IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF DELAWARE

Arendi Holding Ltd.,	:	
	:	
Plaintiff,	:	
	:	
v.	:	Civ. No. 09-119-JJF-LPS
	:	
Microsoft Corporation, et al.,	:	
	:	
Defendants.	:	

ORDER

At Wilmington this **4th** day of **November, 2009**,

IT IS HEREBY ORDERED:

Pending before the Court in this patent infringement action are several interrelated discovery and scheduling disputes. These disputes were the subject of letters dated October 19, 2009 (D.I. 89) and October 20, 2009 (D.I. 92), a teleconference with the Court on October 21, 2009 (D.I. 116), and a joint submission of the parties on October 30, 2009 (D.I. 112). Having reviewed all of the relevant materials, the Court rules as follows:

Provisional Damages

Plaintiff, Arendi Holding Ltd. ("Arendi"), claims it is entitled to "provisional damages," pursuant to 35 U.S.C. § 154(d), as a result of Microsoft Corporation's ("Microsoft") sale of infringing products on dates subsequent to Microsoft's actual knowledge of Arendi's published patent application. Arendi contends that Microsoft had such actual knowledge no later than January 7, 2003. Consequently, Arendi seeks discovery relating to the sale of accused Microsoft products for the period beginning on January 7, 2003 and extending through the present. (D.I.

116 at 12)

At the time the parties negotiated the Scheduling Order in this matter (D.I.. 22, D.I. 37), Microsoft did not know – and was not in a position in which it should have known – that Arendi would pursue a provisional damages theory. Hence, Microsoft – and co-defendant Dell, Inc. ("Dell" and, collectively with Microsoft, "Defendants") – reasonably believed that the time-frame covered by its discovery obligations would run only from the February 2009 issuance of the patent-in-suit. Arendi made it known to Defendants that it was pursuing a provisional damages theory only in June 2009. The addition of the provisional damages theory substantially increases the scope of relevant discovery and, therefore, the burden on Defendants to produce responsive documents and other discovery materials. (D.I. 116 at 21 (defense counsel asserting, "what that does is . . . it sweeps in an enormous number of products, an enormous amount of additional damages and discovery, and it completely changes what kind of case we're looking at"))

As the Court explained during the October 16, 2009 teleconference:

> . . . . I'm persuaded the fast-track schedule cannot be accommodated if provisional damages . . . are going to be part of this case.
>
> . . . . I'm going to leave the parties time . . . to meet and confer, and to determine whether you want to stick to the top priority being the trial date that's in place now or whether you want to have the expanded discovery that would be necessitated for a provisional damages case, in which case we'll have to go back to scheduling and determine what kind of schedule will be necessary.

(D.I. 116 at 44-45)

After the parties engaged in a further meet-and-confer, Arendi decided to pursue its provisional damages theory. (D.I. 112 at 1) Thus, this case is no longer amenable to the fast-

track schedule that was initially entered. The Court will enter a new scheduling order (which is further addressed below).

Source Code

Arendi has identified for Defendants the source code it believes to be relevant and not yet produced. (D.I. 112 at 2 & Ex. A) Microsoft represents that it is reviewing Arendi's request and "believes the parties will be able to reach an agreement on the production of source code." (D.I. 112 at 3) **No later than November 10, 2009**, the parties are to advise the Court, by joint letter not to exceed a total of five pages, if they have resolved their dispute over source code; if any dispute relating to source code remains, the parties shall in the joint letter outline their respective proposals for resolving it.

Microsoft's Protocol Licensing

Microsoft's patent license agreements, including protocol license agreements, are discoverable. Arendi's damages expert would review such agreements in connection with developing an opinion concerning an appropriate reasonable royalty. *See generally Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970), *aff'd* 446 F.2d 295 (2d Cir. 1971). It appears to be undisputed that the protocol license agreements Arendi seeks in discovery were recently ordered to be produced by Microsoft in another litigation. (D.I. 112 at 2, 5 & Ex. C) Microsoft does not contend that there would be an undue burden in producing them. Accordingly, Microsoft shall produce the requested protocol license agreements **no later than December 4, 2009**.

Other Patent License Agreements

Arendi seeks the production of other Microsoft license agreements, regardless of whether the technology being licensed has anything to do with the accused products and regardless of how large the portfolio that is the subject of the license. This request is overly broad. Microsoft has proposed producing patent license agreements, dated between 2003 and 2009, relating to software, that include five or fewer U.S. patents. Under the circumstances, this is a reasonable proposal. Accordingly, Microsoft shall, **no later than December 4, 2009**, produce (in addition to the protocol license agreements discussed in the previous section) the patent license agreements it has proposed to produce in the October 30, 2009 letter.

Willful Infringement

Arendi seeks leave to amend its complaint to add a claim for willful infringement against Microsoft. (D.I. 112 at 3 n.3) Arendi contends that the only reason it omitted a claim for willful infringement from its original complaint was that the parties agreed this case would proceed on a fast track (including trial in May 2010, less than 15 months from the initiation of the suit). Now that this case is being removed from a fast track, it is appropriate that Arendi have the opportunity to pursue its willful infringement claim. Arendi may file an amended complaint adding a claim for willful infringement against Microsoft **on or before November 25, 2009**.

Schedule

As indicated above, Arendi's decision to pursue provisional damages, with its consequent impact on discovery, necessitates a new schedule. Arendi proposes a seven-week extension of fact discovery (from November 20, 2009 to January 8, 2010) and retaining the trial date of May 2010 (or delaying trial to no later than July 2010). Defendants propose extending fact discovery

by more than four months (from November 20, 2009 to March 31, 2010) and postponing trial until December 2010.

The Court will adopt the schedule proposed by Defendants in the October 30 letter. (D.I. 112 at 4) Although the additional time provided by Defendants' proposal is more generous than is strictly necessary, Defendants' proposed schedule is more reasonable than Arendi's. Defendants' proposal also reflects that this case has not been bifurcated and provides sufficient time to allow for the additional discovery that will be necessitated by Arendi's new claim for willful infringement.

Another notable feature of Defendants' proposed schedule is an early opportunity for Defendants to test Arendi's provisional damages theory by means of filing a motion for summary judgment. (*Compare* D.I. 116 at 1, 4 *with* D.I. 116 at 36 (Arendi's counsel: "we're happy to deal with this on summary judgment or however Microsoft wants to raise it").)

The Court will hold a pre-trial conference on November 10, 2010 at 10:00 a.m. A 7-day jury trial will begin on December 6, 2010 at 9:30 a.m.

The parties shall submit a proposed scheduling order incorporating the Defendants' proposal and the other dates provided in this Order **no later than November 10, 2009**.

Delaware counsel are reminded of their obligations to inform out-of-state counsel of this Order. To avoid the imposition of sanctions, counsel shall advise the Court immediately of any problems regarding compliance with this Order.

United States Magistrate Judge