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United States District Court
For the Northern District of California

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

BRANDYWINE COMMUNICATIONS
TECHNOLOGIES, LLC,

No. C 12-01669 WHA

Plaintiff,

v.

CISCO SYSTEMS, INC.,

**ORDER REGARDING INITIAL
RULE 26 DISCLOSURE
REQUIREMENTS FOR
DAMAGES IN PATENT ACTIONS**

Defendant.

INTRODUCTION

In this patent-infringement action, the issue now presented is the extent to which Rule 26(a) requires a patent plaintiff to disclose and specify damages at the outset of the litigation even though some of the necessary information lies with the accused infringer. This order holds that the patent plaintiff must nonetheless do the best it can on pain of preclusion, subject to supplementation as more information becomes available.

STATEMENT

Brandywine Communications Technologies, LLC, filed this action against Cisco Systems, Inc., alleging infringement of a patent. At the initial case management conference, the parties were given additional time to supplement their initial disclosures and were instructed to do so “on pain of preclusion, including full and faithful compliance with [Rule] 26(a)(1)(A)(iii)” (Dkt. No. 81).

1 In the present motion, Cisco remains unhappy about the uninformative nature of
2 plaintiff's damages disclosure under Rule 26(a). We are still in the early stages of the case.

3 **ANALYSIS**

4 As part of the mandatory and self-executing initial disclosure requirements,
5 Rule 26(a)(1)(A)(iii) states:

6 A party must, without awaiting a discovery request, provide to
7 the other parties a computation of each category of damages
8 claimed by the disclosing party — who must also make available
9 for inspection and copying as under Rule 34 the documents or
other evidentiary material, unless privileged or protected from
disclosure, on which each computation is based, including
materials bearing on the nature and extent of injuries suffered.

10 No controlling decision construes the rule in the patent-infringement context, so the
11 following is this district judge's best reading, based on nearly forty years of work on both sides
12 of the bench in our district courts, including many patent-infringement actions.

13 The systems sold by Cisco were available on the market and could have been studied,
14 if not reverse-engineered before suit. If Brandywine is now seeking damages in the form of
15 lost profits, it should now be in a position to state the extent of loss of its own sales of its own
16 products in an approximate dollar amount and state how that amount was calculated. To be more
17 specific, it should be able to identify each of its own products that compete (or have competed)
18 with the accused products and explain how sales of its own specified products have been
19 affected by the alleged infringement. This can and should be done even though discovery will
20 produce more precise sales records for the accused products that will allow later for more
21 accurate updates of estimates of lost profits. As the rule calls out, Brandywine should also now
22 be in a position to make available for inspection and copying the unprivileged documents and
23 other evidentiary materials on which it will rely for damages, save and except for those not yet
24 known to it despite the type of diligent pre-suit investigation required by Rule 11. The foregoing
25 relates to lost profits.

26 As for a reasonable royalty, as to each accused product, Brandywine should already
27 be in a position to state the claimed royalty rate and state the claimed royalty base, and then
28 multiply the two for a total, specifying the information by year. This can and should be done

1 now even though subsequent discovery may eventually warrant a modification of the calculation.
2 As above stated, the rule further requires that the patent plaintiff make available for inspection
3 and copying all unprivileged documents and other evidentiary material on which the
4 reasonable royalty computation is based, providing a log for those withheld on claim of
5 privilege. This must be done without waiting for a formal request. Although the rule does
6 not say so expressly, it is a reasonable view of the rule — and this order so holds — that the
7 computation must call out the particular materials relied on and identify them in some plausible
8 way so as to clarify the basis for the disclosed computations.

9 If a reasonable royalty is claimed, and if the patent plaintiff is going to rely on any of the
10 *Georgia Pacific* factors (as plaintiff here says it will), then the patent plaintiff must list each such
11 asserted *Georgia Pacific* factor and identify all evidence it rely on for that factor, save and only
12 except for such evidence as it could not be reasonably expected to possess (and does not possess)
13 at the outset of the litigation. For example, with respect to the first two *Georgia Pacific* factors,
14 a patent holder should already know the royalties it and/or its predecessors in interest have
15 already received for licensing its own patent in suit and it should already know at least some of
16 the license agreements it contends are comparable. On the other hand, to take a counterexample,
17 with respect to the factor “the opinion testimony of experts,” that item would usually remain
18 in the future and would usually not be listed in the initial disclosure (unless the patent plaintiff
19 perhaps intends to rely on previous testimony). The rule does not require a full exposition of the
20 type required at trial or in an expert report but it does expressly require an initial computation
21 and disclosure of the evidence that will be relied on to the full extent the patent plaintiff could
22 or should know of it in the exercise of the type of pre-suit diligence required by Rule 11.

23 If a patent plaintiff already knows of a particular license agreement and may rely on it as
24 a comparable for reasonable royalty purposes, then it should be so disclosed under Rule 26(a).
25 The patent plaintiff should not be allowed to hold back that information as an insurance strategy
26 until after it has studied the defendant’s license portfolio via discovery. That scenario would
27 allow the patent plaintiff to seize upon some rich agreement in the accused’s portfolio and to
28 construct an argument for its comparability while never revealing what it originally thought was

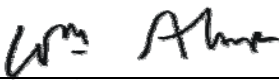
1 other side’s license portfolio, that is, the selection of the most lucrative (or least lucrative) of
 2 the other side’s licenses as most comparable (regardless of how inapt it really is). The Court
 3 would be open to considering a stipulation or unilateral motion to allow the portfolios to be
 4 produced in discovery with the dollar and percentages redacted. Then, the other side would
 5 have to designate the top two most comparable ones (in rank order) and then (and only then)
 6 the redacted material for those two would then be produced. This would reduce the problem
 7 of glare from large (or small) dollars and percentages interfering with clear vision as to
 8 comparability. The details would have to be worked out by stipulation or by motion.
 9 (Neither side’s *disclosed* agreements, of course, may be redacted unless allowed for other
 10 reason.)

CONCLUSION

11
 12 In the instant motion Cisco requests that this order preclude Brandywine’s claims
 13 for damages. At this point, that would be too drastic a remedy. Instead, Brandywine has
 14 **21 CALENDAR DAYS** to comply with this order and submit supplemental disclosures with regards
 15 to its damages contentions, making available within said period for inspection and copying the
 16 relied-on documents and other evidentiary materials. Cisco likewise has **21 CALENDAR DAYS** to
 17 conform its disclosures to this order’s requirements. Thereafter, preclusion may be in order.
 18 Except to the foregoing extent, the motion is **DENIED**.

IT IS SO ORDERED.

Dated: November 13, 2012.

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 23 _____
 24 WILLIAM ALSUP
 25 UNITED STATES DISTRICT JUDGE
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