

**UNITED STATES DISTRICT COURT
DISTRICT OF CONNECTICUT**

MERCEXCHANGE, L.L.C.,

Plaintiff,

v.

eBAY INC. AND HALF.COM, INC.,

Defendants.

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) Case No. 2:01-CV-736
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) (Pending the United States
) District Court for the Eastern
) District of Virginia)
)
) February 2, 2007
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**DEFENDANTS eBAY INC.'S AND HALF.COM, INC.'S MEMORANDUM IN SUPPORT OF THEIR
MOTION TO COMPEL KENNETH NAHAN TO COMPLY WITH A SUBPOENA DUCES TECUM**

I. INTRODUCTION

Pursuant to Federal Rule of Civil Procedure 45 (“rule 45”), defendants eBay Inc. and Half.com, Inc. (together, “eBay”) hereby move to compel third party Kenneth Nahan to comply with the subpoena *duces tecum* issued on January 12, 2007. In view of the brief discovery period permitted by the United States District Court for the Eastern District of Virginia (the “EDVA Court”), eBay requests that the Court expedite its decision instead of allowing the usual 21-day period for opposition filing to run and issue an order compelling Mr. Nahan to produce all responsive documents on an expedited basis.

More specifically, this case is on remand following a trial and appeals in the Court of Appeals for the Federal Circuit and the United States Supreme Court, and the EDVA Court has permitted the parties to take additional discovery—during a very limited time period—to update the record. In its order dated December 18, 2006, the EDVA Court permitted documentary discovery requests to be served by January 12, 2007, with objections and responses due by February 2, 2007. *See MercExchange, L.L.C. v. eBay Inc.*, 2006 U.S. Dist. LEXIS 91059 at *29-

ORAL ARGUMENT REQUESTED.

30 (E.D. Va. Dec. 18, 2006) (the “Discovery Order”) (attached as Exh. 1 to Declaration of David R. Schaefer (“Schaefer Decl.”)). Each party then may take up to five depositions to be concluded by March 2, 2007. *Id.* Pursuant to the Discovery Order, eBay served document requests on Mr. Nahan on January 12, 2007, requesting production by January 24, 2007. Schaefer Decl. Exh. 2.

Despite the fact that Mr. Nahan is represented by counsel for plaintiffs in this action and is fully aware of these discovery time constraints, he has neither produced nor agreed to produce a single document in response to eBay’s subpoena *duces tecum*. In addition, eBay has been attempting to meet and confer with Mr. Nahan’s counsel to discuss his objections and failure to respond since January 26, 2007, but Mr. Nahan’s counsel has not yet agreed to do so. Schaefer Decl. Exh. 3. As the close of discovery looms, eBay respectfully asks this Court to put an end to Mr. Nahan’s delay tactics by ordering production of all non-privileged, responsive documents and a privilege log no later than February 9, 2007.

II. BACKGROUND

A. The Instant Case

This case began in September 2001, when MercExchange sued eBay for infringement of three of its patents, U.S. Patent 5,845,265 (“the ‘265 patent”), U.S. Patent 6,085,176 (“the ‘176 patent”), and U.S. Patent 6,202,051 (“the ‘051 patent”), in the EDVA Court. Since then, the case has been tried and appealed all the way to the Supreme Court and is now back on remand to the EDVA Court. Aspects of the proceedings relevant to the present motion are summarized below.

Following a jury verdict of infringement in May 2003,¹ the EDVA Court denied MercExchange’s request for a permanent injunction based on the traditional, four-factor test for

¹ Specifically, the jury found the ‘265 and ‘176 patents valid and infringed by eBay. Prior to trial, the EDVA Court had granted eBay’s motion for summary judgment of invalidity as to the ‘051 patent. The United States Court of Appeals for the Federal Circuit later held that the ‘176 patent was invalid as a matter of law and that a triable issue of fact exists as to the validity of the ‘051 patent. *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1335, 1337 (Fed. Cir. 2005).

equitable relief. *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 715 (E.D. Va. 2003). The Supreme Court ultimately reviewed the permanent injunction ruling, clarified the standard governing the granting or denial of equitable relief in patent cases, and remanded the case for the EDVA Court to reconsider the permanent injunction issue consistent with the clarified standard. *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837 (2006).

Concurrently with the appeals, in March 2004, eBay asked the United States Patent and Trademark Office (“the Patent Office”) to reexamine the validity of the ‘265, ‘176, and ‘051 patents. By June 2004, the Patent Office had granted eBay’s reexamination requests, finding substantial questions of patentability as to all three patents. Since that time, the Patent Office has issued numerous rejections against these patents and has not confirmed the validity of any of them.

On remand, the EDVA Court has decided to address two issues before all others: 1) whether to grant or once again deny MercExchange’s renewed motion for a permanent injunction; and 2) whether to grant or deny eBay’s motion to stay the case pending the outcome of the reexaminations. *MercExchange, L.L.C.*, 2006 U.S. Dist. LEXIS 91059 at *4 (Schaefer Decl. Exh. 1). During briefing, both parties submitted new evidence, which led the Eastern District of Virginia to reopen discovery—for a limited time period as discussed above—so that both parties could investigate recent factual developments relevant to the two motions. *Id.* at *29-30.

B. Specific Relevancy of Mr. Nahan’s Evidence

In the Discovery Order, the EDVA Court expressly permitted discovery into certain invalidity evidence allegedly developed by Mr. Nahan and relied upon by eBay at trial, because the evidence relates (albeit tangentially) to eBay’s motion to stay. *Id.* *33-39. Among other evidence, at trial, eBay relied upon U.S. Patent 5,664,111, which is owned by Mr. Nahan (the “Nahan patent”), as evidence that MercExchange’s ‘265 patent was invalid. Prior to trial, eBay discussed with Mr. Nahan additional evidence pertaining to the Nahan patent, including a related video known as the “Newman Video,” which eBay also submitted during trial. Following the

trial, at the request of MercExchange, Mr. Nahan signed a declaration in which he represents—falsely according to affidavits of other witnesses in Mr. Nahan’s company²—that the Newman Video was confidential. In signing this false declaration, Mr. Nahan voluntarily opened himself up to discovery from eBay. MercExchange now relies on Mr. Nahan’s declaration in its brief opposing eBay’s Motion for Stay, arguing that eBay should not be entitled to a favorable stay ruling in equity because it improperly relied on the purportedly “confidential” Newman Video as prior art. *Id.* at *33. eBay denies MercExchange’s accusations of impropriety and contends (based in part on the affidavits referenced above) that it properly relied upon the Newman Video as non-confidential, proper prior art at trial.

As the EDVA Court recognized in permitting discovery concerning Mr. Nahan’s declaration, the Newman video and surrounding circumstances, eBay is entitled to seek discovery from Mr. Nahan to further rebut his false statements. *See Id.* at *38-39.

C. eBay’s Document Requests

Pursuant to the Discovery Order, eBay served document requests upon Kenneth Nahan on January 12, 2007 and requested that Mr. Nahan produce the relevant documents on January 24, 2007. Schaefer Decl. Exh. 2. To date, Mr. Nahan has not produced or agreed to produce a single document in response to eBay’s request for documents. Instead, eBay has received nothing but a letter dated January 19, 2007, from Hunton & Williams—counsel for plaintiff MercExchange—stating that the firm also represented Mr. Nahan in regard to eBay’s document requests, followed by formal objections on January 24, 2007. Schaefer Decl. Exhs. 4 and 5. In his objections—served on the deadline for Mr. Nahan to produce responsive documents—Mr. Nahan did not agree to produce responsive documents in response to any of the requests.

In response to Mr. Nahan’s objections, eBay’s counsel contacted Mr. Nahan’s counsel on January 26, 2007, in order to conduct or at least schedule a meet-and-confer to discuss Mr. Nahan’s objections and failure to respond to the subpoena. Schaefer Decl. Exh. 3. After waiting

² *See MercExchange, L.L.C. v. eBay Inc.*, 2006 U.S. Dist. LEXIS 91059 at *37 n.15.

nearly three weeks from the date of the document request in vain for a response, and in view of the limited time to obtain and review Mr. Nahan's documents for use in depositions before March 2, 2007, eBay gave Mr. Nahan's counsel notice of its intent to file the present motion to compel. Schaefer Decl. Exh. 6.

III. LEGAL STANDARD

"Parties may obtain discovery regarding any matter, not privileged, that is relevant to the claim or defense of any party . . ." Fed. R. Civ. P. 26(b)(1). Further, under rule 45, parties may serve document requests upon third parties in order to obtain this relevant information. Fed. R. Civ. P. 45. Here, the Discovery Order specifically authorizes discovery of Mr. Nahan. In the event that the third party objects to this discovery, "the party serving the subpoena may, upon notice to the person commanded to produce, move at any time for an order to compel the production." Fed. R. Civ. P. 45(c)(2)(B).

In reviewing a motion to compel discovery, the reviewing court should determine "[i]f the documents sought by the subpoena are 'relevant and are sought for good cause.'" *Bariteau v. Krane*, 206 F.R.D. 129, 130 (W.D. Ken. 2001) (citation omitted) (Schaefer Decl. Exh. 7); *see also Saylavee LLC v. Hockler*, 2005 U.S. Dist. LEXIS 39802 at *3 (D. Conn. June 14, 2005) (Schaefer Decl. Exh. 8). If they are, "then the subpoena should be enforced 'unless the documents are privileged or the subpoenas are unreasonable, oppressive, annoying, or embarrassing.'" *Bariteau*, 206 F.R.D. at 130 To this end, "a request for discovery would be considered relevant . . . if there was 'any possibility' that the information sought may be relevant to the subject matter to the action." *Garrett v. Sprint PCS*, 2002 U.S. Dist. LEXIS 1914 at *3 (D. Kan. Jan. 31, 2002) (citations omitted) (Schaefer Decl. Exh. 9); *see also Martin Mathys N.V. v. Maint. Repair Tech. Co.*, 2006 U.S. Dist. LEXIS 33403 (D. Conn. May 25 2006) (motion to compel third parties granted to the extent the parties have relevant documents). Schaefer Decl. Exh. 10. In the Second Circuit, "[t]his obviously broad rule is liberally construed." *Daval Steel Prods. v. M/V Fakredine*, 951 F.2d 1357, 1367 (2d Cir. 1991). "Thus . . . a request for discovery should be allowed unless it is clear that the information sought can have no possible bearing on

the claim or defense of any party.” *Garrett v. Sprint PCS*, 2002 U.S. Dist. LEXIS 1914 at *3 (Schaefer Decl. Exh. 9); *see also Kimbro v. I.C. Sys.*, 2002 U.S. Dist. LEXIS 14599, at *2 (D.Conn. Jul. 22, 2002) (citation omitted) (“Discovery is normally allowed into any matter that bears upon the issues or reasonably could lead to relevant information.”) (Schaefer Decl. Exh. 11).

IV. ARGUMENT

A. eBay’s Requests Are Proper, and Mr. Nahan’s Objections Cannot Justify His Complete Failure to Comply with the Subpoena.

eBay’s requests properly seek relevant, admissible evidence relating to: Mr. Nahan’s declaration (request 5); the Newman Video or non-confidentiality of its contents (requests 1, 2, 3, 7, 8, 9); and his relationship with MercExchange, on whose behalf he prepared the declaration, and his resulting bias (requests 4, 6). Schaefer Decl. Exh. 2. All of those topics fall squarely within the scope of discovery permitted by the Discovery Order. *See* Schaefer Decl. Exh. 1.

In his objections dated January 24, 2007, Mr. Nahan recites a number of general and specific objections in response to eBay’s document requests. Schaefer Decl. Exh. 5. Most of the objections are boilerplate, without specificity and apparently calculated to delay production. Indeed, particularly in view of EDVA Court’s express authorization to take discovery of Mr. Nahan, no combination of objections can justify Mr. Nahan’s failure to produce a single document or privilege log. Moreover, his refusal to meet and confer eliminates any opportunity to evaluate whether any particular objections are valid, but many appear to be unjustified.

For example, Mr. Nahan objects that many requests (*e.g.*, 4, 5, 7, 8 and 9) are not reasonably calculated to lead to the discovery of admissible evidence, either generally or within the scope of the Discovery Order. As explained above, however, all of eBay’s requests seek discovery of admissible evidence that relates directly to the pending motions. In sum, the discovery eBay seeks from Mr. Nahan is highly relevant to whether the Eastern District of Virginia will grant eBay a stay despite the false and misleading Nahan declaration. Moreover, Nahan has not articulated any specific, undue burden—nor can he. The bulk of his production

likely will come from any files he maintained concerning his limited contacts with counsel for the parties. Therefore, this objection should be afforded no weight. *See, e.g., Garrett v. Sprint PCS*, 2002 U.S. Dist. LEXIS 1914 at *3 (D. Kan. Jan. 31, 2002) (discovery is granted if there is “any possibility” that the information sought may be relevant to the claim or defense of any party.) (Schaefer Decl. Exh. 9).

Further, many of Mr. Nahan’s objections might have been resolved in the meet and confer that his counsel has thus far refused to schedule with eBay’s counsel. For example, objections that particular terms are “vague” or “overbroad” (*e.g.*, in response to requests 2, 3, and 8) could have been discussed and resolved had Mr. Nahan’s counsel agreed to do so. The same is true of his objections to producing documents that are not in his possession or are already in eBay’s possession, or documents that are beyond the reach of a reasonable search.

Additionally, Mr. Nahan’s objections to producing his confidential documents is not a proper basis to withhold documents—his counsel also represents MercExchange and has full knowledge of the protective order that protects discovered confidential information from unreasonable disclosure.³ Schaefer Decl. Exh. 12.

Mr. Nahan also objects by stating that eBay’s request number 1 is not limited to a time frame pertinent to the issues before the EDVA Court. However, while it is true that the EDVA Court limited discovery to the post-August 6, 2003 time period for nearly all issues, issues surrounding Mr. Nahan’s declaration were specifically excepted from that limitation on time frame. *Compare MercExchange, L.L.C. v. eBay Inc.*, 2006 U.S. Dist. LEXIS 91059 at *31 (E.D. Va. 2006) *with Id.* at *39. Thus, no documents should be withheld based on this objection.

Finally, Mr. Nahan objects to the requests on the basis of attorney-client privilege and the work product doctrine. However, Mr. Nahan cannot possibly argue that this objection applies to

³ However, given the fact that Mr. Nahan is represented by MercExchange’s trial counsel, he should be well aware of the protective order.

every relevant document in his possession, and regardless, he has failed to produce a privilege log specifically documenting his claims of privilege.

In sum, the EDVA Court has granted eBay the opportunity to fully investigate Mr. Nahan's allegations and prove them false. To do so, eBay must be able to obtain documents from Mr. Nahan in time to review them and use them in its depositions, which must conclude by March 2, 2007. This Court should compel Mr. Nahan's response to eBay's discovery requests because Mr. Nahan has not provided sufficient explanation for his failure to produce any documents.

B. Given the Brief Discovery Period, the Court Should Order Mr. Nahan to Produce His Documents on an Expedited Basis

Mr. Nahan's failure to comply with eBay's subpoena has prejudiced eBay in its efforts to prepare for depositions that must be completed within a month from now, and any continued delay may make that prejudice irreversible. *See MercExchange, L.L.C. v. eBay Inc.*, 2006 U.S. Dist. LEXIS 91059 at *29-30 (E.D. Va. Dec. 18, 2006) (Schaefer Decl. Exh. 1). Moreover, it appears that Mr. Nahan's delay tactics are the result of calculated gamesmanship. Given the shortened discovery period in this case, eBay asked that Mr. Nahan produce his documents on January 24, 2007. Schaefer Decl. Exh. 2. Instead of making a diligent effort to produce documents that were not subject to a legitimate objection, Mr. Nahan refused to produce any documents until his counsel (*i.e.*, MercExchange's counsel) could meet and confer with eBay's counsel.⁴ Schaefer Decl. Exh. 4. When eBay's counsel offered to meet and confer, however, counsel for Mr. Nahan and MercExchange ignored the offer. By refusing to produce until a meet and confer can be scheduled and then refusing to meet and confer, MercExchange's counsel has completely stalled eBay's discovery efforts.

⁴ MercExchange's counsel is also serving as counsel to three other third parties in connection with eBay's January 12, 2007 document requests. Schaefer Decl. Exhs. 13-15. MercExchange's counsel has similarly refused to produce any documents from these third parties until a meet and confer can be scheduled. Schaefer Decl. Exhs. 13-15.

eBay simply cannot wait any longer while counsel for Mr. Nahan and MercExchange ignore eBay's legitimate discovery requests. At this time, only a little over a month remains in the limited discovery period set by the Eastern District of Virginia. If the Court does not expedite its decision on this issue, this motion will be moot, as this discovery period will have ended by the time briefing on this issue is final. Given the shortened timeline for discovery on this issue, and Mr. Nahan's failure to cooperate in scheduling a meet and confer, eBay requests that the Court expedite its decision instead of allowing the usual 21-day period for opposition filing to run. *See* D. Conn. R. 7(a).

V. CONCLUSION

For the foregoing reasons, eBay Inc. and Half.com, Inc. respectfully request that this Court compel Mr. Nahan to comply with the subpoena *duces tecum* and expedite its decision on this issue.

Respectfully submitted,

s/David R. Schaefer

David R. Schaefer (ct 04334)
BRENNER, SALTZMAN & WALLMAN, LLP
271 Whitney Avenue
New Haven, CT 06507-1746
Tel: (203) 772-2600
Fax: (203) 562-2098
dschaefer@bswlaw.com

Jeffrey G. Randall
SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
525 University Ave.
Palo Alto, CA 94301
Tel. (650) 470-4500

Allan M. Soobert
SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
1440 New York Ave.
Washington, DC 20005
Tel. (202) 371-7000

Attorneys for eBay Inc. and Half.com, Inc.

CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing DEFENDANTS EBAY INC AND HALF.COM, INC'S MEMORANDUM IN SUPPORT OF THEIR MOTION TO COMPEL KENNETH NAHAN TO COMPLY WITH A SUBPOENA DUCES TECUM to be served this 2nd day of February, 2007 via overnight delivery on all counsel and pro se parties of record as follows:

Gregory N. Stillman, Esquire
Hunton & Williams
SunTrust Center #1000
Norfolk, VA 23510

Scott L. Robertson, Esquire
Hunton & Williams
1900 K Street, N.W.
Washington, DC 20006

Seth P. Waxman, Esquire
Wilmer, Cutler, Pickering, Hale and Dorr LLP
1875 Pennsylvania Avenue, N.W.
Washington, DC 20006

s/David R. Schaefer

David R. Schaefer (ct04334)