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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

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| ZEST IP HOLDINGS, LLC, et al., |) | Civil No. 10-0541-LAB(WVG) |
| |) | |
| Plaintiffs |) | ORDER REGARDING PRODUCTION |
| |) | OF PATENT APPLICATIONS |
| v. |) | |
| |) | |
| IMPLANT DIRECT MFG., LLC, |) | |
| et al., |) | |
| |) | |
| Defendants. |) | |
| |) | |
| |) | |

On October 12, 2011, the Court conducted a Discovery Conference in this case. At the Discovery Conference, the Court discussed with counsel the potential production of Defendants' patent applications, as sought by Plaintiffs. At the conference, the Court ordered Defendants to produce to the Court, for *in camera* review, the patent applications at issue. On October 17, 2011, Plaintiffs' counsel submitted briefing on the issues presented. On October 20, 2011, Defendants' counsel submitted briefing on the issues presented, as well as the patent applications. The Court received from Defendants two patent applications. The Court has reviewed *in camera*, the patent applications.

1 After careful review of Defendants' *in camera* submission, the
2 pleadings, the parties' letter briefs, and relevant case law and
3 statutory authority, it is plainly obvious to the Court that
4 Defendants' two patent applications^{1/} fall squarely within the ambit
5 of Federal Rule of Civil Procedure 26. Defendants' two patent
6 applications are relevant to the parties' claims and defenses and/or
7 are likely to lead to admissible evidence in this action.

8 Defendants object to the disclosure on several grounds: (1)
9 relevance; (2) confidentiality; (3) fear that opposing counsel will
10 not honor the Protective Order filed in this case; (4) the attorney-
11 client privilege; and (5) judicial privilege. The Court has
12 considered these objections and finds as follows:

13 1. Relevance

14 The relevance of the patent applications is obvious to the
15 Court as both applications make extensive reference to Plaintiffs'
16 patents, (the '219 and '447 patents), which are the subject of this
17 action. The Court does not share Defendants' restrictive view of
18 relevance that the only comparison that need be made is between
19 Plaintiffs' patent claims and Defendants' allegedly infringing
20 products. "Many courts have concluded that such applications are
21 relevant because they 'may contain information or admissions that
22 clarify, define or interpret the claims of the patent in suit.'" Caliper Technologies Corp. v Molecular Devices Corp., 213 F.R.D.
23 555, 561 (N.D. Cal. 2003) citing Tristrata Technology, Inc. v.

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26 ^{1/} One application, '658, appears to have been abandoned because
27 sufficient time has passed without Defendants replying to the U.S.
28 Patent and Trademark Office's letter of rejection. The other
application, '637, also was recently rejected by the U.S. Patent and
Trademark Office. However, the time for Defendants to reply to the
rejection has not yet expired. Accordingly, it is premature to
conclude that application '637 has been abandoned, as well.

1 Neoteric Cosmetics, Inc., 35 F. Supp 2d 370, 372 (D. Del. 1998).
2 This Court concludes the same. Relevant evidence regarding willful
3 infringement, prior art, and equivalency may be present within
4 Defendants' two patent applications.

5 2. Confidentiality

6 The Court recognizes that Plaintiffs and Defendants are
7 "fierce competitors" as Defendants contend. However, this intense
8 rivalry does not trump Plaintiffs' right and access to relevant
9 information they need to prosecute their case. The Court has
10 approved a two-tier Protective Order (Doc. No. 30) proposed by the
11 parties in this action. The Protective Order provides guidelines for
12 the classification of information to protect the information's
13 confidentiality. The Protective Order, at paragraph 4, allows the
14 party producing a document to designate the document as "Confiden-
15 tial" and "Confidential - For Counsel Only." Moreover, the Protec-
16 tive Order, at paragraph 22, allows a party to object to the
17 disclosure of information on any ground "other than the mere
18 presence of Confidential Information." Clearly, the parties, and
19 especially Defendants, in a case involving highly sensitive
20 information regarding products which are the life-blood of their
21 respective businesses, contemplated the necessity of having to
22 release such information to each other and took positive steps to
23 propose such a Protective Order. Defendants' unease with the
24 protection provided by the Protective Order, which was jointly
25 submitted to the Court, lacks justification.

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1 3. Fear That Opposing Counsel May Not Honor

2 The Protective Order

3 This objection is closely related to the previous objection.
4 The basis for Defendants' fear is that Plaintiffs' counsel is a
5 member of the same law firm that prosecutes Plaintiffs' patent
6 applications. Defendants contend that disclosure to Plaintiffs'
7 counsel of the two patent applications at issue may result in
8 intentional or even inadvertent disclosure to Plaintiffs' patent
9 prosecutors. Defendants further assert that if that were to occur,
10 it would cause irreparable harm to their business interests.
11 Although Plaintiffs' counsel has orally assured Defendants that no
12 such disclosure would occur, Defendants nonetheless demand Plain-
13 tiffs' counsel execute a written document that states that the
14 patent prosecutors in her law firm will be insulated from any
15 disclosure made to her. The Court is uncertain what additional
16 protection is afforded Defendants by such a writing that is not
17 afforded to it already by counsel's oral assurances, made in the
18 Court's presence, that no such disclosure will occur. Counsel's word
19 is her bond and this is sufficient for the Court. Moreover, the
20 Court assumes, until shown otherwise, that all attorneys practicing
21 before it conduct themselves ethically and in accordance with all
22 agreements and orders such as the Protective Order entered in this
23 case. Defendant has not produced any evidence to the Court which
24 would call into question Plaintiffs' counsel integrity. Addition-
25 ally, Plaintiffs' counsel is undoubtedly aware of the serious
26 consequences for any unauthorized disclosure of confidential
27 information.

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1 4. The Attorney-Client Privilege

2 Defendants have not cited any authority to support their
3 position that their patent applications, even though submitted to
4 the U.S. Patent and Trademark Office pursuant to 35 U.S.C. §122(a),
5 (b)(2)(B)(2)(A)(i), fall within the scope of the attorney-client
6 privilege. Defendants argue that they submitted the patent applica-
7 tions pursuant to § 122 "in absolute secrecy" and to seek the U.S.
8 Patent and Trademark Office's "legal advice" on the patentability of
9 its products. However, there is ample case authority, which will be
10 addressed in the next section of this Order, that supports a court's
11 authority to order disclosure of patent applications submitted to
12 the U.S. Patent and Trademark Office, pursuant to § 122.

13 5. Judicial Privilege

14 It is unclear to the Court exactly what is meant by "judicial
15 privilege." However, taken in context, it appears that Defendants
16 allude to the protection afforded to patent applications submitted
17 pursuant to § 122. Defendants correctly cite the holding in Ideal
18 Toy Corp v. Tyco Industries, Inc., 478 F. Supp. 1191 (D. Del. 1979)
19 that upheld the non-disclosure to Tyco of information contained
20 within Ideal's two abandoned and one pending patent application. In
21 Ideal, the court acknowledged, as did Tyco, that § 122's secrecy
22 provisions were "not applicable to the United States District
23 Court." Id. at 1193. This statement was conveniently ignored by
24 Defendants in their letter brief, as was the Ideal court's many
25 citations to other cases in which disclosure was ordered. The Ideal
26 court also acknowledged that disclosure "require[d] a balancing of
27 competing policy and litigation interests," Id. at 1193, and it was
28 this balancing, not § 122's purported secrecy provisions, that

1 ultimately convinced the court that disclosure should not be
2 ordered.

3 Defendants do not cite any other case law for the proposition
4 that disclosure should not be ordered because § 122 provides "safe
5 cover" for its confidentiality. That is for good reason. There is
6 abundant authority, as cited in Ideal, that § 122 does not prevent
7 disclosure. In addition to the many cases cited by the Ideal court,
8 see also, Britt Tech Corp v. L&A Products, Inc., 223 F. Supp. 126
9 (D. Minn. 1963)(Section 122 "enjoins only the patent office to
10 maintain the confidence." Disclosure was ordered.); Central
11 Sprinkler Co. v. Grinnell Corp., 897 F.Supp 225 (E.D. Pa.
12 1995)("Courts agree that the secrecy of applications should be
13 preserved when possible. . . Although this directive [Section 122]
14 is not binding on the courts, it is respected in them." Disclosure
15 was ordered.); Caliper Technologies v. Molecular Devices, 213 F.R.D.
16 555, 562 (N.D. Cal. 2003) (Secrecy of pending and abandoned
17 applications should be preserved when possible but burden is on
18 party seeking confidentiality to establish burden in production.
19 Disclosure was ordered.); Crown Machine & Tool Co v. KVP-Sutherland
20 Paper Co., 244 F. Supp. 543 (N.D. Cal. 1965) ("[Section] 122 does
21 not have the effect of rendering patent applications privileged for
22 judicial purposes." Disclosure was ordered.)

23 Defendants have offered a compromise solution. While the
24 offered compromise is generous, such a solution hardly satisfies
25 their obligation to produce relevant and critical information to
26 Plaintiffs.

27 The Court is mindful of Defendants' concerns in producing
28 highly sensitive and potentially damaging information to their

1 competitors. The Court has reviewed and considered the "competing
2 policy and litigation interests" attendant to this inquiry. It is
3 quite clear to the Court that disclosure must be made and that
4 adequate safeguards exist to protect Defendants' proprietary
5 interests.

6 Plaintiff's request to compel Defendants to disclose the two
7 patent applications is hereby GRANTED. On or before November 23,
8 2011, Defendants are ordered to produce unredacted copies of the
9 entire patent application in Application No. '637 and Application
10 No. '658 as reflected in Bates Stamp Nos. IDL 003314-003702, as
11 provided to the Court *in camera*.

12 Production as noted above is subject to the following
13 conditions:

14 (1) The Court will retain Defendants' *in camera* submissions
15 until any and all disputes related to their disclosure have been
16 resolved;

17 (2) Pursuant to the Protective Order, Defendants shall
18 appropriately designate the patent applications prior to producing
19 them to Plaintiffs' counsel;

20 (3) Pursuant to the Protective Order, Plaintiffs' counsel
21 shall safeguard the patent applications and shall not share them
22 with anyone other than appropriately designated individuals;

23 (4) Pursuant to the Protective Order, Plaintiffs' counsel
24 specifically shall not disclose the patent applications, or any of
25 the contents of the patent applications, to Plaintiffs or to any
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1 attorney in her law firm that prosecutes, or has prosecuted patents,
2 on behalf of Plaintiffs.

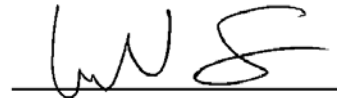
3 IT IS SO ORDERED.

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5 DATED: November 14, 2011

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

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