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8 UNITED STATES DISTRICT COURT  
9 SOUTHERN DISTRICT OF CALIFORNIA  
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11 AMERICAN FIREGLASS,

12 Plaintiff,

13 v.

14 MODERUSTIC, INC.

15 Defendant.  
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Case No.: 15CV2866 JLS (BGS)

**ORDER ON MOTION FOR  
CLARIFICATION OF ORDER RE  
DISCOVERY AND CONTINUING  
MANDATORY SETTLEMENT  
CONFERENCE**

[ECF 150, 157]

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19 This present discovery dispute regards whether Defendant Moderustic, Inc.  
20 (“Defendant”) is entitled to damages discovery on its remaining counter claims for false  
21 advertising. (*See* ECF 145 at 25-26.<sup>1</sup>) For expediency the court will not repeat all the  
22 arguments in the parties’ joint statement.

23 In a nutshell, the Court in its Order regarding discovery related to damages, (ECF  
24 88 at 4), found that damages discovery was relevant in a patent litigation such as the  
25 present. (*Id.*) And, the Court was inclined to allow limited discovery into this area. (*Id.*)  
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28 <sup>1</sup> The Court cites the CM/ECF pagination throughout this order unless otherwise  
indicated.

1 However, since neither party had addressed the relevancy and proportionality, the Court  
2 ordered the parties to meet and confer to attempt to resolve the issues. (*Id.*) The parties  
3 were unable to resolve the dispute, so the Court ordered further briefing on the issue.  
4 (ECF 96.)

5 In its motion to compel damages discovery, the Defendant contended that the  
6 requested discovery was relevant to the patent-holder's patent infringement claims. (ECF  
7 101 at 2.) The Defendant did not address the relevancy or proportionality of damages  
8 discovery as regards its false advertising counter claims. This Court stayed this dispute  
9 pending the District Judge's order on the parties' outstanding motions for summary  
10 judgment. (ECF 110.)

11 Now that the Order on those motions has been issued, the Defendant contends that  
12 it is entitled to damages discovery on the remaining Lanham Act and UCL counter  
13 claims, which allege false advertising by the Plaintiff.<sup>2</sup> The Defendant, in its initial brief  
14 regarding damages discovery, (ECF 86), identified the financial information it was  
15 requesting as follows: "Moderustic has previously indicated it would accept for RFP #s 8,  
16 15, 27, 28, and 40 the following information for the years of 2015, 2016, 2017: Balance  
17 sheets; Income and Expense printouts or QuickBooks spreadsheets with the detail by  
18 category; Lines of credit; Credit ratings of AF; Loans to AF; Profit and Loss statements  
19 supplied to any bank..." (*Id.* at 5; *see e.g.* ECF 124 at 23.) The Court has reviewed  
20 these RFPs and finds that although directed towards patent damages, these RFPs do not  
21 foreclose damages discovery on the Lanham Act and California Unfair Competition Law  
22 ("UCL") counter claims. Therefore, the Court finds that the Defendant, although limiting  
23 its relevancy and proportionality arguments to patent damages discovery, (ECF 101), has  
24 not explicitly waived the discovery dispute as to the false advertising counter claims.  
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27 <sup>2</sup> Since the entire focus of the Defendant's previous requests for financial information had  
28 been directed solely to patent infringement damages, the Court initially determined that  
this discovery dispute was moot.

1 Notwithstanding, these RFPs that concern financial information are over broad as  
2 regards the remaining false advertising counter claims. Significantly, this Court has  
3 already narrowed all damages discovery to include only, "...As to the topic of damages,  
4 the Court finds that any RFP requests that fall outside of this topic, namely of invoices,  
5 profit and loss statements and the like, are outside of this discovery dispute and will not  
6 be addressed herein..." (ECF 88.) The District Judge has previously upheld this Court's  
7 order. (ECF 143 at 2.) Therefore, the Court will address only this financial discovery as  
8 it regards the false advertising counter claims.<sup>3</sup>

9 Judge Sammartino denied Plaintiff's motion for summary judgement on the  
10 counter claims brought by Defendant under the Lanham Act and UCL. She found that  
11 those counter claims were brought on grounds that Plaintiff's statements on its website  
12 that several of its products were tumbled were false and constituted false advertising.  
13 (ECF 145 at 25.) In denying the motion, the Court reasoned that Plaintiff did not dispute  
14 that these claims on its website were literally false. (*Id.*)

15 The Ninth Circuit's Manual of Model Civil Jury Instruction § 15.27 addresses what  
16 a plaintiff must prove to receive actual damages pursuant to Title 15 U.S.C. § 1117(a).<sup>4</sup>  
17 The considerations include injury to reputation; injury to plaintiff's goodwill; lost profits  
18 plaintiff would've earned *but for* defendant's infringement (emphasis added); the expense  
19 for preventing customers from being deceived; and the cost of future corrective  
20 advertising.

21 In its section of the joint statement, Defendant has failed to identify what financial  
22 information in RFP #s 8, 15, 27, 28, and 40, (ECF 157 at 6 and ECF 86 at 5), is relevant  
23 and/or proportional to the actual damages considerations outlined in Instruction 15.27.

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26 <sup>3</sup> Defendant repeats many of the discovery requests which were ruled on and confirmed to  
27 be outside of the discovery dispute. Therefore, the Court only considers the financial  
28 information identified in ECF 157 at 6: 9-15.

<sup>4</sup> Under the UCL only injunctive relief and restitution are available remedies for claims.  
*Korea Supply Co. v. Lockheed Martin Corp.*, 29 Cal.4th 1134, 1148 (2003)

1 Defendant contends the financial information is relevant to its counter claims but fails to  
2 tie relevancy to any of the factors set forth in Instruction 15.27. (ECF 157 at 9 lines 1-2.)  
3 It makes a conclusory statement that its gross sales plummeted when Plaintiff came on  
4 the scene with its advertising. But goes on to allege that this is due to Plaintiff  
5 underpricing its products. (*Id.* at 9-10.) “One Moderustic client canceled a \$26,000 order  
6 to go to AF for what he believed was the ‘same’ product, only cheaper. So, the evidence  
7 demonstrates that consumers confuse the products as being the same, and falsely believe  
8 that untumbled broken tempered glass is safe.” (*Id.* at 10.)

9         Although the Defendant does not explicitly identify any of the considerations in  
10 Instruction 15.27, the Court infers from Defendant’s joint statement proffer (above) that  
11 Plaintiff’s false advertising of products using the word “tumbled” among other factors  
12 such as alleged undercutting of its prices is impacting negatively Defendant’s profits.  
13 Lost profits is a relevant consideration in determining actual damages. *See e.g.*  
14 Instruction 15.27 (3). However, Defendant never indicates specifically what financial  
15 information requested in RFP #s 8, 15, 27, 28, and 40 is relevant to proving its lost  
16 profits. And significantly, Defendant is only entitled to lost profits financial information  
17 from the Plaintiff that were caused by the Plaintiff’s use of the word “tumbled” in its  
18 advertising. The Court stresses that the alleged falsity of Plaintiff’s advertising is the use  
19 of the word “tumbled.” Therefore, only financial information for products advertised on  
20 Plaintiff’s website using this word or variation thereof would be relevant to Defendant’s  
21 Lanham Act actual damages. And, the Court notes that the parties disagree as to which  
22 products were advertised using the word “tumbled” and over what time frame. (*See infra*  
23 note 5.) Since the Defendant has failed to establish what specific financial information  
24 requested in the above identified RFPs is relevant and proportional to the factors listed in  
25 Instruction 15.27, and more specifically, to its contention of lost sales, the Court does not  
26 order Plaintiff to produce discovery on actual damages as defined in Instruction 15.27.

27         Notwithstanding, a plaintiff may be entitled to any profits earned by the defendant  
28 that are attributable to the infringement (false advertising). The Ninth Circuit’s Manual

1 of Model Civil Jury Instruction § 15.29 addresses disgorgement of profits. According to  
2 this instruction, profits are determined by deducting all expenses from gross revenue.  
3 Gross revenue is all of defendant’s receipts from using the trademark (false advertising)  
4 in the sale of a product. Plaintiff has the burden of proving gross revenue. Defendant has  
5 the burden of proving expenses. (*Id.*)

6 Based on this instruction, the Court finds that the Defendant is entitled to the gross  
7 sales of products that were advertised by the Plaintiff using the word “tumbled” or  
8 variation of that word to sell its product(s). (*See* ECF 22, ¶ 28 (Tumbled Statements) and  
9 ECF 145 at 25.) Defendant in its RFP 40 does request Plaintiff’s sales receipts. The  
10 parties disagree as to which products were sold using the word “tumbled” in the  
11 advertising on Plaintiff’s website and over what time frame that false advertising took  
12 place.<sup>5</sup> The Court per this order is requiring the Plaintiff provide to the Defendant in the  
13 format ordered herein this discovery for the products sold which were advertised using  
14 the word “tumbled” or variation thereof.

15 Further, if Plaintiff is going to present at trial “expenses” evidence as that term is  
16 defined in Instruction 15.29, then Plaintiff must provide all relevant expenses documents  
17 as regards the products sold using the word “tumbled” in its advertising thereof.  
18 Although overbroad and not explicitly directed to Lanham Act damages, RFP 27 does  
19 reference costs of accused products. If Plaintiff so intends, then the parties are to meet  
20 and confer as to the documents relevant to this topic as well as the format of production.  
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24 <sup>5</sup> Defendant makes the broad contention that Plaintiff “has advertised its products were  
25 safe to handle and tumbled at all relevant times during this lawsuit.” (ECF 157 at 10).  
26 Plaintiff strongly contests this allegation, “The only remaining claim in this proceeding is  
27 Moderustic’s false advertising claim relating to incorrect statements made on American  
28 Fireglass’ website, namely that certain of its glass products were ‘tumbled’, which were  
inadvertently placed on the website from March to August 2016—five months.” (*Id.* at  
2).

1 If the parties cannot agree on either, they are to jointly contact the court on **June 11,**  
2 **2019.**

3 As regards the format of production of gross sales discovery, Defendant requests  
4 that the documents be produced in QuickBooks program. (ECF 157 at 7.) Plaintiff has  
5 objected to this format pursuant to Federal Rule of Civil Procedure 34(b)(2)(D). (*Id.* at  
6 4.) Plaintiff has offered to produce the gross sales as detailed in attachment 1 to ECF  
7 157. Defendant objects, requesting the raw data because otherwise Plaintiff could plug  
8 any numbers into the chart, there would be no indicia of reliability. (ECF 157 at 8.) The  
9 Court notes that the parties in their joint discovery plan had agreed to produce most  
10 documents in an electronic format such as PDF or TIFF. (ECF 26 at 5.) The parties  
11 reserved the right to demand production in their native format. (*Id.* at 7.) The 2006  
12 Amendment provides that if the parties are unable to resolve the matter by meet and  
13 confer, then the Court will resolve the dispute and is not limited to the forms chosen by  
14 either party.

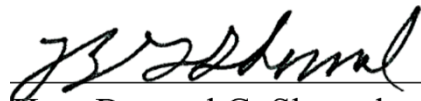
15 In its previous filing regarding this dispute over format, Plaintiff contended it was  
16 unable to cull out of its database only the data related to the sale of the accused products.  
17 (ECF 102 at 3.) Further, its entire database was full of highly confidential and private  
18 financial information of the company that is totally unrelated to the accused products. (*Id.*  
19 at 4.) Aside from Defendant's claim that the false advertising was far more extensive  
20 than the 5 months claimed by Plaintiff, it appears to the Court as regards the format of  
21 production that Defendant's overriding concern has to do with the reliability of the sales  
22 information produced. (*See* ECF 157 at 9-10.) The Court believes that the Plaintiff by  
23 providing verification under oath as to the accuracy of the data will resolve Defendant's  
24 concerns about reliability of the data yet will limit the unnecessary and over burdensome  
25 task of Plaintiff trying to provide this information in the requested QuickBooks format.  
26 *See* Fed. R. Civ. P. 26(b)(2)(B-C).

27 Unless the Court grants an extension, all damages discovery as addressed herein  
28 must be accomplished by **July 29, 2019.**

1 The Mandatory Settlement Conference set for July 31, 2019 is **CONTINUED** to  
2 **August 30, 2019 at 1:30 p.m.** Any request to reschedule the conference based on  
3 conflicts with this date must be raised by motion within ten days of issuance of this  
4 Order. In addition to the requirements set forth in the undersigned's Chambers Rules,  
5 any such request must include: (1) the specific conflict; (2) when it arose; (3) why it  
6 cannot be changed; and (3) alternative dates both before and after the August 31, 2019  
7 date when ALL counsel and parties required to participate in the MSC will be available.

8 **IT IS SO ORDERED.**

9 Dated: June 28, 2019

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11 Hon. Bernard G. Skomal  
12 United States Magistrate Judge  
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