

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARE

ROBERT BOSCH LLC,

Plaintiff,

v.

ALBEREE PRODUCTS, INC., API KOREA CO.,  
LTD., SAVER AUTOMOTIVE PRODUCTS,  
INC., and COSTCO WHOLESALE  
CORPORATION

Defendants.

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COSTCO WHOLESALE CORPORATION,

Counter-Plaintiff,

v.

ROBERT BOSCH LLC and ROBERT BOSCH  
GMBH,

Counter-Defendants.

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**MEMORANDUM OPINION**

January 24, 2017

Wilmington, Delaware

Civil Action No. 12-574-LPS  
(CONSOLIDATED)  
**FILED UNDER SEAL**

  
STARK, U.S. District Judge:

Pending before the Court is Defendant Costco Wholesale Corporation's ("Costco") Motion to Dismiss Plaintiff's Complaint Pursuant to Federal Rule of Civil Procedure 37(b)(2). (D.I. 372) ("Motion") For the reasons below, the Court will deny Costco's Motion, but will require that Costco be reimbursed for its reasonable attorney's fees.

## **I. BACKGROUND**

This is a patent infringement lawsuit. Robert Bosch GmbH ("BGmbH") is the parent of Plaintiff Robert Bosch LLC ("BLLC"). (*See* D.I. 311 ¶ 4) BLLC sued various defendants in this Court, including Costco, for infringement of patents covering windshield wiper technology. (*See generally* D.I. 355 at 1-4 (Memorandum Opinion of March 17, 2016)) BGmbH is the former owner of the patents-in-suit and has a financial interest in the outcome of the litigation: both a direct financial interest, as it could obtain between [REDACTED] of any damages the suit generates, and indirectly, as BLLC's corporate parent. (D.I. 266 Ex. 12 at 2-3; D.I. 392, Transcript ("Tr.") at 40)

On December 2, 2015, Costco requested a teleconference regarding BLLC's alleged failure to comply with discovery obligations; specifically, BLLC's failure to produce BGmbH's "agreements with vehicle manufacturers concerning the supply of original equipment wiper systems and production of specifications relating to such systems." (D.I. 262 at 1) The parties submitted letter briefs on the discovery dispute and the Court heard argument during a teleconference on December 17, 2015. At the conclusion of the December 17 discovery call, the Court found (among other things) that the requested documents fell within the "broad scope of relevance which is governing here") (D.I. 277 at 23) and ordered BLLC to produce the disputed

documents, without regard to whether BLLC or BGmbH controlled the documents.

After providing the parties an opportunity to meet and confer on the details of implementing the Court's order, on December 22, 2015 the Court ordered that, "[o]n or before January 8, 2016, BLLC shall produce to counsel for Costco all agreements between BGmbH and OEMs [original equipment manufacturers] relating to wipers or wiper systems, the OEM specifications for wipers or wiper systems to be supplied, and related development documents, including meeting minutes and correspondence." (D.I. 274 at 2 ("December 22 Order"))

Notably, the form of the December 22 Order was prepared by the parties and BLLC did not object to its language. (D.I. 272)

BLLC admits that it did not comply with the December 22 Order and its January 8, 2016 deadline. (See D.I. 381 at 10-11) In partial defense, BLLC explains that it was "negotiating" the scope of discovery with Costco and the procurement of documents from BGmbH until at least January 15, 2016. (*Id.*) BLLC did not inform the Court of these negotiations until, on January 15, 2016, BLLC filed a Motion for Relief from the December 22 Order. (D.I. 284) In Costco's brief opposing BLLC's Motion for Relief, Costco cited evidence of BLLC's repeated failure to comply with discovery obligations. (See D.I. 315 at 1-8) The Court denied BLLC's Motion for Relief on April 11, 2016. (D.I. 368)

BLLC's stated reason for not timely producing the documents is that BGmbH, BLLC's parent, refused to search for and produce any documents when BLLC requested BGmbH to do so, even when BLLC's requests were backed by an order of the Court. (See D.I. 381 at 10) ("The sole reason that BLLC had not already produced the documents – when Costco first asked for them, and again . . . in December when Costco proposed to raise the issue by discovery letter to

the Court – was that BLLC did not have either physical or legal access to any of such documents. BLLC had asked for them repeatedly, and BGmbH had repeatedly rejected its requests, even when partial summary judgment against BLLC had been explicitly threatened as a consequence.”)

Also on January 15, 2016, BGmbH consented to this Court’s jurisdiction over it as a party to this case. (See D.I. 283) Previously, on September 30, 2015, Costco had filed an Answer to BLLC’s Second Amended Complaint and asserted a counterclaim against BLLC and BGmbH. (D.I. 244) In response, BGmbH had filed a motion to dismiss the claims against it due to lack of personal jurisdiction. (D.I. 263, 264)

On January 29, 2016, Costco submitted a letter requesting dismissal of BLLC’s complaint pursuant to Rule 37(b)(2) due to BLLC’s discovery misconduct. (D.I. 307 at 1) The Court heard argument on Costco’s request during a teleconference held on February 4, 2016. (See D.I. 349) At the conclusion of the teleconference, the Court stated that “Costco is entitled to some relief, possibly including dismissal of the entire case,” but stated that the parties would be permitted to be heard more fully before the Court would make a final decision regarding dismissal. (*Id.* at 25)

On March 14, 2016, Costco submitted a letter requesting (1) vacatur of “all existing unexpired deadlines in the current Scheduling Order” and (2) leave to submit full briefing in support of a motion to dismiss pursuant to Rule 37(b)(2). (D.I. 354) On March 17, 2016, the Court granted Costco’s requests and (1) stayed this case, vacating deadlines in the governing Scheduling Order, and (2) granted leave for Costco to file its Motion. (D.I. 356 ¶ 2; *see also* D.I. 355 at 14-16)

Costco filed its Motion on April 22, 2016. (D.I. 372) The parties completed briefing on

June 10, 2016. (D.I. 373, 381, 383) The Court heard oral argument on November 29, 2016.

(See Tr. at 1)

## II. LEGAL STANDARDS

Rule 37(b)(2) states, in pertinent part:

If a party or a party's officer, director, or managing agent – or a witness designated under Rule 30(b)(6) or 31(a)(4) – fails to obey an order to provide or permit discovery, including an order under Rule 26(f), 35, or 37(a), the court where the action is pending may issue further just orders. They may include the following: . . . dismissing the action or proceeding in whole or in part . . . . Instead of or in addition to the orders above, the court must order the disobedient party, the attorney advising that party, or both to pay the reasonable expenses, including attorney's fees, caused by the failure, unless the failure was substantially justified or other circumstances make an award of expenses unjust.

In *Poulis v. State Farm Fire & Casualty Co.*, 747 F.2d 863, 868 (3d Cir. 1984), the Third Circuit prescribed six factors that “a district court must consider before it dismisses a case” pursuant to Rule 37(b)(2). *Knoll v. City of Allentown*, 707 F.3d 406, 409 (3d Cir. 2013). The factors are:

(1) the extent of the party's personal responsibility; (2) the prejudice to the adversary caused by the failure to meet scheduling orders and respond to discovery; (3) a history of dilatoriness; (4) whether the conduct of the party or the attorney was willful or in bad faith; (5) the effectiveness of sanctions other than dismissal, which entails an analysis of alternative sanctions; and (6) the meritoriousness of the claim or defense.

*Poulis*, 747 F.2d at 868. “[D]ismissals with prejudice or defaults are drastic sanctions, termed ‘extreme’ by the Supreme Court . . . .” *Id.* at 867-68 (quoting *Nat'l Hockey League v. Metro. Hockey Club, Inc.*, 427 U.S. 639, 643 (1976)).

### III. DISCUSSION

As the parties focused their briefing on analysis of the *Poulis* factors, the Court will do so as well.

#### A. *Poulis* Factors

##### 1. BLLC's Responsibility

In its discovery letter submitted prior to the Court's December 17, 2015 discovery teleconference, Costco argued that BLLC had control over the disputed documents, citing an Administrative Law Judge's ("ALJ") decision in a case before the International Trade Commission in which BLLC had also claimed that it did not have control over documents in the possession of its parent. (D.I. 266 at 2-3) The ALJ's decision (D.I. 266 Ex. 13) analyzed the issue of control under the "alternate grounds" for establishing control set out in *Camden Iron & Metal, Inc. v. Marubeni America Corp.*, 138 F.R.D. 438, 441-42 (D.N.J. 1991). The ALJ found that BLLC had control over disputed documents under three of *Camden*'s alternate grounds:

- (1) "[t]he relationship is such that the agent-subsidary can secure documents of the principal-parent to meet its own business needs and documents helpful for use in litigation,"
- (2) "[t]here is access to documents when the need arises in the ordinary course of business," and
- (3) the "subsidiary was marketer and servicer of parent's product . . . in the United States." *Id.*

The issue of BLLC's control over documents in the possession of its parent was also litigated in *Robert Bosch LLC v. Snap-On Inc.*, 2013 WL 823330 (E.D. Mich. Mar. 6, 2013), in which the Court ordered BLLC to produce documents within the possession of BGmbH. In *Snap-On*, the Court found that "[i]t strains credulity that [BLLC] would be unable to obtain from [BGmbH] documents related to [a patent-in-suit] that would assist [BLLC] in achieving a

successful outcome in this litigation.” *Id.* at \*3. Consequently, the Court held that “Defendants will not be foreclosed from obtaining [from BLLC] similar documents that may aid in their defense.” *Id.*

The Court agrees with the analysis from *Snap-On*. Therefore, the Court holds that Costco should have been given access to BGmbH-held documents that were responsive to Costco’s requests, regardless of whether such documents were supportive of BLLC’s positions in this litigation. BLLC had effective control over production of such documents.

The Court’s finding as to BLLC’s control is based on, among other things, BLLC’s ability to secure from BGmbH documents that BLLC appears to have viewed as helpful to BLLC’s litigation position during this litigation. *See Gerling Int’l Ins. Co. v. C.I.R.*, 839 F.2d 131, 141 (3d Cir. 1988) (“Where the relationship is thus such that the agent-subsiary can secure documents of the principal-parent to meet its own business needs and documents helpful for use in the litigation, the courts will not permit the agent-subsiary to deny control for purposes of discovery by an opposing party.”); *see also Snap-On*, 2013 WL 823330, at \*3 (“Providing highly relevant documents in litigation constitutes a business need . . . .”) (internal brackets and quotation marks omitted). BGmbH has selectively provided to BLLC certain documents at various points in this litigation, which BLLC has produced to Costco. (*See* 381 at 2, 5; 383 at 6-7)

Further, BLLC and BGmbH are parties to a joint venture agreement. (*See* D.I. 266 Ex. 12) Pursuant to this agreement, the patents-in-suit were property contributed by BGmbH, in support of its joint efforts with BLLC to enforce patent rights and obtain revenue. (*See id.* at 2-3) It is undisputed that BGmbH will benefit financially from any revenue generated by BLLC’s

litigation of the asserted patents. (*See id.*; *see generally* D.I. 267; Tr. at 40) In fact, BGmbH stands to recover [REDACTED] of any damages awarded as a result of this lawsuit. (*See* D.I. 266 Ex. 12 at 2-3)

The close interactions between BLLC and BGmbH with respect to wiper blade products provide additional support for the Court's finding of control, as BLLC is able to obtain documents it needs in the ordinary course of business in order to carry out BGmbH's operations in the United States. (*See* D.I. 266 Ex. 13 at 5-6) Hence, the record as a whole supports a finding that BLLC and BGmbH are acting in concert in connection with the patents-in-suit and in connection with this litigation.

In countering the argument that it had control over the pertinent documents, BLLC's strongest point is that it proved unable to obtain requested documents at an earlier point in this litigation, even after the Court indicated that it would likely grant partial summary judgment to Costco should BLLC fail to produce those documents. (*See* D.I. 381 at 1; *see also* Transcript of hearing held June 8, 2015, D.I. 204 at 40-41 ("[I]s another alternative to somehow make clear to the plaintiff that if their parent doesn't come in and provide discovery within a very reasonable amount of time, that they will be deemed to have not met their burden and summary judgment would be forthcoming or is it just too late?"); Tr. at 28-30) The record supports BLLC's characterization of what occurred. Nonetheless, the Court does not find from these facts that BLLC never (including after entry of the December 22 Order) had control over any portion of the documents it was ordered to produce. Instead, it suggests only that BGmbH was recalcitrant in meeting its obligations to BLLC and was willing to refuse to meet those obligations even at the cost of losing a portion of BLLC's case. That recalcitrance ended when, but only when, it

became clear that the entirety of the case might be dismissed as a sanction for failing to provide to BLLC documents to which BLLC was entitled to get from BGmbH.

Because BLLC had control over the disputed documents, BLLC is largely responsible for its failure to produce the required documents and the failure to comply with the Court's December 22 Order. Therefore, this first *Poulis* factor weighs in favor of dismissal.

## **2. Prejudice to Costco**

During the February 4, 2016 teleconference regarding BLLC's discovery misconduct, the Court stated that "the circumstances as they have evolved are highly prejudicial to Costco, particularly given where we are in the schedule: . . . close to the end of fact discovery, which had been extended previously." (D.I. 349 at 26) (internal grammar added) The Court continues to hold this view, as Costco was deprived of the opportunity to develop its defenses during fact discovery within the necessary context of full production of responsive documents. (*See, e.g.*, D.I. 373 at 9-11) (discussing impact of late production of documents on development of Costco's invalidity defenses)

At least some of the documents that have been belatedly produced are relevant to Costco's obviousness defense. (*See, e.g.*, D.I. 373 at 9-11) ("By failing to produce BGMBH0014875 until March 8, 2016, BLLC denied Costco any meaningful opportunity to develop what its contents showed about the skill level in the art of the '926 Patent at relevant times . . . .") Moreover, the Court shares some of Costco's concerns that BLLC's production *still* may not be complete. (*See* D.I. 373 at 5-8) (citing, for example, evidence of BLLC's lack of institutional knowledge about whether, when, or how any document searches were performed on certain requested topics) Costco is entitled to a full and fair production of all non-privileged,

responsive documents as well as a full and fair opportunity to develop its defenses with an understanding of the full scope of these materials. Costco's loss of this opportunity (to this point) has been prejudicial to it.

Thus, this factor weighs in favor of dismissal.

### **3. BLLC's History of Dilatoriness**

As discussed above and in Costco's brief opposing BLLC's Motion for Relief from the Court's December 22 Order, BLLC repeatedly failed to comply with the Court's orders and to live up to its discovery obligations. (*See* D.I. 315 at 1-8) The Bosch parties have also engaged in similar behavior in cases before other tribunals. (*See* D.I. 266 Ex. 13; *Snap-On*, 2013 WL at 823330. This factor weighs in favor of dismissal.

### **4. Willfulness or Bad Faith**

BLLC willfully disobeyed this Court's December 22 Order by failing to produce the documents ordered to be produced by January 8, 2016, and by failing even to notify the Court of why such production had not occurred until January 15, 2016. While BLLC's position regarding its lack of *physical* control over documents held by BGmbH could have been asserted in good faith, this factor supports dismissal because BLLC willfully failed to exercise the control it had over the responsive documents held at BGmbH and, therefore, willfully violated the December 22 order.

BLLC represents that BGmbH failed to provide certain documents to BLLC for reasons including concerns about European privacy laws. (*See, e.g.*, Tr. at 28-29; *see also generally id.* at 54-55 (BLLC counsel: "I apologize again for everything that has come out of that decision by the German company not to provide them [i.e., discovery] voluntarily. Whatever the reasons

were, and I'm sure they were good reasons, I regret that, but to blame the U.S. operating company and suggest that they were contumaciously, or whatever the word was, not respecting the authority of this Court, that is not what happened.”)) Even accepting BLLC’s statements as true, they do not excuse BLLC’s obligations – as a party that initiated litigation in this Court, in this country, well knowing the discovery obligations that would result, due to the Federal Rules of Civil Procedure, governing case law, and the fact that BLLC had already been found by other U.S. judicial bodies to have “control” over documents in the physical possession of BGmbH – to produce responsive documents in this action. Confidentiality concerns can be handled in the course of this litigation through the Protective Order the Court has entered (*see* D.I. 65), which the Court could amend if necessary.

## 5. Alternative Sanctions

BLLC quotes *Poulis* as cautioning that “[d]ismissal must be a sanction of last, not first, resort.” *Poulis*, 747 F.2d at 869. The Court agrees with BLLC that dismissal is not the most appropriate sanction.

The Bosch parties have represented that they have now produced “all of the required documents” and, thus, have remedied any problems which may have arisen earlier in the case. *See Bull v. United Parcel Serv., Inc.*, 665 F.3d 68, 80 (3d Cir. 2012) (stating that, generally, “dismissal with prejudice is only appropriate in limited circumstances and *doubts should be resolved in favor of reaching a decision on the merits*”) (internal quotation marks omitted) (emphasis added). Although the Court has some doubts about the completeness of BLLC’s production, as discussed above, the Court finds that this factor still weighs against dismissal.

Lesser, alternative sanctions are appropriate and will adequately ameliorate the prejudice

Costco has suffered. They begin with requiring BLLC to pay Costco's reasonable attorney's fees that were caused by BLLC's discovery misconduct. *See* Fed. R. Civ. Proc. 37(b)(2). BLLC's discovery misconduct was not substantially justified and an award of fees would not be unjust. The parties will be directed to submit a briefing schedule to provide the Court with their detailed positions on how the Court should determine the appropriate amount of attorney's fees that will be paid.

Additionally, Costco will be permitted the opportunity to seek further discovery, should it believe any is necessary, in order to ensure that Costco will have received in production all materials and other discovery which it would have obtained had BLLC lived up to its discovery obligations throughout this case. BLLC does not oppose such additional discovery. (*See* Tr. at 47-48)

Finally, in connection with submission of the proposed final pretrial order and the final pretrial conference, the Court will consider, if requested by Costco, granting relief *in limine* to exclude particular late-produced evidence, should Costco be able to persuade the Court that, in light of the totality of applicable considerations, such evidence should be excluded.

The Court has considered still other alternative sanctions, including requiring BLLC to pay all of Costco's reasonable attorney's fees since the inception of this case, granting partial summary judgment, and/or directing the jury to draw an adverse inference against BLLC on one or more issues relating to topics on which BLLC's discovery has been deficient. The availability of each of these sanctions further confirms that dismissal is not warranted. However, the Court has also concluded that, on balance, none of these particular alternatives are the most appropriate sanction(s) under the totality of circumstances.

## **6. Meritoriousness of BLLC's Claims**

Costco argues that "BLLC's and BGmbH's discovery failures have resulted in a record that prevents complete assessment of the merits of their asserted claims." (D.I. 373 at 15) If the Bosch parties have truly produced all documents responsive to Costco's discovery requests, as they say they have, Costco now has the record that it should have had during fact discovery, and can now fully develop its defenses in the proper, full context of all appropriate discovery. If BLLC has not yet done so, it will be required to do so as part of any additional discovery Costco may seek. Either way, the Court concludes that this factor is neutral with respect to whether dismissal is warranted.

## **7. Weighing the Factors**

An analysis under the *Poulis* factors must conclude with a weighing of the factors. *See In re Asbestos Prod. Liab. Litig. (No. VI)*, 718 F.3d 236, 248 (3d Cir. 2013). The current record does not support dismissal of the complaint, because alternative sanctions of attorney's fees and additional discovery, as well as the possibility of evidentiary sanctions, are more appropriate and will adequately ameliorate the prejudice Costco has suffered. Costco contends that "dismissal is warranted and appropriate to deter BLLC and others from repeating the type of discovery misconduct that was committed in this case." (D.I. 373 at 1; *see also* Tr. at 20-22) Yet public policy favors resolution of cases on the merits, *see Hritz v. Woma Corp.*, 732 F.2d 1178, 1181 (3d Cir. 1984) ("[W]e have repeatedly stated our preference that cases be disposed of on the merits whenever practicable."), and the availability of alternative yet adequate sanctions here

require that the Court deny Costco's request for dismissal.<sup>1</sup>

#### IV. CONCLUSION

An Order, consistent with the reasons given above, will be entered.

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<sup>1</sup>At the hearing on Costco's Motion, BLLC cited *Drone Technologies, Inc. v. Parrot S.A.*, 838 F.3d 1283, 1287 (Fed. Cir. 2016), in support of its position. The *Drone* case is distinguishable because the District Court had granted a default sanction and "did not seriously consider alternative sanctions." *Id.* at 1304. Here the Court will deny Costco's request for dismissal and will grant alternative sanctions.

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**ORDER**

At Wilmington this **24th** day of **January, 2017**:

For the reasons set forth in the Memorandum Opinion issued this date, **IT IS HEREBY**

**ORDERED** that:

1. Defendant Costco Wholesale Corporation's ("Costco") Motion to Dismiss Plaintiff's Complaint Pursuant to Federal Rule of Civil Procedure 37(b)(2) (D.I. 372) is **DENIED**.

A. The Court will not dismiss this case based on Costco's Motion.

B. However, the Court orders Robert Bosch LLC ("BLLC") to pay the reasonable attorney's fees Costco incurred that were caused by BLLC's discovery misconduct.

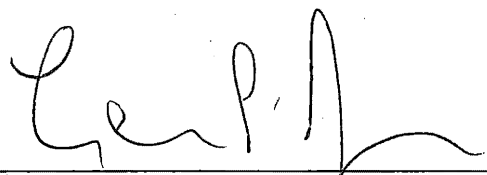
C. The Court further orders that BLLC provide Costco all responsive, appropriate discovery.

D. The Court will also consider, in connection with motions *in limine*, imposing evidentiary sanctions, if requested.

2. The Court's Order (D.I. 356 ¶ 3, first sentence) staying this case is **VACATED**.

3. The parties shall meet and confer and submit a joint proposed scheduling order, including their proposals for additional discovery and for briefing issues relating to the determination of the appropriate amount of attorney's fees to order BLLC to pay, no later than **February 8, 2017**.

4. No later than **January 25, 2017**, the parties shall meet and confer and submit a joint proposed redacted version of the Memorandum Opinion issued this date.

A handwritten signature in black ink, appearing to read 'L. P. Stark', written over a horizontal line.

HON. LEONARD P. STARK  
UNITED STATES DISTRICT COURT