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8 UNITED STATES DISTRICT COURT
9 SOUTHERN DISTRICT OF CALIFORNIA
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11 REMBRANDT DIAGNOSTICS, LP,
12 Plaintiff,
13 v.
14 INNOVACON, INC.,
15 Defendant.

Case No.: 3:16-cv-0698 CAB (NLS)

**ORDER ON JOINT MOTION FOR
DISCOVERY DISPUTE NO. 1
DENYING REMBRANDT'S
MOTION TO COMPEL**

(ECF Nos. 127, 130)

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18 Before the Court is the parties' Joint Motion for Determination of Discovery
19 Dispute No. 1. ECF Nos. 127, 130. A redacted version the Joint Motion was filed
20 contemporaneously with the Joint Motion to File Documents under Seal. ECF Nos. 125,
21 127. The Court granted the Motion to File Documents under Seal on September 12,
22 2017. ECF No. 129. For the reasons outlined herein, plaintiff Rembrandt Diagnostics,
23 LP's ("Rembrandt") motion to compel further responses and documents from defendant
24 Innovacon, Inc. ("Innovacon") is **DENIED**.

25 **I. BACKGROUND**

26 In this case, Rembrandt accuses Innovacon of breaching a Patent License
27 Agreement. *See* ECF No. 94, Exhibit 6 to the Second Amended Complaint ("SAC").
28 Under the licensing agreement, Rembrandt's predecessor granted Innovacon's

1 predecessor a license to several U.S. and foreign patents relating to test cups used to
2 quickly screen urine for illegal drugs. Under the agreement, Innovacon's predecessor
3 agreed to pay Rembrandt's predecessor royalties for each test cup sold that would
4 otherwise infringe the patents. Innovacon has paid no royalties. It contends that no
5 royalties are owed because the licensed patents are invalid and because the test cups it
6 and its Affiliates sold during the relevant time period do not infringe the patent.

7 Rembrandt issued various interrogatories, requests for production, and requests for
8 email production seeking discovery related to their claims and theories of the case. *See*
9 *generally*, ECF No. 127-1, 130-1 (Joint Statements, redacted and sealed). Relevant to the
10 Joint Motion before the Court, Innovacon responded to the discovery requests by, *inter*
11 *alia*, limiting its responses to the accused products, representative products, a limited
12 timeframe, by reference to documents, or with objections that the requests were
13 disproportionate to the needs of the case. *Id.* The parties met and conferred regarding
14 their positions relative to the discovery and responses, but were unable to informally
15 resolve them and filed a Joint Motion for Determination of Discovery Dispute No. 1.
16 ECF Nos. 127, 130. The Joint Motion consisted of 196 pages and presented nine separate
17 issues affecting numerous interrogatories and requests for production.

18 In response to the voluminous discovery dispute, this Court directed lead trial
19 counsel to further meet and confer, in person, to narrow or limit the discovery disputes
20 before the Court, and set oral argument for September 27, 2017. ECF No. 128. In
21 advance of the oral argument, the parties filed a Joint Status Report advising the Court
22 that as a result of the continued meet and confer efforts, the parties had resolved Issues 3
23 and 7, and had narrowed the interrogatories and production requests that were in dispute
24 for certain other issues.¹ ECF No. 131. The Court thanks the parties for their efforts and
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27 ¹ Specifically, the parties resolved: Issue 2, RFP No. 24; Issue 3 entirely, encompassing Interrogatories
28 1, 9 and RFP Nos. 21 and 49; Issue 4, RFP No. 9; Issue 7 entirely, encompassing RFP Nos. 41, 56 and
57; and Issue 9, RFP 7. ECF No. 131.

1 for the submission of the Joint Status Report, and will not address those issues,
2 interrogatories, and requests for production on which the parties reached agreement,
3 except to set deadlines for compliance with their agreement.

4 **II. LEGAL STANDARD**

5 Rule 26 permits discovery of “any nonprivileged matter that is relevant to any
6 party’s claim or defense and proportional to the needs of the case, considering the
7 importance of the issues at stake in the action, the amount in controversy, the parties’
8 relative access to relevant information, the parties’ resources, the importance of the
9 discovery in resolving the issues, and whether the burden or expense of the proposed
10 discovery outweighs its likely benefit.” Fed. R. Civ. P. 26(b)(1). Information need not
11 be admissible to be discoverable. *Id.* Once the propounding party establishes that the
12 request seeks relevant information, “[t]he party who resists discovery has the burden to
13 show discovery should not be allowed, and has the burden of clarifying, explaining, and
14 supporting its objections.” *Superior Commc’ns v. Earhugger, Inc.*, 257 F.R.D. 215, 217
15 (C.D. Cal. 2009); *see Blankenship v. Hearst Corp.*, 519 F.2d 418, 429 (9th Cir. 1975)
16 (requiring defendants “to carry heavy burden of showing why discovery was denied”).

17 “The 2015 amendments to Rule 26(b)(1) emphasize the need to impose ‘reasonable
18 limits on discovery through increased reliance on the common-sense concept of
19 proportionality.’” *Roberts v. Clark County Sch. Dist.*, 312 F.R.D. 594, 603 (D. Nev.
20 2016). The fundamental principle of amended Rule 26(b)(1) is “that lawyers must size
21 and shape their discovery requests to the requisites of a case.” *Id.* Discovery and Rule
22 26 is intended to provide parties with “efficient access to what is needed to prove a claim
23 or defense, but eliminate unnecessary or wasteful discovery.” *Id.* This requires active
24 involvement of federal judges to make decisions regarding the scope of discovery. *Id.*

25 **III. DISCUSSION**

26 Following the meet and confer efforts of the parties, the issues that remain before
27 the Court are each addressed individually.
28

1 **a. Issue 1: Limiting Responses and Production to Test Cups Identified in**
2 **the Pleadings and Infringement Contentions and those Substantially**
3 **Similar in Design (Interrogatories 1, 6, 9, 14, 18, 19 and Requests for**
4 **Production 1-4, 11, 15-18, 21-28, 32-40, 42-43, 45, 47-49, 51-55, 57, 58,**
5 **68, 85)**

6 The parties reached agreement on how to proceed on this issue, which the Court
7 includes here only to set deadlines as discussed at oral argument:

8 Innovacon is to produce two samples of each of the test cup designs agreed upon
9 by counsel in their Joint Status Report (ECF No. 131) by Monday, **October 2, 2017**.
10 Rembrandt is to inform Innovacon by Friday, **October 6, 2017** if Rembrandt believes any
11 of the produced test cups infringe the patent and are therefore subject to the licensing
12 agreement. For any cup that Rembrandt believes to be infringing, Rembrandt must seek
13 leave to amend its infringement contentions and produce revised infringement contention
14 charts by Friday, **October 20, 2017**. In the event Plaintiff proceeds to amend its
15 infringement contentions as to any of the test cups produced pursuant to the agreement of
16 the parties, Defendant shall have an opportunity to amend its invalidity contentions.

17 Accordingly, the Court **DENIES** Rembrandt's motion to compel further responses
18 to the interrogatories and requests for production identified in this issue.

19 **b. Issue 2: Limiting Certain Responses and Production to**
20 **“Representative” Test Cups (Interrogatory 1, Requests for Production**
21 **1-3, 27)**

22 In response to Interrogatory No. 1, and Requests for Production 1-3, and 27,
23 Innovacon's responses were based on “representative” products. Rembrandt objects to
24 the reliance on representative products and seeks to compel exact compliance with its
25 requests as to each test cup sold by Innovacon and its affiliates. Rembrandt argues that
26 its requests call for “non-duplicative information regarding the instructions for use, the
27 design, the development, and the regulatory approval of Innovacon's and its affiliates'
28 test cups.” ECF No. 127 at 7.

1 At oral argument, Innovacon brought demonstrative examples of the test cups it
2 designated as “representative” including the iCup Dx Pro, iCup A.D., Amedicheck,
3 DrugSmart and UScreen, which can also be categorized as “the round cup, the square
4 cup, and the backpack cup.” Innovacon explained that due to the nature of the products,
5 the requests at issue were duplicative and burdensome. For example, Interrogatory 1
6 seeks to identify of all products based in part on SKU number.² Innovacon submits a
7 single product could have dozens of SKUs, and Innovacon had identified 115 separate
8 SKUs for three designs. Requests for Production numbers 1-3 seek, for each item
9 identified in response to Interrogatory 1, production of (1) ten sample cups, (2) test cup
10 inserts for each, and (3) instructions for use. As a result, the practical effect of
11 Rembrandt’s request could result in the production at least 1,150 test cups along with
12 inserts and instructions for use that are identical in all respects relevant to the patent
13 litigation, *i.e.*, the structure of the cup. Innovacon explained that any differences in the
14 products, inserts, or instructions would be irrelevant to the litigation, such as the brand
15 associated with the test cup (*e.g.* CVS brand vs. Wal-mart brand), and possibly the
16 number of strips, orientation of strips or the type of drug for which the cup was testing.
17 Innovacon concludes that the extensive production sought is duplicative, burdensome,
18 and disproportionate to the needs of the case. What is relevant according to Innovacon
19 and what it has agreed to produce is design file histories and regulatory submissions for
20 all accused products. ECF No. 127-1 at 8:10-11.

21 Rembrandt explained that it can not *know* with certainty that the products, inserts,
22 and instructions are the same without reviewing them, and is concerned that Innovacon
23 gets to unilaterally select representative samples. Rembrandt also argued that while some
24 of the cups, inserts and instructions may be the same, what was said to regulatory
25 agencies may have differed. Rembrandt understands that Innovacon’s parent, Alere, Inc.
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28 ² SKU stands for “Stock Keeping Unit” and is identified with individual bar codes.

1 (“Alere”), purchased companies and brought products in-house as result of those
2 acquisitions and mergers. Rembrandt contends information that may have been provided
3 to governmental and regulatory agencies may have included comparisons to other
4 products, and Rembrandt argues, makes the licenses and regulatory certifications relevant
5 to infringement. Innovacon challenges this assessment, and submits that the “regulatory
6 licenses, approvals, or certifications” sought via Request for Production 27 do not reflect
7 what Innovacon said about the products, but is rather the government’s assessment.

8 The Court agrees with Innovacon. The production of duplicative and irrelevant
9 product samples, inserts, and instructions is disproportionate to the needs of the case and
10 unduly burdensome. Further, Rembrandt has not articulated the relevance of the
11 regulatory licenses, approvals and certifications to its infringement analysis sufficient to
12 justify production for each individual test cup and overcome the burdensome nature of
13 the request. Rembrandt’s motion to compel a further response to Interrogatory 1, and
14 further production in response to Request for Production numbers 1-3 and 27 is
15 **DENIED.**

16 **c. Issue 4: Reliance on Rule 33(d) without Identifying Products (Requests**
17 **for Production 12 and 14)**

18 In response to Interrogatory numbers 12 and 14, Innovacon relied on Federal Rule
19 of Civil Procedure 33(d), which permits a party to refer to its document production in lieu
20 of a response. Rembrandt objected to the responses as insufficient because no documents
21 or Bates ranges were identified in response to Interrogatory 12, and in response to
22 Interrogatory 14, the Bates ranges identified included only product labels and inserts.

23 The parties appear to have reached some agreement on this issue, at least in the
24 course of oral argument. Innovacon represented to the Court that at the time of its
25 response, review and production was not complete, but that Innovacon had agreed to
26 fully supplement its responses to identify Bates ranges as it produces additional
27 documents.

28 ///

1 Accordingly, the Court **DENIES WITHOUT PREJUDICE** Rembrandt's motion
2 to compel further responses to Interrogatories 12 and 14.

3 **d. Issue 5: Discovery Requests Directed to Verifying Sales Data (Requests**
4 **for Production 28-31, 39, 42-43)**

5 Rembrandt issued several requests for production (28-31, 39, and 42-43) that
6 sought broad categories of "contracts regarding the manufacture and sale of test cups"
7 including volume, market share, and revenue. ECF No. 127 at 12; *see also* ECF No. 130-
8 1 at 92-101, 125-129, 134-141. Innovacon objected to these requests as overbroad and
9 burdensome, as well as irrelevant and disproportionate to the claims at issue.

10 In the Joint Motion and at oral argument, Innovacon argued that the requested
11 contracts between Innovacon and its affiliates will not verify the sales data it provided.
12 Innovacon already produced sales data from its financial data base on a product-by-
13 product basis for the calculation of damages per the agreement. It contends that a
14 deposition of an appropriate witness as to how that data was collected is a more efficient
15 and focused discovery vehicle.

16 Rembrandt countered that the financial information was provided without any
17 information to back up Innovacon's figures, and without "back up" information,
18 Rembrandt has no basis to challenge or cross examine a deponent. Rembrandt argues
19 that contracts such as merger agreements between companies include a purchase price
20 based on revenue and so "baked in" to the purchase price is an indication of units sold.
21 Rembrandt also asserts that agreements may be relevant to alter ego allegations.

22 In response, Innovacon pointed out that most contracts within the scope of
23 Rembrandt's requests are outside the relevant time period, and thus still unable to verify
24 any sales within the relevant time period. Additionally, Innovacon argues it provided
25 information for all its affiliates, rendering alter ego discovery moot.

26 The Court is not persuaded by Rembrandt's argument that the contracts it seeks in
27 the categories identified will verify the sales data provided. [REDACTED]
28 [REDACTED]

1 [REDACTED]
2 [REDACTED] Additionally, the Court finds no alter ego
3 allegations in the operative complaint. Rembrandt's motion to compel further production
4 in response to Request for Production numbers 28-31, 39, and 42-43 is **DENIED**.

5 **e. Issue 6: Requests re: Indicia of Nonobviousness (Interrogatory 6,**
6 **Requests for Production 10 and 35)**

7 Rembrandt asserts that Interrogatory 6 and Requests for Production numbers 10
8 and 35 seek evidence relevant to indicia of nonobviousness, and thus to Rembrandt's
9 defenses to invalidity contentions. Interrogatory 6 seeks information regarding
10 Innovacon and its affiliates' first awareness of the patents, Request 10 seeks all
11 documents and things related to "knowledge of the Asserted Patents prior to filing this
12 action," and Request 35 seeks all documents relating to "any comparison of Your test
13 cups to any other product." ECF No. 127-1 at 6-10, 52-54, 112-115.

14 Innovacon does not dispute that evidence relating to nonobviousness will be
15 admissible, but responds that the requests are again disproportionate to the needs of the
16 case. Innovacon argues that dates of first awareness (Interrogatory 6 and RFP 10) are
17 disproportionate because there is no dispute regarding knowledge of the patent given the
18 2004 Patent License Agreement. Similarly, Innovacon contends that Request 35 which
19 seeks "[a]ll documents referring to or relating to any comparison of Your test cup to any
20 other products," is disproportionate as there are no allegations of third party infringement
21 and no indication that comparison to third party products will provide evidence of
22 secondary considerations.

23 At oral argument, Rembrandt articulated that comparison information would
24 provide an "objective measure of how Innovacon characterizes its own products," and
25 comparisons to successful products equate to industry praise. As to awareness,
26 Rembrandt argues because affiliates other than Innovacon may have designed certain
27 products, the dates those companies gained awareness of the patent may be relevant.
28

1 Innovacon countered that the dates of awareness remain irrelevant due to the
2 operation of the 2004 Patent License Agreement. Innovacon contends the product
3 design and structure can be found within the design files, which Innovacon already
4 agreed to produce.

5 The Court finds that the Interrogatory 6 and RFP 10 regarding first awareness are
6 not proportional to the needs of the case. This case is primarily a breach of contract
7 action governed by the 2004 Patent License Agreement. Extensive interrogatories and
8 document production related to first awareness of products that are admittedly covered by
9 the scope of the License Agreement are unnecessary and disproportionate.

10 As to Request No. 35, the Court agrees the request is overbroad and
11 disproportionate by including “any other products.” Rembrandt does not limit, qualify,
12 or specify what it is seeking and did not provide adequate explanation of how such
13 information might be relevant to secondary considerations sufficient to overcome the
14 burdensome nature of the request.

15 Rembrandt’s motion to compel further response to Interrogatory 6 and further
16 production in response to Requests for Production 10 and 35 is **DENIED**.

17 **f. Issue 8: Requests re Information Provided to Abbott Laboratories**
18 **(Requests for Production 59-62)**

19 Innovacon is a subsidiary of Alere. Abbott Labs recently announced its intention
20 to acquire Alere. Requests for Production Nos. 59-62 seek documents provided to or
21 exchanged with Abbott Labs regarding the test cup business. ECF No. 127-1 at 173-180.
22 Rembrandt contends this information was likely part of the due diligence leading to the
23 Alere acquisition and such materials “bear on damages and the accuracy and
24 completeness of the sales figures Innovacon provided Rembrandt. Innovacon objected to
25 the requests as disproportionate, overbroad, and irrelevant to any claims and defenses
26 asserted in the case. *Id.*

27 At oral argument, Innovacon explained that information given to Abbott Labs was
28 not provided on a product level, or even at the level that would be limited to test cups.

1 Test cups are one component of “rapids,” a subset of “reagents,” which is in turn a subset
2 of the toxicology business. In short, these documents would not yield evidence relevant
3 to damages. Rembrandt argues that from the larger picture of “toxicology” or “reagents”
4 or “rapids” it might be able to “glean” information regarding the subsets of products to
5 piece together a larger picture, which would be relevant to its damages analysis.

6 The Court is satisfied that Innovacon has produced evidence of actual revenue and
7 unit sales figures for the accused test cups. And, it has agreed to produce market share
8 information. Nothing further is required. Rembrandt’s motion to compel further
9 production in response to Request for Production numbers 59-62 is **DENIED**.

10 **g. Issue 9: Email Production (Requests for Email Nos. 9 and 10)**

11 Plaintiff issued requests for production of emails from 2 custodians, Scott Tallie
12 and Anne Becknell, who Defendant identified as knowledgeable regarding the
13 marketing/sales and design/use of the test cups. ECF No. 127 at 19. Defendant
14 responded with objections to these email requests as overbroad and disproportionate, and
15 that the search terms provided were not likely to yield responsive or proportional
16 information.

17 At oral argument, counsel for Innovacon further explained that the design and
18 marketing information for which these individuals were identified as knowledgeable is
19 being produced in other, more appropriate and less costly forms, for example, Innovacon
20 has already agreed to produce the design files, rendering emails on design duplicative. In
21 addition, Innovacon represented to the Court that these two custodians have over one
22 million emails constituting approximately 300 gigabytes of data that would need to be
23 exported, searched, and reviewed at great cost (likely upwards of \$30,000). This cost is
24 particularly problematic to the Court in light of Innovacon’s explanation that the search
25 terms provided (Syntron; Tydings; Assurance and Biotech; 6,548,019; 019; and
26 QuikScreen) are not likely to yield marketing or development information for which
27 these custodians were identified as knowledgeable.
28

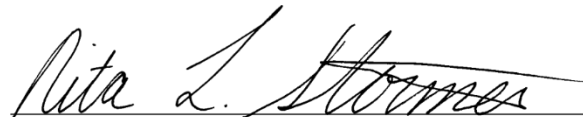
1 The Court is persuaded by Innovacon's argument that the emails sought are
2 disproportionate, and any information Rembrandt seeks from these custodians could be
3 obtained in deposition. *See In re JDS Uniphase Corp. Securities Litig.*, C-02-1486 CW
4 (EDL), 2005 WL 6296194, at *2 (N.D. Cal. Sept. 23, 2005) (This is the type of
5 information [the moving party] can better seek through deposition, rather than through a
6 document request. If a deposition reveals a more specific, narrow document or set of
7 documents that are relevant, [the moving party] can request them."). Rembrandt's
8 motion to compel further production in response to Request for Emails numbers 9 and 10
9 is **DENIED**.

10 **IV. CONCLUSION**

11 For the foregoing reasons, the Court **DENIES** Rembrandt's motion to compel
12 consistent with the terms as set forth in this Order.

13 **IT IS SO ORDERED.**

14 Dated: October 3, 2017



Hon. Nita L. Stormes
United States Magistrate Judge