, a Missouri
Limited Liability Company, and DOES 1
through 10, inclusive,

Defendant.

Civil No. 06cv1588-H (POR)

**ORDER GRANTING IN PART AND
DENYING IN PART DEFENDANT'S
REQUEST FOR PRODUCTION OF
CERTAIN DOCUMENTS IDENTIFIED
ON BRIGHTON'S AUGUST 4, 2008
PRIVILEGE LOG**

On July 21, 2008, the Court ordered Plaintiff Brighton Collectibles, Inc. to make a due diligent search of all Project Heart documents, including files and computers maintained by Mr. Kohl, Ms. Young and Mr. Moran, for documents responsive to Dynasty's Request for Production of Documents Numbers 15, 16, 17, 18, and 64. The Court ordered Brighton to prepare and produce a revised privilege log to the Court for *in camera* review if a question remained as to whether a document was subject to the order. Pursuant to the Court's July 21, 2008 Order, Brighton identified 13 documents on its August 4, 2008 Privilege Log as confidential. Dynasty asserts certain documents identified on Brighton's privilege log should be produced.

I.

APPLICABLE LAW

Federal Rule of Civil Procedure 26(b)(1) provides for discovery of "any non privileged matter that is relevant to any party's claim or defense." There is no federal privilege preventing the

1 discovery of settlement agreements and related documents. See JZ Buckingham Invest. LLC v.
2 United States, 78 Fed.Cl. 15, 22 (Fed.Cl.2007); see also Matsushita Elec. Indus. Co., Ltd. v.
3 Mediatek, Inc., 2007 WL 963975, *2-4 (N.D.Cal.2007); Board of Trustees of Leland Stanford Junior
4 University v. Tyco Intern. Ltd., 2008 WL 1023458, *2-3 (C.D. Cal., 2008). Therefore, discovery of
5 settlement negotiations can be based on the reasonable belief that it may produce information that
6 can be brought into evidence independent of the settlement context. Morse/Diesel, Inc. v. Trinity
7 Industries, Inc., 142 F.R.D. 80 (S.D.N.Y. 1992).

8 Federal courts generally recognize a right to privacy that can be raised in response to
9 discovery requests. Johnson by Johnson v. Thompson, 971 F.2d 1487, 1497 (10th Cir. 1992).
10 Unlike privilege, however, the right to privacy is not an absolute bar to discovery. Rather, courts
11 balance the need for information against the claimed privacy right. Ragge v. MCA/Universal
12 Studios, 165 F.R.D. 601, 604 (C.D. Cal. 1995).

13 The attorney-client privilege covers communication between an attorney and a client made
14 primarily for the purpose of obtaining legal advice or services from the attorney. Fisher v. United
15 States, 425 U.S. 391, 403 (1976). There is no privilege for corporate counsel who is giving, or
16 corporate counsel employees who are seeking, predominantly business advice as opposed to legal
17 advice. ABB Kent-Taylor, Inc. v. Stallings and Co., 172 F.R.D. 53, 57-58 (W.D.N.Y 1996).

18 The attorney work product doctrine only applies to "material obtained and prepared by an
19 attorney or the attorney's agent in anticipation of litigation or preparation for trial." Verizon
20 California Inc. v. Ronald Katz Technology Licensing, L.P., 266 F. Supp. 2d 1144, 1147 (C.D. Cal.
21 2003). The Ninth Circuit states, "a document should be deemed prepared in anticipation of
22 litigation...if in light of the nature of the document and the factual situation of the particular case, the
23 document can be fairly said to have been prepared or obtained because of the prospect of litigation."
24 In re Grand Jury Subpoena, 357 F3d 900, 910 (9th Cir. 2004).

25 Privilege will only apply with respect to auditors if the proponent of the protection can show
26 the audit was conducted only with an eye to preparing for prospective litigation, rather than for some
27 subsidiary purpose. See United States v. Chevron Texaco Corp., 241 F. Supp. 2d 1065, 1090 (N.D.
28 Cal. 2002).

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II.
DISCUSSION

A. ITEM 1

Item 1 is an e-mail regarding Bear Financial Accounting Questions. It includes a spreadsheet with questions from one bidder for Brighton and Brighton's responses. Brighton asserts three grounds for denying production of this document to Dynasty: (1) settlement communications are privileged and protected from discovery by third parties; (2) disclosing these agreements would infringe on the privacy rights of the other parties to each agreement; and (3) the documents have no relevance to the present action between Brighton and Dynasty.

After reviewing Item 1, it is evident a majority of the information discussed therein is relevant to Dynasty's defense against Brighton's claim it suffered more than \$14 million in lost profits and harm to its brand goodwill. Thus, the relevant information in Item 1 comes within Rule 26(b)(1), which provides for discovery of "any non-privileged matter that is relevant to any party's claim or defense." Further, Brighton shared Item 1 with investment banker Peter J. Solomon ("Solomon") as part of the Project Heart auction due diligence process. Third party privacy rights shall be addressed pursuant to the parties' Stipulated Protective Order.

Based thereon and on the reasoning above, IT IS HEREBY ORDERED: Brighton shall produce Item 1 in redacted form. Brighton shall redact column J, lines 139-140 because these answers are not relevant to the issue of Brighton's damages in this case..

B. ITEM 2

Item 2 is an email from a Brighton attorney to Brighton's CFO, Mr. Moran. Brighton opposes production of this communication between a Brighton attorney and a Brighton officer because it is (1) attorney-client communication, (2) attorney work product, and (3) irrelevant.

Upon review of Item 2, it is apparent the document was neither drafted primarily for the purpose of obtaining legal advice or services from the attorney nor prepared in anticipation of litigation. Thus, Item 2 is not protected by either the attorney-client privilege or the attorney-work product doctrine.

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1 Nonetheless, Item 2 is irrelevant to the instant case as it neither relates to Brighton's claim against
2 Dynasty nor Dynasty's defense. Based thereon, IT IS HEREBY ORDERED: Dynasty's request for
3 production of Item 2 is denied.

4 **C. ITEM 3**

5 Item 3 is an email from Brighton's counsel to Solomon including a summary of all IP
6 litigation and pending litigation to which Brighton is a party. Brighton asserts four grounds for
7 denying production of Item 3 to Dynasty: (1) settlement communications are privileged and
8 protected from discovery by third parties; (2) disclosing these agreements would infringe on the
9 privacy rights of the other parties to each agreement; (3) the documents have no relevance to the
10 present action between Brighton and Dynasty, and (4) these documents are attorney work product.

11 After reviewing Item 3, it is evident The IP settlements discussed therein are relevant to
12 Dynasty's defense against Brighton's claims. Item 3 was not drafted in anticipation of litigation and
13 therefore is not protected by the attorney work product doctrine. Thus, the IP settlements come
14 within Rule 26(b)(1), which provides for discovery of "any non-privileged matter that is relevant to
15 any party's claim or defense." Further, Brighton voluntarily shared Item 3 with Solomon. Third
16 party privacy rights shall be addressed pursuant to the parties' Stipulated Protective Order. Based
17 thereon and on the reasoning above, IT IS HEREBY ORDERED: Brighton shall produce Item 3.

18 **D. ITEM 4**

19 Item 4, an e-mail drafted by Brighton's counsel and sent to Solomon, includes a summary of
20 all litigation that does not involve intellectual property. Brighton asserts four grounds for denying
21 production of this document to Dynasty: (1) settlement communications are privileged and protected
22 from discovery by third parties; (2) disclosing these agreements would infringe on the privacy rights
23 of the other parties to each agreement; (3) the documents have no relevance to the present action
24 between Brighton and Dynasty, and (4) these documents are attorney work product.

25 After reviewing Item 4, there is no evidence of information relating to IP litigation in which
26 Brighton is a party. However, information in Item 4 may be probative of issues bearing on
27 Brighton's claims and Dynasty's defenses. Item 4 was not drafted in anticipation of litigation and
28 therefore is not protected by the attorney work product doctrine. Thus, Item 4 comes within Rule

1 26(b)(1), which provides for discovery of "any non-privileged matter that is relevant to any party's
2 claim or defense." Further, Brighton voluntarily shared Item 4 with Solomon. Third party privacy
3 rights shall be addressed pursuant to the parties' Stipulated Protective Order.

4 Based thereon and on the reasoning above, IT IS HEREBY ORDERED: Brighton shall
5 produce Item 4 in redacted form. Brighton shall produce Item 4.

6 **E. ITEM 5**

7 Item 5, an e-mail drafted by Brighton's counsel and sent to Solomon, relates to a settlement
8 with the Texas Attorney General. On further review of the document, Brighton has determined this
9 agreement provides that its terms "are public and may be disclosed and discussed by the parties."
10 Therefore, as to this document, Brighton withdraws its assertion of privilege and will produce a copy
11 to Dynasty. Pursuant to Brighton's withdrawal of its assertion of privilege as to Item 5, IT IS
12 HEREBY ORDERED: Brighton shall produce a copy of Item 5 to Dynasty.

13 **F. ITEM 6**

14 Item 6, an e-mail drafted by Brighton's counsel and sent to Solomon, includes a summary of
15 IP and non-IP litigation. Brighton asserts four grounds for denying production of this document to
16 Dynasty: (1) settlement communications are privileged and protected from discovery by third
17 parties; (2) disclosing these agreements would infringe on the privacy rights of the other parties to
18 each agreement; (3) the documents have no relevance to the present action between Brighton and
19 Dynasty, and (4) these documents are attorney work product.

20 After reviewing Item 6, it is evident there is information therein relating to pending IP
21 litigation. Item 6 was not drafted in anticipation of litigation and therefore is not protected by the
22 attorney work product doctrine. Thus, Item 6 comes within Rule 26(b)(1), which provides for
23 discovery of "any non-privileged matter that is relevant to any party's claim or defense." Further,
24 Brighton voluntarily shared Item 6 with Solomon. Third party privacy rights shall be addressed
25 pursuant to the parties' Stipulated Protective Order.

26 Based on the reasoning above and Dynasty's specific request for production of documents
27 solely relating to the settlement of IP litigation, IT IS HEREBY ORDERED: Brighton shall produce
28 Item 6 in redacted form. Brighton shall produce Item 6 to the extent it refers to IP litigation.

1 **G. ITEM 7**

2 Item 7, an e-mail drafted by Brighton's counsel and sent to Solomon, includes a set of letters
3 from Brighton's counsel to its auditors. Brighton asserts five grounds for denying production of this
4 document to Dynasty: (1) settlement communications are privileged and protected from discovery
5 by third parties; (2) disclosing these agreements would infringe on the privacy rights of the other
6 parties to each agreement; (3) the documents have no relevance to the present action between
7 Brighton and Dynasty, (4) the documents are protected by the attorney-client privilege, and (5) these
8 documents are attorney work product.

9 Upon review of Item 7, it is apparent the document was neither drafted primarily for the
10 purpose of obtaining legal advice or services from an attorney nor prepared in anticipation of
11 litigation. Item 7 was also voluntarily disclosed to Solomon. Consequently, Item 7 is not protected
12 by either the attorney-client privilege or the attorney work product doctrine. Item 7 includes
13 information which is relevant to Dynasty's defense against Brighton. Thus, Item 7 comes within
14 Rule 26(b)(1), which provides for discovery of "any non-privileged matter that is relevant to any
15 party's claim or defense." Third party privacy rights shall be addressed pursuant to the parties'
16 Stipulated Protective Order. Based thereon and on the reasoning above, IT IS HEREBY
17 ORDERED: Brighton shall produce Item 7.

18 **H. ITEM 8**

19 Item 8, an e-mail drafted by Brighton's counsel and sent to Solomon, attaches a settlement
20 agreement. Brighton asserts three grounds for denying production of this document to Dynasty: (1)
21 settlement communications are privileged and protected from discovery by third parties; (2)
22 disclosing these agreements would infringe on the privacy rights of the other parties to each
23 agreement; and (3) the documents have no relevance to the present action between Brighton and
24 Dynasty.

25 The settlement discussed in Item 8 is relevant to Dynasty's defense against Brighton's claims;
26 thus, it comes within Rule 26(b)(1), which provides for discovery of "any non-privileged matter that
27 is relevant to any party's claim or defense." Brighton also voluntarily disclosed Item 8 to Solomon.
28 Third party privacy rights shall be addressed pursuant to the parties' Stipulated Protective Order.

1 Based thereon and on the reasoning above, IT IS HEREBY ORDERED: Brighton shall produce
2 Item 8.

3 **I. ITEM 9**

4 Item 9, an e-mail drafted by Brighton's counsel and sent to PJ Solomon, attaches a settlement
5 agreement. Brighton asserts three grounds for denying production of this document to Dynasty: (1)
6 settlement communications are privileged and protected from discovery by third parties; (2)
7 disclosing these agreements would infringe on the privacy rights of the other parties to each
8 agreement; and (3) the documents have no relevance to the present action between Brighton and
9 Dynasty.

10 The settlement discussed in Item 9 is relevant to Dynasty's defense against Brighton's claims;
11 thus, it comes within Rule 26(b)(1), which provides for discovery of "any non-privileged matter that
12 is relevant to any party's claim or defense." Brighton also voluntarily disclosed Item 9 to Solomon.
13 Third party privacy rights shall be addressed pursuant to the parties' Stipulated Protective Order.

14 Based thereon and on the reasoning above, IT IS HEREBY ORDERED: Brighton shall produce
15 Item 9.

16 **J. ITEM 10**

17 Item 10, an e-mail drafted by Brighton's counsel and sent to Solomon, attaches a settlement
18 agreement. Brighton asserts three grounds for denying production of this document to Dynasty: (1)
19 settlement communications are privileged and protected from discovery by third parties; (2)
20 disclosing these agreements would infringe on the privacy rights of the other parties to each
21 agreement; and (3) the documents have no relevance to the present action between Brighton and
22 Dynasty.

23 The settlement discussed in Item 10 is relevant to Dynasty's defense against Brighton's
24 claims; thus, it comes within Rule 26(b)(1), which provides for discovery of "any non-privileged
25 matter that is relevant to any party's claim or defense." Brighton also voluntarily disclosed Item 10
26 to Solomon. Issues of third party confidentiality shall be addressed pursuant to the parties'

27 Stipulated Protective Order. Based thereon and on the reasoning above, IT IS HEREBY
28 ORDERED: Brighton shall produce Item 10.

1 **K. ITEM 11**

2 Item 11 is an email from Gary Freedman, counsel for Brighton, to Jerry Kohl, Laura Young,
3 and Jeffrey Moran, all officers of Brighton. Brighton opposes production of this communication
4 between a Brighton attorney and a Brighton officer because it is (1) attorney-client communication,
5 (2) attorney work product, and (3) irrelevant.

6 Upon review of Item 11, it is apparent the document was neither drafted for the purpose of
7 obtaining legal advice or services from the attorney nor prepared in anticipation of litigation.
8 Rather, the document appears to have been drafted for a business purpose. Thus, Item 11 is not
9 protected by either the attorney-client privilege or the attorney-work product doctrine. Nonetheless,
10 Item 11 is irrelevant to the instant case as it neither relates to Brighton's claim against Dynasty nor
11 Dynasty's defense. Based thereon and on the reasoning above, IT IS HEREBY ORDERED:
12 Dynasty's request for production of Item 11 is denied.

13 **L. ITEM 12**

14 Item 12 is an email from Jerry Kohl, a Brighton officer, to Gary Freedman, counsel for
15 Brighton, and Jeffrey Moran and Laura Young, Brighton officers. Brighton opposes production of
16 this communication between a Brighton attorney and a Brighton officer because it is (1)
17 attorney-client communication, (2) attorney work product, and (3) irrelevant.

18 Upon review of Item 12, it is apparent the document was neither drafted for the purpose of
19 obtaining legal advice or services from the attorney nor prepared in anticipation of litigation.
20 Rather, the document appears to have been drafted for a business purpose. Thus, Item 12 is not
21 protected by either the attorney-client privilege or the attorney-work product doctrine. Item 12 is
22 relevant to the instant case as it relates to Dynasty's defense against alleged copyright, trademark,
23 and trade dress infringement. Based thereon and on the reasoning above, IT IS HEREBY
24 ORDERED: Brighton shall produce Item 12.

25 **M. ITEM 13**

26 Item 13 is an email from Jinhee Peralta, a paralegal for Brighton, to Jeffrey Moran,
27 Brighton's CFO. Brighton opposes production of this communication because it is (1)
28 attorney-client communication, (2) attorney work product, and (3) irrelevant.

1 Upon review of Item 13, it is apparent the attachment was neither drafted for the purpose of
2 obtaining legal advice or services from the attorney nor prepared in anticipation of litigation.
3 Rather, the attachment appears to have been drafted for a business purpose. Thus, the attachment in
4 Item 13 is not protected by either the attorney-client privilege or the attorney-work product doctrine.
5 The attachment in Item 13 is relevant to the instant case as it relates to Dynasty's defense against
6 alleged copyright, trademark, and trade dress infringement. Conversely, the cover page in Item 13
7 appears to contain attorney work product and is therefore not discoverable. Based thereon and on
8 the reasoning above, IT IS HEREBY ORDERED: Brighton shall produce Item 13 in redacted form.
9 Brighton shall redact the cover sheet but produce the attachment.

10 The discovery allowed under this order shall be completed by **September 26, 2008**.

11 **IT IS SO ORDERED.**

12 DATED: September 11, 2008

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LOUISA S PORTER
United States Magistrate Judge

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16 cc: The Honorable Marilyn L. Huff
17 all parties

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