UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF CALIFORNIA

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| WARSAW ORTHOPEDIC, INC., Plaintiff, v. NUVASIVE, INC. , Defendant. | Case No.: 08-cv-1512-CAB (MDD) **ORDER ON JOINT MOTION FOR DETERMINATION OF DISCOVERY DISPUTE RE: DEFENDANT'S REQUEST FOR PRODUCTION NO. 18** **[ECF NO. 635]** |

Before the Court is the joint motion of the parties for determination of discovery dispute which was filed on July 29, 2015. (ECF No. 635). At issue is Defendant's Request for Production No. 18 requiring Plaintiff to produce all documents relating to the determination of the Internal Revenue Service that certain licensing and royalty agreements between Medtronic, a

company related to Plaintiff Warsaw, and its Puerto Rican subsidiary were not arms-length transactions.

Plaintiff opposes production primarily on grounds of relevance. First, the IRS determination is being actively litigated before the U. S. Tax Court. Second, and more importantly, the IRS determination refers to other patents in Medtronic's cardiac and neuro divisions, and not the patents-in-issue which are part of its spinal division. As discussed below, the Court is not convinced that the information sought is relevant and will deny Defendant's motion to compel as presented in the instant joint motion.

Legal Standard

The Federal Rules of Civil Procedure generally allow for broad discovery, authorizing parties to obtain discovery of "any nonprivileged matter that is relevant to any party's claim or defense . . . ." Fed. R. Civ. P. 26(b)(1). Also, "[f]or good cause, the court may order discovery of any matter relevant to the subject matter involved in the action." *Id.* Relevant information for discovery purposes includes any information "reasonably calculated to lead to the discovery of admissible evidence," and need not be admissible at trial to be discoverable. *Id.* District courts have broad discretion to determine relevancy for discovery purposes. *See Hallett v.*

*Morgan*, 296 F.3d 732, 751 (9th Cir. 2002). Similarly, district courts have broad discretion to limit discovery where the discovery sought is "unreasonably cumulative or duplicative, or can be obtained from some other source that is more convenient, less burdensome, or less expensive." Fed. R. Civ. P. 26(b)(2)(C). Limits also should be imposed where the burden or expense outweighs the likely benefits. *Id.*

A party may request the production of any document within the scope of Rule 26(b). Fed. R. Civ. P. 34(a). "For each item or category, the response must either state that inspection and related activities will be permitted as requested or state an objection to the request, including the reasons." *Id.* at 34(b)(2)(B). The responding party is responsible for all items in "the responding party's possession, custody, or control." *Id.* at 34(a)(1). Actual possession, custody or control is not required. Rather, "[a] party may be ordered to produce a document in the possession of a non-party entity if that party has a legal right to obtain the document or has control over the entity who is in possession of the document. *Soto v. City of Concord*, 162 F.R.D. 603, 620 (N.D. Cal. 1995).

Analysis

Plaintiff first asserts that this matter is not ripe because Plaintiff is

still investigating the basis for the IRS determination and has not decided what, if anything, it will produce. The Court finds the motion timely. The request was served on May 29, 2015. Plaintiff served its objections on June 29, 2015. The failure to reach an agreement regarding production within the next 30 days, under this Court's rules, rendered the dispute ripe for court action.

The Court is not writing to a clean slate. The posture of the case is that it has been remanded to the District Court for a new trial regarding damages. *See* ECF No. 621. Regarding the merits, Defendant asserts that Plaintiff has relied in the past and will rely again on licensing and royalty agreements with its related companies to inform a reasonable royalty determination in this case. Plaintiff contends that the decision by the IRS and the underlying documentation that its agreements with its affiliates regarding other technologies are not the product of arms-length transactions have no bearing on whether its agreements with its affiliates regarding the spinal technologies at issue here are the result of arms-length transactions.

In reversing and remanding this case for a new trial on the merits, the Federal Circuit expressly reserved to the District Court whether royalty

payments to Plaintiff by its affiliates are relevant in determining a reasonable royalty. *Id.* at 24 (using ECF numbering). On that very point, however, the Federal Circuit referred directly to the opinion of Judge Shapiro in *Medtronic Sofamor Danek USA, Inc. v. Globus Med., Inc.*, 637 F. Supp. 2d 290, 309 (E.D. Pa. 2009), that royalty rates between Warsaw, Medtronic and its related entities do not prove a royalty rate established by an arms-length transaction. *See* ECF 621 at 24 n.6.

Inasmuch as documentation related to royalty rates between Plaintiff and its related entities may not even be relevant on the issue of determining a reasonable royalty in the very technology at issue in this case, documents regarding royalty rates involving other technologies certainly cannot be relevant. Just to be clear, this Court is not deciding whether or not evidence of the royalty rate paid by Plaintiff's affiliates to Plaintiff on the technology involved in this case is relevant. This Court is deciding that evidence regarding the royalty rates paid by Plaintiff's affiliates to Plantiff on other technologies and evidence regarding the decision by the IRS that the rates paid on those technologies was not the product of arms-length negotiations is not relevant in this case.

## Conclusion

Defendant's motion to compel production, as presented in the instant joint motion for determination of discovery dispute is DENIED.

SO ORDERED.

Date: July 31, 2015

HON. MITCHELL D. DEMBIN
UNITED STATES MAGISTRATE JUDGE