
IN THE UNITED STATES DISTRICT COURT
DISTRICT OF UTAH

MODERN FONT APPLICATIONS LLC, a
Utah limited liability company,

Plaintiff,

v.

ALASKA AIRLINES INC., an Alaska
corporation,

Defendant.

**ORDER AFFIRMING
MAGISTRATE DECISION**

Case No. 2:19-cv-00561-DBB-CMR

District Judge David Barlow

Before the court is Plaintiff Modern Font Applications LLC's Objection to Magistrate's Order Regarding Discovery Motions¹ (Objection). Having reviewed the objection, the underlying motions, and the challenged decision, the court affirms the order.

BACKGROUND

Magistrate Judge Romero issued a Memorandum Decision and Order Re: Discovery Motions² (Order) ruling on four different discovery motions: Defendant's Motion to Compel Settlement Agreements,³ Defendant's Motions to Maintain Protective Order Designations,⁴ and

¹ Plaintiff's Objection to Magistrate's Order Regarding Discovery Motions (Objection), ECF No. 121, filed February 17, 2021.

² Memorandum Decision and Order Re: Discovery Motions (Order), ECF No. 120, filed February 3, 2021.

³ Defendant's Motion to Compel Settlement Agreements, ECF No. 63, filed July 17, 2020.

⁴ Defendant's Motion to Maintain Protective Order Designations, ECF No. 52, filed April 22, 2020 and Defendant's Second Motion to Maintain Protective Order Designations, ECF No. 84, filed September 14, 2020.

Plaintiff's Short Form Discovery Motion #4 to Amend the Standard Protective Order.⁵ On October 19, 2020, Judge Romero heard oral argument on these four discovery motions, took the matters under advisement, and ordered supplemental briefing on the motions.⁶ Following completion of the briefing, Judge Romero considered the parties' arguments, the relevant filings, and the legal authority.⁷ Judge Romero granted in part and denied in part Defendant's Motion to Compel Settlement Agreements.⁸ She granted Defendant's Motions to Maintain Protective Order Designations.⁹ She denied Plaintiff's Motion to Amend the Standard Protective Order.¹⁰ Plaintiff objects to the parts of Judge Romero's order that grant in part Defendant's Motion to Compel Settlement Agreements, grant Defendant's Motions to Maintain Protective Order, and deny Plaintiff's Motion to Amend the Standard Protective Order.¹¹

STANDARD

District courts modify or set aside a Magistrate Judge's non-dispositive order only if it is contrary to law or clearly erroneous.¹² An order is clearly erroneous when the reviewing court,

⁵ Plaintiff's Short Form Discovery Motion #4 to Amend the Standard Protective Order, ECF No. 87, filed September 15, 2020.

⁶ Minute Entry, ECF No. 103, filed October 19, 2020.

⁷ Order at 1.

⁸ *Id.* at 13.

⁹ *Id.*

¹⁰ *Id.*

¹¹ Objection at 2.

¹² Fed. R. Civ. P. 72(a).

“on the entire evidence . . . is left with the definite and firm conviction that a mistake has been committed.”¹³

ANALYSIS

A. Denial of Plaintiff’s Motion to Amend the Standard Protective Order

Plaintiff argues that Judge Romero erred in denying Plaintiff’s Motion to Amend the Standard Protective Order, which amendment would have given Plaintiff’s in-house counsel access to information designated as Attorney Eyes Only (AEO).¹⁴ Plaintiff contends that Judge Romero applied an incorrect legal standard that improperly shifted the burden to Plaintiff to demonstrate in-house counsel’s need to access AEO information.¹⁵ Plaintiff further contends that Judge Romero misapplied governing legal precedent about what constitutes a competitive decisionmaker.¹⁶

1. Burden Shift

Judge Romero found that it is Plaintiff’s burden, as the party seeking modification of the protective order to show “good cause” by way of showing “reasonable need” for the modification.¹⁷ Plaintiff takes issue with bearing the burden.¹⁸ However, Plaintiff has not directed this court to any case law supporting its contention that because “the Standard Protective Order is not negotiated and automatically denies in-house counsel access to certain confidential

¹³ *Easley v. Cromartie*, 532 U.S. 234, 242 (2001) (citing *United States v. U.S. Gypsum Co.*, 333 U.S. 364, 395 (1948)), see also *Somerlott v. Cherokee Nation Distributors, Inc.*, 686 F.3d 1144, 1148 (10th Cir. 2012) (citing *Rio Grande Silvery Minnow (Hybognathus amarus) v. Bureau of Reclamation*, 599 F.3d 1165, 1175 (10th Cir.2010)).

¹⁴ Objection at 3–6.

¹⁵ *Id.* at 4.

¹⁶ *Id.* at 3–5.

¹⁷ Order at 9 (quoting *Brigham Young Univ. v. Pfizer, Inc.*, 281 F.R.D. 507, 510 (D. Utah 2012)).

¹⁸ Objection at 5.

information without requiring [Defendant,] seeking to restrict access[,] to prove competitive harm,” the burden should not be imposed on Plaintiff.¹⁹ Thus, Plaintiff has not demonstrated that Judge Romero clearly erred in requiring Plaintiff to show good cause for modification of the protective order.

Judge Romero also found that “the fact that Plaintiff has competent outside counsel and could hire outside experts reduces the risk of prejudice to Plaintiff.”²⁰ She noted that “[e]ven if reliance on outside counsel and experts causes some financial hardship, the normal burdens of patent litigation are insufficient to outweigh the significant risk of inadvertent disclosure of confidential information in this case.”²¹ In its objection, Plaintiff fails to identify any information that Judge Romero did not explicitly address in her Order.²² Judge Romero noted Plaintiff’s claimed “financial hardship” and in-house counsel’s “specialized knowledge” and balanced the conflicting interests in this case accordingly.²³ After balancing the conflicting interests, she declined to modify the standard protective order.²⁴ Plaintiff has not demonstrated that this was contrary to law or clearly erroneous.

2. *Competitive Decisionmaking*

In making a decision about competitive decisionmaking, Judge Romero relied on *U.S. Steel Corp. v. United States*,²⁵ which is “the leading authority on protective orders distinguishing

¹⁹ *Id.*

²⁰ Order at 12.

²¹ *Id.*

²² See Objection at 5–6.

²³ Order at 12.

²⁴ *Id.*

²⁵ 730 F.2d 1465 (Fed. Cir. 1984).

between outside and in-house counsel.”²⁶ In *U.S. Steel*, the Federal Circuit determined that “[w]hether an unacceptable opportunity for inadvertent disclosure exists . . . must be determined . . . by the facts on a counsel-by-counsel basis, and cannot be determined solely by giving controlling weight to the classification of counsel as in-house rather than retained.”²⁷ The Federal Circuit noted that a key factor in identifying whether an unacceptable opportunity for inadvertent disclosure exists is whether “in-house counsel are involved in competitive decisionmaking.”²⁸ Competitive decisionmaking is defined as “counsel’s activities, association, and relationship with a client that are such as to involve counsel’s advice and participation in any or all of the client’s decisions (pricing, product design, etc.) made in light of similar or corresponding information about a competitor.”²⁹

Judge Romero found that “[t]hough Plaintiff is not a direct competitor to Defendant, . . . Plaintiff’s in-house counsel is nonetheless a competitive decisionmaker because of his licensing activities.”³⁰ She further found that “Plaintiff’s entire business model revolves around the licensing of patents through litigation with the assistance of its in-house counsel.”³¹ Judge Romero concluded that “[u]nder these circumstances, there would be a significant risk of inadvertent disclosure of confidential information if Plaintiff’s in-house counsel is allowed to access this information.”³²

²⁶ Order at 10–11 (quoting *Brown Bag Software v. Symantec Corp.*, 960 F.2d 1465, 1470 (9th Cir. 1992)).

²⁷ 730 F.2d at 1468.

²⁸ *Id.*

²⁹ *Id.* at 1468 n.3.

³⁰ Order at 11.

³¹ *Id.*

³² *Id.*

Plaintiff takes issue with the district court cases on which Judge Romero relied.³³ Plaintiff points to language in *In re Deutsche Trust Co. Americas*,³⁴ where the Federal Circuit discussed a magistrate judge's proper refusal to rely on a line of cases stemming from *Motorola Inc. v. Interdigital Technology Corp.*,³⁵ to the extent that they stood for the proposition that, by its nature, patent prosecution is a form of competitive decision making.³⁶ However, Judge Romero did not rely on the district court cases Plaintiff attempts to call into question for the proposition that patent prosecution is a form of competitive decisionmaking. Rather, she cited the cases for their relevance to in-house counsel's involvement in licensing making it a competitive decisionmaker.³⁷ Thus Plaintiff's argument about these cases is misplaced. Judge Romero's decision is not contrary to law nor is it clearly erroneous.

The court affirms Judge Romero's denial of Plaintiff's Motion to Amend Standard Protective Order.

B. Grant of Defendant's Motions to Maintain Protective Order Designations

Plaintiff argues that Judge Romero incorrectly granted Defendant's motions to maintain the protective order designations for documents categorized as for AEO.³⁸ Plaintiff contends that the legal standard requires document-by-document analysis of confidentiality designations³⁹ and

³³ Objection at 4–5.

³⁴ 605 F.3d 1373 (Fed. Cir. 2010).

³⁵ No. 93-cv488, 1994 WL 16189689 (D. Del. Dec. 19, 1994).

³⁶ *In re Deutsche*, 605 F.3d at 1381–82.

³⁷ Order at 10–11 (citing *Northbrook Digital, LLC v. Vendio Servs., Inc.*, 625 F. Supp 2d 728, 760 (D. Minn. 2008); *Intel Corp. v. VIA Techs., Inc.*, 198 F.R.D. 525, 530 (N.D. Cal. 2000); *ST Sales Tech Holdings, LLC v. Daimler Chrysler Co.*, No. 6:07-cv-346, 2008 WL 5634214, at *5 (E.D. Tex. Mar. 14, 2008)).

³⁸ Objection at 6.

³⁹ *Id.*

that Defendant did not meet its burden showing that AEO is the appropriate designation for the documents at issue.⁴⁰

Plaintiff presents minimal argument on this objection.⁴¹ And none of Plaintiff's argument demonstrates that Judge Romero made an error in applying the law or made a clearly erroneous decision. Indeed, Judge Romero's decision to deny Plaintiff's motion to amend the protective order and grant Defendant's motion to maintain protective order designations is well-reasoned and supported by case law.⁴²

Judge Romero recognized that source code "requires additional protections to prevent improper disclosure because it is often a company's most sensitive and most valuable property" and that "district courts regularly provide for additional restrictions on discovery to account for the unique characteristics of source code."⁴³ Judge Romero then determined that Defendant "adequately demonstrated that its source code contains both sensitive and valuable information that merits additional protections through an AEO designation."⁴⁴ She interpreted the "document-by-document" requirement to not require Defendant to explain why each line of code in its source code is confidential, rather, the legal authority "explains that source code is uniquely deserving of heightened protection when, as here, it contains sensitive and valuable proprietary information."⁴⁵ Judge Romero noted in the Order that "Plaintiff has not identified any authority

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² Order at 7–9.

⁴³ *Id.* at 8 (quoting *Drone Techs., Inc. v. Parrot S.A.*, 838 F.3d 1283, 1300 n.13 (Fed. Cir. 2016)).

⁴⁴ *Id.*

⁴⁵ *Id.* at 8–9.

demonstrating otherwise.”⁴⁶ Plaintiff still has not identified any authority demonstrating otherwise and so has not demonstrated that Judge Romero’s decision was contrary to the law or clearly erroneous.⁴⁷

The court affirms Judge Romero’s grant of Defendant’s motions to maintain the protective order designations.

C. Grant of Motion to Compel Settlement Agreements

Plaintiff argues that Judge Romero erred in failing to apply a common interest privilege to the agreements, and that she erred by not considering certain factors in determining that the settlement agreements are relevant for purposes of compelling Plaintiff to produce them.⁴⁸

1. Common Interest Privilege

“The protection of communications among clients and attorneys ‘allied in a common legal cause’ has long been recognized” and “has previously arisen in connection with patent rights.”⁴⁹ For patent cases, such as the one at issue here, “the Federal Circuit has required the entities exchanging the privileged material to have a substantially identical legal interest, as opposed to a solely commercial interest.”⁵⁰

Plaintiff has failed to show that it and the other parties had a substantially identical legal interest. Judge Romero was “not persuaded that an interest in implementing legal protections

⁴⁶ *Id.* at 9.

⁴⁷ *See* Objection at 6.

⁴⁸ *Id.* at 6–11.

⁴⁹ *In re Regents of Univ. of Cal.*, 101 F.3d 1386, 1389 (Fed. Cir. 1996).

⁵⁰ *High Point SARL v. Sprint Nextel Corp.*, No. 09-2269, 2012 WL 234024, at *7 (D. Kan. Jan. 25, 2012).

favorable to both parties in a settlement agreement to resolve active litigation is sufficient to warrant protection by the common interest privilege.”⁵¹ She concluded “that the common interest privilege is inapplicable in this case because Plaintiff and the third parties who entered the settlement agreements were adverse to each other in litigation and Plaintiff has failed to identify any authority supporting a substantially identical legal interest under these circumstances.”⁵²

Plaintiff contends that Judge Romero erroneously relied on a state exception rather than a federal exception to the common interest privilege. Plaintiff relies on *Magnum Foods, Inc. v. Continental Casualty Co.*,⁵³ which says, “The parties have a common interest in settling the lawsuit if they can do so for less than it would cost them if the case went to trial.”⁵⁴ But *Magnum* involved insurance coverage, and the quote pertained to an insurer’s duties, not privilege. Also, while *Magnum* is a Tenth Circuit case, as Plaintiff notes, it applies Oklahoma law. For these reasons, *Magnum* cannot be the basis on which to find Judge Romero’s decision contrary to law or clearly erroneous.

The court agrees with Judge Romero that Plaintiff has failed to meet the test demonstrating that the common interest privilege applies in this case. Accordingly, the court affirms Judge Romero’s decision that the common interest privilege does not protect the settlement agreements from production in discovery.

⁵¹ Order at 4.

⁵² *Id.*

⁵³ 36 F.3d 1491 (10th Cir 1994).

⁵⁴ Objection at 8 (quoting *Magnum*, 36 F.3d at 1508).

2. *Relevance*

“Relevancy is broadly construed at the discovery stage of the litigation and a request for discovery should be considered relevant if there is any possibility that the information sought may be relevant to a party’s claim or defense.”⁵⁵

Plaintiff argues that *Rude v. Westcott*⁵⁶ controls the relevance law related to the use of settlement agreements to determine patent value and takes issue with Judge Romero’s characterization of *Rude*’s analysis as dicta.⁵⁷ Plaintiff further argues that Judge Romero acted contrary to law by failing to take into account factors set forth in *Prism Technologies LLC v. Sprint Spectrum L.P.*⁵⁸ and *Elbit Systems Land and CAI Ltd. v. Hughes Network Systems.*⁵⁹

Judge Romero walks through the authority supporting her decision that the settlement agreements are relevant to determining reasonable royalties.⁶⁰ She concludes that the case law “make[s] clear that prior settlement and licensing agreements between Plaintiff and third parties relating to the Patent-in-Suit are relevant to the issue of determining a reasonabl[e] royalty in this case.”⁶¹ The court agrees with Judge Romero that the case law demonstrates that the settlement agreements can be relevant to determining reasonable royalties. *Rude* does not answer the question at hand about using settlement agreements to determine reasonable royalties because at

⁵⁵ *Dutcher v. Bold Films LP*, No. 2:15-cv-110, 2017 WL 1901418, at *1 (D. Utah May 8, 2017) (citation and internal quotation marks omitted).

⁵⁶ 130 U.S. 152 (1889).

⁵⁷ Objection at 9–10.

⁵⁸ 849 F.3d 1360 (Fed. Cir. 2017).

⁵⁹ 927 F.3d 1292 (Fed. Cir. 2019).

⁶⁰ Order at 4–6.

⁶¹ *Id.* at 5.

the time *Rude* was decided the concept of using reasonable royalties to determine damages had not achieved widespread acceptance and was subsequently judicially and legislatively approved.⁶²

Additionally, Plaintiff's argument about the *Elbit* and *Prism* factors is misplaced at this stage in the litigation. *Elbit* and *Prism* are both appeals of jury trials, so the question before the Federal Circuit was about the admissibility of evidence at trial, not whether the evidence should be produced in discovery.⁶³ The issue before Judge Romero was the relevancy of the settlement agreements for discovery purposes, not the admissibility of the settlement agreements at trial. Her decision that the settlement agreements are relevant is not contrary to law nor clearly erroneous. Thus the court affirms Judge Romero's decision that the settlement agreements are discoverable.

For the foregoing reasons, the court AFFIRMS the entirety of Judge Romero's order.

Signed March 2, 2021.

BY THE COURT:



David Barlow
United States District Judge

⁶² See *Prism*, 849 F.3d at 1372–73 (citing 35 U.S.C. § 284; *Dowagiac Mfg. Co. v. Minn. Moline Plow Co.*, 235 U.S. 641, 648–50 (1915)).

⁶³ *Elbit*, 927 F.3d at 1299; *Prism*, 849 F.3d at 1368.