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8 UNITED STATES DISTRICT COURT
9 SOUTHERN DISTRICT OF CALIFORNIA

10
11 JERGENS, INC.,

12 Plaintiff,

13 v.

14 5TH AXIS, INC., CHRISTOPHER TAYLOR,
15 STEPHEN GRANGETTO, and ADAM LANE,

16 Defendants.
17

Case No.: 20-cv-2377-CAB(BLM)

**ORDER DENYING DEFENDANT 5TH
AXIS, INC.'S MOTION TO COMPEL**

[ECF No. 43]

18
19 On June 4, 2021, Defendant 5th Axis, Inc. ("5th Axis") filed a motion to compel further
20 responses to its Request for Production of Documents No. 57 and Interrogatory No. 4 and for
21 monetary sanctions. [ECF No. 43 ("MTC")]. On June 11, 2021, Plaintiff Jergens, Inc. ("Plaintiff"
22 or "Jergens") filed its opposition to 5th Axis' motion. [ECF No. 45 ("Oppo")]. On June 21, 2021,
23 5th Axis filed a reply to Plaintiff's opposition. [ECF No. 50 ("Reply")]. On June 23, 2021, with
24 the Court's permission, Plaintiff filed a sur-reply. [ECF No. 51 ("Sur-reply")].

25 This discovery dispute focuses on a letter that Plaintiff received from its outside legal
26 counsel and then provided to Defendants Christopher Taylor, Stephen Grangetto, and 5th Axis
27 in August 2017. Specifically, attorney Gregory Vickers of Rankin, Hill & Clark LLP wrote a letter
28 to Darel Taylor at Jergens on August 24, 2017 in which he stated that the 5th Axis Pallet infringed

1 Jergens' '323 patent ("Rankin Letter"). ECF No. 45-5, Declaration of Jack H. Schron Opposing
2 Motion to Compel ("Schron Decl.") at 4, Exh. B. On or about August 29, 2017, Jergens'
3 employees provided the letter to 5th Axis employees during a meeting in San Diego. Id. at 4.
4 5th Axis contends the Rankin Letter was privileged, the privilege was waived by Plaintiff upon
5 delivery of the Rankin Letter to 5th Axis, and that the waiver extends to all post-disclosure
6 communications between the Rankin Firm and Plaintiff regarding the same subject matter. MTC
7 at 10-11, 17-24. Plaintiff disagrees and argues that the Rankin Letter was not privileged because
8 it "was prepared for the purpose of presenting it to 5th Axis as formal notice of its infringement
9 to initiate a settlement dialogue[]." Oppo at 6, 11-12. Plaintiff argues that even if it was
10 privileged, the disclosure and subsequent use does not justify a broad subject matter waiver.
11 Id. at 12-19. For the reasons set forth below, 5th Axis' motion is **DENIED**.

12 **DISCOVERY RELATED BACKGROUND**

13 On April 2, 2021, 5th Axis served its First Set of Interrogatories on Plaintiff. ECF No. 43-
14 1, Declaration of Robert M. Shore In Support of Motion to Compel ("Shore Decl.") at 2. On April
15 7, 2021, 5th Axis served its First Set of Requests for Production on Plaintiff. Id. Plaintiff objected
16 to 5th Axis' Interrogatory No. 4 as unduly burdensome, overly broad, and protected by attorney-
17 client privilege, or work-product doctrine. Id. at 84-85. Plaintiff objected to 5th Axis' Request
18 for Production of Documents No. 57 "to the extent it seeks communications or other documents
19 or information protected from disclosure by the attorney-client privilege, the work-product
20 immunity doctrine, the common-interest privilege, the joint-defense privilege, [and] the joint
21 lawyer doctrine." Id. at 134. Inferring that 5th Axis was seeking specific information in its
22 Request for Production of Documents No. 57, Plaintiff advised 5th Axis it was open to a meet
23 and confer on the matter. Id. Plaintiff did not provide a more substantive answer or produce
24 any documents. On May 26, 2021, counsel for Plaintiff, Mr. Jean-Paul Ciardullo, Mr. Jai Singh,
25 Ms. Tiffany Sung, and Ms. Ashley Koley, and counsel for 5th Axis, Mr. Robert M. Shore, and Mr.
26 Laith Mosely, contacted the Court regarding this discovery dispute. ECF No. 40. The Court
27 issued a briefing schedule and the parties timely filed their pleadings. Id.; see also MTC, Oppo.;
28 Reply; Sur-reply.

1 **LEGAL STANDARD**

2 The scope of discovery under Federal Rules of Civil Procedure ("Fed. R. Civ. P.") is defined
3 as follows:

4 Parties may obtain discovery regarding any nonprivileged matter that is relevant
5 to any party's claim or defense and proportional to the needs of the case,
6 considering the importance of the issues at stake in the action, the amount in
7 controversy, the parties' relative access to relevant information, the parties'
8 resources, the importance of the discovery in resolving the issues, and whether
9 the burden or expense of the proposed discovery outweighs its likely benefit.
Information within this scope of discovery need not be admissible in evidence to
be discoverable.

10 Fed. R. Civ. P. 26(b)(1). District courts have broad discretion to determine relevancy for
11 discovery purposes. See Hallett v. Morgan, 296 F.3d 732, 751 (9th Cir. 2002); see also Survivor
12 Media v. Survivor Prods., 406 F.3d 625, 635 (9th Cir. 2005) (same); U.S. Fidelity and Guar. Co.
13 v. Lee Investments L.L.C., 641 F.3d 1126, 1136 (9th Cir. 2011) ("District courts have wide
14 latitude in controlling discovery, and [their] rulings will not be overturned in the absence of a
15 clear abuse of discretion.") (internal quotation and citations omitted). District courts also have
16 broad discretion to limit discovery to prevent its abuse. See Fed. R. Civ. P. 26(b)(2) (instructing
17 that courts must limit discovery where the party seeking the discovery "has had ample
18 opportunity to obtain the information by discovery in the action" or where the proposed
19 discovery is "unreasonably cumulative or duplicative," "obtain[able] from some other source that
20 is more convenient, less burdensome or less expensive," or where it "is outside the scope
21 permitted by Rule 26(b)(1)").

22 "The attorney-client privilege protects confidential communications between attorney and
23 client, which are made for the purpose of giving legal advice." United States v. Sanmina Corp.
24 & Subsidiaries, 968 F.3d 1107, 1116 (9th Cir. 2020); see also United States v. Richey, 632 F.3d
25 559, 566 (9th Cir. 2011). The Ninth Circuit has established an eight-part test for applicability of
26 the attorney-client privilege: "(1) Where legal advice of any kind is sought (2) from a professional
27 legal advisor in his capacity as such, (3) the communications relating to that purpose, (4) made
28 in confidence (5) by the client, (6) are at his instance permanently protected (7) from disclosure

1 by himself or by the legal adviser, (8) unless the protection is waived.” Id.; see also United
2 States v. Ruehle, 583 F.3d 600, 607 (9th Cir. 2009).

3 “[A] party asserting the attorney-client privilege has the burden of establishing the
4 [existence of an attorney-client] relationship and the privileged nature of the communication.”
5 United States v. Graf, 610 F.3d 1148, 1156 (9th Cir. 2010) (citing United States v. Reuhle, 583
6 F.3d 600, 608 (9th Cir. 2009) (citation omitted). “One of the essential elements of the attorney-
7 client privilege is the intent that the communication be kept confidential.” SPS Techs., LLC v.
8 Briles Aero., Inc., No. CV 18-9536 MWF (ASx), 2020 WL 3050777, at *4 (C.D. Cal. Feb. 18,
9 2020) (quoting Griffith v. Davis, 161 F.R.D. 687, 694 (C.D. Cal. 1995)). A client’s perspective
10 determines whether a communication is confidential within the meaning of attorney-client
11 privilege, so long as the client’s expectation of confidentiality is reasonable. SPS Tech., LLC, No.
12 CV 18-9536 MWF (ASx), 2020 WL 3050777, at *4.

13 **DISCUSSION**

14 The primary focus of this dispute is element four of the Ninth Circuit test: whether the
15 Rankin Letter was issued in confidence. Plaintiff argues that the Rankin Letter was never
16 intended to be confidential and was issued with the intention of delivering it to 5th Axis to
17 facilitate settlement discussions, avoid litigation, and repair the companies’ working relationship.
18 Oppo. at 6-9. To support its position, Plaintiff provides a declaration signed under the penalty
19 of perjury by its CEO and General Counsel, Jack H. Schron, Jr., who was involved in obtaining
20 and distributing the Rankin Letter. Schron Decl. Mr. Schron declares that the Rankin Letter was
21 not intended to be a privileged communication when it was created. Id. at 2. He explains that
22 Jergens believed that 5th Axis had designed and manufactured the RockLock pallet based upon
23 proprietary information Jergens had shared with 5th Axis during their previous working
24 relationship. Id. at 2-3; see also Oppo. at 7. Mr. Schron asked Mr. Vickers “to conduct an
25 infringement analysis of the RockLock with respect to [Jergens’] ‘323 patent.” Schron Decl. at
26 3. “Subsequent to Mr. Vickers conducting his analysis, [Mr. Schron] arranged for Mr. Vickers to
27 prepare a formal letter on his law firm’s letterhead stating his assessment of the infringement
28 for the sole purpose of presenting that letter to 5th Axis as part of a settlement dialogue to

1 reach a business solution resolution.” Id. Mr. Schron explains that he thought the infringement
2 opinion would have more credibility if it came from a patent lawyer, but he wanted it hand-
3 delivered to 5th Axis by Jergens’ employees as part of upcoming in-person discussions, so he
4 directed Mr. Vickers to address the letter to Jergens. Id. The Rankin Letter is dated August 24,
5 2017 and signed by Mr. Vickers on his law firm’s letterhead. Id., at Exh. B. Notably, the Letter
6 is not stamped “confidential” or “privileged”, does not contain the detailed analysis frequently
7 seen in confidential infringement analyses, and merely concludes in essentially one paragraph
8 that the 5th Axis product violates Jergens’ patent. Id. In further support of Plaintiff’s position,
9 Mr. Schron provides the talking points that he drafted on August 25, 2017 for use in the
10 upcoming meeting with 5th Axis. Id. at 3-4 and Exh. C. The talking points include statements
11 that the Rankin Letter will be presented to 5th Axis and used to facilitate settlement via a
12 licensing agreement. Id. Representatives from Jergens and 5th Axis met on August 29, 2017
13 and the talking points were emailed to 5th Axis on June 2, 2017. Id. at 4 and Exh. C.

14 5th Axis argues that the Rankin Letter was intended to be privileged because it was “from
15 [Plaintiff’s] counsel and addressed only to [Plaintiff]”. MTC at 10, 14; Reply at 4, 11. 5th Axis
16 further argues that Jergens’ position that the Rankin Letter was not intended to be privileged
17 when it was created is a new argument, concocted well after the fact to remedy the privilege
18 waiver. MTC at 16; Reply at 5. To support its argument, 5th Axis provides handwritten notes
19 created by one of Jergens’ employees and notes the failures of Jergens to respond to a
20 September 2017 letter from 5th Axis’ counsel indicating that disclosure of the Rankin Letter
21 waived the privilege and to raise the non-privileged issue during meet and confer efforts leading
22 up to the instant motion. MTC at 6, 15; Reply at 9; Shore Decl.” at 2, 5, Exhs. 2 and 3.

23 The handwritten notes, apparently dated in mid-August, 2017, were written by the former
24 General Manager of Jergens’ Tooling Division, and include an “Action” section that states (1)
25 “patent infringement must be understood” “Darel/Vicker = need legal opinion”, and (2) “strategy
26 needs to be discussed based on patent [opinion]”. Shore Decl. at 2; Sur-Reply at 4. Contrary
27 to 5th Axis’ argument, these notes do not indicate that the Rankin Letter was intended to be a
28 privileged communication. These notes merely indicate that Jergens needs to obtain a legal

1 opinion regarding whether 5th Axis' product infringes Jergens' patent and to develop a strategy
2 based on that legal opinion. In fact, as explained by Mr. Schron, Jergens obtained a legal opinion
3 from Mr. Vickers regarding the infringement *and* a separate opinion, the Rankin Letter, to be
4 given to 5th Axis and used during the business negotiations. Schron Decl. at 2-3. The notes
5 have no bearing on whether the Rankin Letter constitutes the desired legal opinion or merely a
6 document produced for business negotiations between companies.

7 On September 19, 2017, Mr. Shore, litigation counsel for 5th Axis, wrote Mr. Vickers
8 regarding the infringement allegations asserted by Jergens. Shore Decl. at Exh. 2. The three-
9 page letter initially states "We recognize that your firm does not appear to handle litigation and
10 that you may have drafted your letter anticipating that it would remain privileged. Nevertheless,
11 your client has waived privilege by voluntarily disclosing your letter to us." Id. at 1. The rest of
12 the letter addresses the merits of the dispute, sets forth 5th Axis' settlement and litigation
13 positions, asserts a preservation demand, and provides formal notice that the Mutual
14 Manufacturing Agreement will be terminated in six months. Id. at 1-3. Mr. Vickers did not
15 respond to this letter and in his next correspondence on September 10, 2018, did not mention
16 the privilege or waiver issue. Shore Decl. at Exh. 3.

17 With regard to the meet and confer discussions, Mr. Shore declares that throughout the
18 discussions, Jergens' counsel "did not represent that the Rankin Firm prepared the Rankin Letter
19 for the purpose of providing it to 5th Axis or any other third parties" and argues that this supports
20 5th Axis' position. Shore Decl. at 5. Jergens' litigation counsel, Jean-Paul Ciardullo, responds
21 that the original meet and confer discussions involved an exchange of relevant case authority
22 and a broader discussion of privileged documents relating to two patents. ECF No. 45-1
23 Declaration of Jean-Paul Ciardullo ("Ciardullo Decl.") at 2. Mr. Ciardullo explains that at the time
24 of the initial discussions, Jergens' litigation counsel had not fully understood the facts
25 surrounding the Rankin Letter, the August 29, 2017 meeting, and the disclosure of the Rankin
26 Letter. Id. Mr. Ciardullo states that shortly after the May 26th conference with the Court, "further
27 investigation" confirmed the relevant facts, and he immediately wrote a formal letter to 5th Axis'
28 counsel confirming Jergens' position. Id. at 2-3 and Exh. 2.

1 While Jergens' failures to rebut Mr. Shore's statement that the Rankin Letter was
2 privileged and to assert in the beginning of the meet and confer efforts that the Rankin Letter
3 was not privileged provide some support to 5th Axis' argument, an analysis of the circumstances
4 surrounding the creation and distribution of the Rankin Letter do not support a finding that the
5 Rankin Letter was intended to be protected by attorney-client privilege. The applicability of the
6 attorney-client privilege requires that the communication be made in confidence, which focuses
7 on the *client's intent* that the communication be kept confidential. SPS Tech., LLC, No. CV 18-
8 9536 MWF (ASx), 2020 WL 3050777, at *4. Here, Plaintiff's intent is established by Mr. Schron's
9 declaration and supporting talking points. The Court finds particularly persuasive the statement
10 by Mr. Schron that the Rankin Letter was not intended to be confidential and was intended to
11 be given to 5th Axis and the following supportive facts: 1) the talking points confirmed Mr.
12 Schron's intent, 2) two infringement opinion documents were prepared by Mr. Vickers in
13 essentially the same time period, 3) the Rankin Letter was not marked confidential and only
14 contains a short conclusory statement of infringement, and 4) the Rankin Letter (and talking
15 points) were provided to 5th Axis within days after their creation during an in-person meeting
16 between representatives of the two companies. The failures noted by 5th Axis do not undermine
17 this conclusion. The Court finds that Jergens has satisfied its burden of establishing that the
18 Rankin Letter was not intended to be confidential and that, therefore, the attorney-client
19 privilege never attached to the Rankin Letter. Defendant 5th Axis' motion to compel is **DENIED**.

20 **SANCTIONS**

21 If a motion to compel discovery is denied, the Court "must, after giving an opportunity
22 to be heard, require the movant, the attorney filing the motion, or both to pay the party or
23 deponent who opposed the motion its reasonable expenses incurred in opposing the motion,
24 including attorney's fees" unless "the motion was substantially justified or other circumstances
25 make an award of expenses unjust." Fed. R. Civ. P. 37(a)(5)(B). See Brown v. Hain Celestial
26 Group, Inc., 2013 WL 5800566, *5 (N.D. Cal. Oct. 28, 2013) ("[t]he party that loses the motion
27 to compel bears the affirmative burden of demonstrating that its position was substantially
28 justified") (internal citations omitted). "Discovery conduct is substantially justified if it is a

1 response to a genuine dispute or if reasonable people could differ as to the appropriateness of
2 the contested action." Izzo v. Wal-Mart Stores, Inc., 2016 WL 409694, at *7 (D. Nev. Feb. 2,
3 2016) (citing Pierce v. Underwood, 487 U.S. 552, 565 (1988)).

4 Defendant 5th Axis requests "this Court for an order imposing monetary sanctions in an
5 amount presently estimated to be \$5000.00 pursuant to Rule 37(a)(5) of the Federal Rules of
6 Civil Procedure and Civil Local Rule 83.1 against [Plaintiff] (but not its counsel) for the reasonable
7 attorneys' fees incurred by 5th Axis in responding to [Plaintiff's] factually meritless argument
8 that the [] Letter was never intended to be privileged." MTC at 6; see also Reply at 17-18.
9 Because the Court denied the motion to compel, Defendant 5th Axis' motion for attorneys' fees
10 is **DENIED**.

11 While Jergens does not specifically request attorneys' fees, it does assert that "5th Axis
12 has it backwards about which party deserves sanctions." Oppo. at 16. Although Jergens is the
13 prevailing party, the Court declines to award attorneys' fees because the dispute was
14 "substantially justified."

15 **IT IS SO ORDERED.**

16
17 Dated: 7/16/2021


18 Hon. Barbara L. Major
19 United States Magistrate Judge