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UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA

ZEST IP HOLDINGS, LLC,	)	Civil No.10-0541-GPC(WVG)
et al.,	)	
	)	ORDER GRANTING
Plaintiffs,	)	DEFENDANTS' REQUEST
v.	)	TO CONDUCT DISCOVERY
	)	
IMPLANT DIRECT MFG.,	)	
et al.,	)	
Defendants.	)	
_____	)	

On August 19, 2013, the Court received a letter from Defendants' counsel in which Defendants seek the Court's permission to take discovery from Plaintiffs and third parties Avista Capital Partners ("Avista") and The Jordan Company ("Jordan"). On September 4, 2013, Plaintiff received a letter from Plaintiffs' counsel opposing Defendants' request.

1 Prior to August 16, 2013, Plaintiff was owned by  
2 Jordan. On August 16, 2013, Avista acquired Plaintiff from  
3 Jordan.<sup>1/</sup>

4 Defendants seek permission "to take discovery about  
5 the agreement between (Jordan) and Avista, Avista's  
6 evaluation of (Plaintiff's) claims and the '219 and '447  
7 Patents, as well as any information that may have been  
8 exchanged between Plaintiff, (Jordan) and Avista concern-  
9 ing this lawsuit, the '219 or '447 Patents, Implant  
10 Direct, Implant Direct Sybron International, Implant  
11 Direct Sybron Manufacturing and Dr. Gerald Niznick, prior  
12 to the (acquisition) of (Plaintiff) by Avista." (Defen-  
13 dants' August 19, 2013 letter at 1).

14 Defendants argue that the information they seek is  
15 relevant to the issues of damages in this case and the  
16 value of a reasonable royalty for Plaintiff's patents.  
17 Further, Defendants argue that the information it seeks is  
18 reasonably calculated to lead to the discovery of admissi-  
19 ble evidence. Specifically, Defendants assert that their  
20 expert witness on the subject of damages, who has already  
21 issued a report pursuant to Fed. R. Civ. P. 26(a)(2)(B),  
22 has opined that the information Defendants seek could have  
23 a direct effect on her opinion regarding the value of a  
24 reasonable royalty for Plaintiff's patents, and the amount  
25 of patent and trademark damages that Plaintiff might be  
26 able to claim.

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28 <sup>1/</sup>On September 11, 2013, at the Court's request, Plaintiffs' counsel confirmed the acquisition date.

1           Additionally, Defendants contend that Plaintiff's  
2 expert witness on the subject of damages, who has also  
3 issued a report pursuant to Fed. R. Civ. P. 26(a)(2)(B),  
4 has analyzed the factors generally used to determine the  
5 value of a reasonable royalty for Plaintiff's patents.

6           Defendants acknowledge that the transaction between  
7 Avista and Jordan is not definitively controlling as to  
8 the value of a reasonable royalty. However, they believe  
9 that information exchanged between Plaintiff, Jordan, and  
10 Avista has some relevance to each expert witness' report  
11 and conclusions. Defendants also acknowledge that, at this  
12 time, discovery has been closed for them.

13           Plaintiffs argue that Defendants' request to reopen  
14 discovery for them so that they can pursue overly broad  
15 discovery requests is unjustified. Plaintiffs contend that  
16 Defendants' requests will go far beyond the value of a  
17 reasonable royalty for Plaintiff's patents, and may  
18 belatedly cover areas of discovery that should have been  
19 previously completed. Further, Plaintiffs contend that  
20 they will be prejudiced by allowing Defendants to conduct  
21 the requested discovery because such discovery will  
22 significantly delay this action and increase their costs.  
23 Moreover, Plaintiffs inform the Court that Avista and  
24 Jordan are not within the jurisdiction of this Court.  
25 Therefore, Defendants will have to serve subpoenas on  
26 Avista and Jordan issued by another Court.

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1 Fed. R. Civ. P. 16(b)(4) states that a court's  
2 scheduling order may be modified for good cause and with  
3 the judge's consent. The court has discretion whether to  
4 reopen discovery or to hold the parties to discovery cut-  
5 off dates. Cardenas v. Whittemore, 2013 WL 244374 (S.D.  
6 Cal. 2013), citing Cornwell v. Electra Central Credit  
7 Union, 439 F.3d 1018, 1027 (9<sup>th</sup> Cir. 2006).

8 Here, the Court finds good cause to allow Defendants  
9 to reopen discovery for them. Some of the information  
10 sought by Defendants is relevant to the issues of damages  
11 in this action and may affect the opinions of Plaintiffs'  
12 and Defendants' expert witnesses on damages. Further, that  
13 Plaintiff was sold to Avista on August 16, 2013 is a new  
14 and recent development that Defendants (and perhaps  
15 Plaintiffs) could not have anticipated. Since discovery  
16 has been closed for Defendants for some time, it would  
17 have been impossible for Defendants to have previously  
18 sought to obtain the information it now seeks.

19 Plaintiffs' arguments regarding the prejudice they  
20 will suffer are unavailing. Despite Plaintiffs' allega-  
21 tions that Defendants' request to seek discovery from  
22 Avista and Jordan will delay the case, the last date  
23 scheduled by the District Judge assigned to this case for  
24 a hearing on a motion is January 3, 2014. Therefore, this  
25 case will be delayed at least until that time, if not  
26 longer. Additionally, with regard to Plaintiffs' claim  
27 that they will incur more costs as a result of Defendants'  
28 requests for information regarding Avista's acquisition of

1 Plaintiff, the Court believes that the costs to Plaintiff  
2 will be minimal in relation to the costs that Jordan and  
3 Avista may have to incur.

4 However, the Court agrees with Plaintiffs that, as  
5 stated in Defendants' August 19, 2013 letter, Defendants'  
6 requests are over broad. Moreover, the requests are  
7 generally stated and not fully delineated. Therefore, the  
8 Court ORDERS as follows:

9 1. Defendants' Request To Reopen Discovery is  
10 GRANTED *only for the limited purpose* of seeking discovery  
11 from Plaintiff, Jordan, and Avista regarding:

12 a. Jordan's and Avista's valuation of Plain-  
13 tiff's '219 and '447 Patents and the damages recoverable  
14 in this action;

15 b. information exchanged between Plaintiffs,  
16 Jordan, and Avista concerning this lawsuit, and the '219  
17 and '447 Patents, prior to Avista's acquisition of Plain-  
18 tiffs.

19 2. Defendants shall not be permitted to obtain:

20 a. the acquisition agreement between Jordan and  
21 Avista, unless and until they show that the acquisition  
22 agreement is relevant to a claim or defense in this  
23 action;

24 b. general information exchanged between  
25 Plaintiffs, Jordan, and Avista regarding Defendants and  
26 Dr. Niznick, unless and until they show that such informa-  
27 tion is relevant to a claim or defense in this action;

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1 c. "any information that may have been exchanged  
2 between Plaintiffs, Jordan and Avista" other than the  
3 information specified in number 1 above.

4 3. To avoid unnecessary delay, on or before  
5 October 4, 2013, Defendants shall serve subpoenas on  
6 Jordan and Avista.

7 DATED: September 13, 2013

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10 Hon. William V. Gallo  
11 U.S. Magistrate Judge  
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