

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

COVIDIEN L.P.,)	
)	
Petitioner,)	
)	
v.)	Misc. Action No. 24-123-MN-CJB
)	
REX MEDICAL, L.P.,)	<u>REDACTED VERSION</u>
)	
Respondent.)	

REPORT AND RECOMMENDATION

Pending before the Court is Petitioner Covidien L.P.’s (“Covidien” or “Petitioner”) motion for an order requiring Respondent Rex Medical, L.P. (“Rex” or “Respondent”) to show cause as to why it should not be held in contempt and sanctioned for violating this Court’s order governing mediation in a prior case between the parties (the “motion”). (D.I. 1) For the reasons discussed below, the Court recommends that Petitioner’s motion be GRANTED.¹

I. BACKGROUND

A. Related Proceedings

1. The Covidien case

In June 2019, Rex filed a lawsuit against Covidien (the “Covidien case”) in this Court, alleging infringement of United States Patent Nos. 9,439,650 (the “650 patent”) and 10,136,892 (the “892 patent”). *Rex Med., L.P. v. Covidien, LP* (“Covidien”), Civil Action No. 19-1092-MN, D.I. 1 (D. Del. June 13, 2019). Following several months of litigation, the parties engaged in a

¹ The Court issues a Report and Recommendation as to Petitioner’s motion because the relief sought by Petitioner exceeds the Court’s contempt authority. *See INVISTA N. Am. S.a.r.l. v. M & G USA Corp.*, Civil Action No. 11-1007-SLR-CJB, 2014 WL 1908286, at *1 n.2 (D. Del. Apr. 25, 2014) (citing cases), *report and recommendation adopted*, 2014 WL 2917110 (D. Del. June 25, 2014); *see also, e.g., Way v. Arete Automobili Corp.*, Civil Action No. 20-13646 (GC), 2022 WL 17730892, at *2 (D.N.J. Oct. 24, 2022).

mediation before then-Chief United States Magistrate Judge Mary Pat Thyng on March 30, 2020. (*Covidien*, D.I. 37 at ¶ 1) Prior to the mediation, on March 3, 2020, Judge Thyng issued an Order Governing Mediation Conferences and Mediation Statements (the “Mediation Order”) which included the following provision (incidentally, the only numbered paragraph in the Mediation Order that had all of its content in bolded letters):

CONFIDENTIALITY

8. The contents of the mediation statements and the mediation conference discussions, including any resolution or settlement, shall remain confidential, shall not be used in the present litigation nor any other litigation (whether presently pending or filed in the future), and shall not be construed as nor constitute an admission. Breach of this provision shall subject the violator to sanctions.

(*Id.* at ¶ 8 (emphasis in original)) The parties resolved the litigation pursuant to the mediation, and thereafter executed a License and Settlement Agreement (the “Covidien license”). (D.I. 1 at 2; D.I. 11 at 3; D.I. 12 at ¶ 4)² United States District Judge Maryellen Noreika entered a joint stipulation to dismiss the Covidien case pursuant to Federal Rule of Civil Procedure 41 on April 20, 2020. (*Covidien*, D.I. 47)

2. The Intuitive case

In addition to its lawsuit against Covidien, Rex had also filed a separate lawsuit against Intuitive Surgical, Inc. (“Intuitive”) in January 2019 in this Court (the “Intuitive case”), in which Rex asserted infringement of the '650 patent and '892 patent. *Rex Med., L.P. v. Intuitive Surgical, Inc.* (“Intuitive”), Civil Action No. 19-05-MN, D.I. 1 (D. Del. Jan. 2, 2019). Rex

² The Covidien license covered the '650 patent and the '892 patent as well as additional United States patents, foreign patents and United States and foreign patent applications. *See Rex Med., L.P. v. Intuitive Surgical, Inc.*, Civil Action No. 19-05-MN, D.I. 230 at ¶ 9 (D. Del. Oct. 13, 2022).

produced the Covidien license during discovery in the Intuitive case pursuant to a Protective Order. (See D.I. 11 at 3; *see also* D.I. 12 at ¶ 4)³ Prior to trial in the Intuitive case, Rex’s counsel sealed all references to contents of the Covidien license in its court filings. (D.I. 12 at ¶ 11) The Intuitive case proceeded to a three-day jury trial before Judge Noreika, which took place from October 17, 2022 to October 19, 2022.⁴

During the pre-trial conference, Judge Noreika asked if the parties anticipated requests to seal the courtroom during trial, and Rex’s counsel noted that “the only issue . . . is the Covidien license. Covidien is not a party [to the Intuitive case]. . . . [P]reserving the confidentiality of the license agreement might be an issue. I think we might want to close the courtroom just for that.” (*Intuitive*, D.I. 255 at 100) Judge Noreika responded that any such requests to close the courtroom should be made in advance and that discussions of confidential information should be kept to a bare minimum. (*Id.* at 101)

However, during trial, Rex’s counsel made multiple references to the results of the mediation in the Covidien case in open court—i.e., to the fact that Covidien licensed the '650 patent for [REDACTED]. (See D.I. 1 at 3) Rex’s counsel made the first such mention of this during his opening statement. (*Intuitive*, D.I. 259 at 127 (noting that “[t]he evidence also shows that Covidien, a competitor[] of Intuitive, licensed the '650 patent, they paid Rex Medical [REDACTED] dollars to license the patent, they could have stood up in front of a jury and said the patent is invalid, they didn’t do that, they paid for a license”); *see also id.* at 133 (“Covidien, they are a

³ Both damages experts relied on the Covidien license for their damages analyses in the Intuitive case. (*Intuitive*, D.I. 230 at ¶ 9) In that case, Judge Noreika excluded Rex’s damages expert’s testimony that relied upon the Covidien license for failing to properly apportion the value of the patents covered by the Covidien license. (*Id.* at ¶¶ 9-11)

⁴ By the time of trial, the '650 patent was the only patent asserted in the Intuitive case. (*Intuitive*, D.I. 230 at ¶ 9)

big company, they valued Rex Medical patents, and they took a license to the patent”)) Rex’s counsel (and Intuitive’s counsel on cross-examination) further elicited testimony from Rex’s president, Lindsay Carter, establishing that Covidien had licensed the '650 patent and '892 patent (as well as other patents) for [REDACTED]. (*Id.* at 165-169, 170-71, 176-77) Mr. Carter also stated that Rex had never discussed any of its foreign patents or patent applications with Covidien during the mediation, which prompted an objection from Intuitive’s counsel. (*Id.* at 165) Judge Noreika then explained that:

[I]f there is a mediation where a judge or someone is involved in discussions helping come to a settlement, part of the reason that you agree not to talk about those things . . . outside of the mediation is because you don’t want it to affect your willingness to settle or to discuss things fairly. So let’s not talk about what happened in mediation.

(*Id.* at 165-66) Nevertheless, Mr. Carter again began to reference the patents that were discussed between Rex and Covidien during the mediation, and Judge Noreika again reminded the witness that “you can talk about what was in the litigation, but we cannot talk about what was discussed during the mediation.” (*Id.* at 168) Later, Rex’s counsel again referenced the Covidien license and how Covidien had paid [REDACTED] for the license; these references came during a discussion in court regarding an instruction on damages, as well as during Rex’s closing arguments. (*Intuitive*, D.I. 261 at 499, 577, 605)

The jury found that Intuitive infringed the '650 patent and it awarded Rex damages of \$10 million. (*Id.* at 610-11) After Judge Noreika entered judgment on the verdict, Intuitive moved for, *inter alia*, remittitur of nominal damages, (*Intuitive*, D.I. 266), which Judge Noreika granted on the grounds that: (1) the Court had precluded Rex’s damages expert, Mr. Kidder from testifying about the Covidien license because he failed to properly apportion that license to account for patents beyond the '650 patent; (2) nevertheless, Rex made the Covidien license the

“foundation of its damages case[,]” primarily through Mr. Carter’s fact testimony; but (3) no evidence was presented at trial that would allow the jury to ascertain the value of the '650 patent based on the Covidien license, *Rex Med., L.P. v. Intuitive Surgical, Inc.*, C.A. No. 19-005 (MN), 2023 WL 6142254, at *8-10 (D. Del. Sept. 20, 2023). Judge Noreika thus remitted the jury’s award to nominal damages of one dollar (the “remittitur opinion”). *Id.* at *11; *see also Rex Med., L.P. v. Intuitive Surgical, Inc.*, C.A. No. 19-005 (MN), 2023 WL 7398355, at *1 (D. Del. Sept. 20, 2023).

In December 2022, Rex filed a motion to redact portions of the trial transcripts in the Intuitive case that included discussion, *inter alia*, of the Covidien license (the “motion to redact”). (*Intuitive*, D.I. 274 at 1-2) Judge Noreika denied the motion to redact on the basis that “the statements sought to be redacted were made in open court” and Rex “articulated no specificity and offered no sworn allegations of harm to support good cause for the proposed redactions.” (*Intuitive*, D.I. 270)

Covidien first learned in September 2023 (at the time when the remittitur opinion was published) that Rex had disclosed details regarding the Covidien license during trial in the Intuitive case. (D.I. 1 at 5) Four months later, on January 24, 2024, Covidien contacted Rex’s counsel to request a meet and confer regarding Rex’s disclosures concerning the Covidien license, which Covidien alleges were made with no notice to it, and in direct contravention of the Mediation Order. (*Id.*, ex. A) Following a meet and confer, Covidien informed Rex that it had reviewed its files and did not find any notice from Rex regarding disclosure of the Covidien license in the Intuitive case; Covidien indicated that unless Rex identified how it had provided such notice, Covidien intended to file a motion for an order to show cause as to why sanctions should not issue. (*Id.*, ex. E at 1) Rex’s counsel responded that he found it “implausible that

Rex did not provide notice regarding disclosure of the agreement” as it “is something we would have done as a matter of course[;]” Rex’s counsel also noted that he did not have access to all correspondence from the Intuitive case. (*Id.*, ex. G at 2; *see also* D.I. 12 at ¶¶ 4, 6, 7) On March 8, 2024, Rex’s counsel followed up to inform Covidien that the only person still left at counsel’s old firm that worked on the Intuitive case was out on maternity leave and that he had not heard back, and “[u]nfortunately, I don’t have anything further to provide at this point.” (D.I. 1, ex. G at 1)

B. Filing of the Instant Motion

On March 11, 2024, Covidien filed the instant motion. (D.I. 1) Shortly thereafter, Judge Noreika referred the motion to the Court for resolution. (D.I. 6) The motion was fully briefed as of May 2, 2024. (D.I. 16)

II. STANDARD OF REVIEW

Civil contempt is a sanction to enforce compliance with a court order or to compensate for losses or damages sustained by noncompliance. *McComb v. Jacksonville Paper Co.*, 336 U.S. 187, 191 (1949); *see also In re Linerboard Antitrust Litig.*, 361 F. App’x 392, 398-99 (3d Cir. 2010). A party seeking to initiate civil contempt proceedings may do so by requesting an order to show cause, which asks for a preliminary order directing the non-movant to show cause why the court should not find it in contempt. *Arlington Indus., Inc. v. Bridgeport Fittings, Inc.*, CIVIL ACTION NO. 3:02-CV-0134, 2016 WL 7117933, at *2 (M.D. Pa. Dec. 7, 2016), *modified on other grounds on reconsideration*, 2017 WL 1173928 (M.D. Pa. Mar. 29, 2017); *see*

also *United States v. Organic Pastures Dairy Co., LLC*, Case No. 1:08-CV-01786, 2023 WL 3568969, at *4 (E.D. Cal. May 19, 2023).⁵

Except where a United States Magistrate Judge exercises consent jurisdiction in civil cases under 28 U.S.C. § 636(c) or misdemeanor jurisdiction under 18 U.S.C. § 3401, the Magistrate Judge may not enter an order of civil contempt. Instead, the Court must proceed under 28 U.S.C. § 636(e)(6)(B)(iii), which provides:

[T]he magistrate judge shall forthwith certify the facts to a district judge and may serve or cause to be served, upon any person whose behavior is brought into question under this paragraph, an order requiring such person to appear before a district judge upon a day certain to show cause why that person should not be adjudged in contempt by reason of the facts so certified.

28 U.S.C. § 636(e)(6)(B)(iii). In certifying facts under 28 U.S.C. § 636(e), the role of the Magistrate Judge is “to determine whether the moving party can adduce sufficient evidence to establish a prima facie case of contempt.” *Church v. Steller*, 35 F. Supp. 2d 215, 217 (N.D.N.Y. 1999); see also *Wasserman v. Faulkner Cadillac, Inc.*, CIVIL ACTION NO.: 18-cv-3754, 2019 WL 6251230, at *2 (E.D. Pa. Nov. 22, 2019); *Stream Cos., Inc. v. Windward Advert.*, Civil Action No. 12-cv-4549, 2013 WL 3761281, at *10 (E.D. Pa. July 17, 2013). If the moving party has not adduced sufficient evidence, the Magistrate Judge may decline to certify the facts. *Stream Cos.*, 2013 WL 3761281, at *10. But if the Magistrate Judge does certify the facts that support a finding of contempt, the District Judge must then conduct a *de novo* hearing to hear the evidence and decide whether to impose punishment. *Wallace v. Kmart Corp.*, 687 F.3d 86, 91-

⁵ “The purpose of [a show-cause] motion is to persuade the court that there should be a hearing at which the factfinder will ultimately evaluate whether a finding of contempt is appropriate on the evidence presented.” *Sommerfield v. City of Chi.*, 252 F.R.D. 407, 413 (N.D. Ill. 2008).

92 (3d Cir. 2012); *Taberer v. Armstrong World Indus., Inc.*, 954 F.2d 888, 904 (3d Cir. 1992); *Wasserman*, 2019 WL 6251230, at *2.

Contempt is a “severe remedy,” *Cal. Artificial Stone Paving Co. v. Molitor*, 113 U.S. 609, 618 (1885), and the movant bears a heavy burden to show that the charged party is guilty of civil contempt, *Robin Woods Inc. v. Woods*, 28 F.3d 396, 399 (3d Cir. 1994). To meet that burden, the proponent must show that: (1) a valid court order existed; (2) the opposing party had knowledge of the order; and (3) the opposing party disobeyed the order. *F.T.C. v. Lane Labs-USA, Inc.*, 624 F.3d 575, 582 (3d Cir. 2010); *INVISTA N. Am. S.a.r.l. v. M & G USA Corp.*, Civil Action No. 11-1007-SLR-CJB, 2014 WL 1908286, at *4 (D. Del. Apr. 25, 2014) (citing cases), *report and recommendation adopted*, 2014 WL 2917110 (D. Del. June 25, 2014). “These elements ‘must be proven by clear and convincing evidence, and ambiguities must be resolved in favor of the party charged with contempt.’” *Lane Labs-USA, Inc.*, 624 F.3d at 582 (quoting *John T. v. Del. Cnty. Intermediate Unit*, 318 F.3d 545, 552 (3d Cir. 2003)). The United States Court of Appeals for the Third Circuit has instructed that “courts should hesitate to adjudge a defendant in contempt when there is ground to doubt the wrongfulness of the conduct.” *Id.* (internal quotation marks and citations omitted).

III. DISCUSSION

Covidien argues that Rex’s intentional and repeated disclosures of the “financial result of its mediation with Covidien” during trial in the Intuitive case, without providing any notice to Covidien, were in direct contravention of the Mediation Order. (D.I. 16 at 1; *see also* D.I. 1 at 7) Covidien asserts that protecting confidentiality regarding mediations and the terms of any mediation-related outcome is essential to ensuring that mediation participants continue to engage in these essential proceedings—and that Rex should be sanctioned for its violation of the

Mediation Order to “deter future parties from the type of misconduct in which Rex engaged in here.” (D.I. 1 at 6-7); *see also Herrmann v. Wells Fargo Bank, N.A.*, CIVIL ACTION NO. 7:19–CV–827, 2021 WL 890573, at *2 (W.D. Va. Mar. 9, 2021) (“The guarantee of confidentiality is essential to the proper functioning of a settlement conference program.”) (citing cases).

Here, the first two elements of civil contempt are not in dispute. There is no question that the Mediation Order is a valid one, and that Rex was aware of it.

Rex disputes, however, that its trial statements and proffered trial testimony violated the Mediation Order. (D.I. 11 at 2) Its main argument in that regard is that because Rex’s trial testimony did not “disclose the contents of the mediation statements [submitted in the Covidien case], nor the mediation conference *discussions*[.]” it did not violate the Mediation Order. (*Id.* at 1 (emphasis added); *see also id.* at 2-3, 7)

However, Rex’s argument ignores that the Mediation Order states that “mediation conference discussions, *including any resolution or settlement*[] shall remain confidential[.]” (*Covidien*, D.I. 37 at ¶ 8 (emphasis added)) Rex’s repeated disclosures in open court to the effect that Covidien entered into a license covering various patents for [REDACTED] in the Covidien case—disclosures that were made without giving any prior notice to Covidien, and without first seeking a further court order permitting them—did not keep the mediation conference’s discussions regarding “resolution or settlement” confidential. (D.I. 16 at 1, 2-4); *see, e.g., Bernard v. Galen Grp., Inc.*, 901 F. Supp. 778, 783 (S.D.N.Y. 1995) (Counsel “should not have advised the Court of the specific dollar amounts that defendants had offered within the confines of the mediation proceeding under the belief that any offers would be kept confidential from the Court and third parties.”).

Indeed, both before trial (when Rex indicated during the pre-trial conference that it may want to close the Courtroom when discussing the Covidien license to “preserv[e] the confidentiality” of that license) and after trial (when Rex moved to redact portions of the trial transcript that discussed the Covidien license) Rex seemed to appreciate that facts relating to the license, including the amount paid to secure it, should be kept confidential. (*Intuitive*, D.I. 255 at 100; D.I. 274 at 1-2) It was during trial itself, in open court, where Rex seemed to decide that it did not need to keep the outcome of the mediation confidential, and its briefing here does not “identif[y] any justification or explanation for purposely disclosing the result of its confidential mediation with Covidien.” (D.I. 16 at 4)

Rex spends some of its briefing asserting that it believes that proper notice *was* provided to Covidien prior to its production of the Covidien license in the *Intuitive* case—even though neither party has located evidence of any such notice. (D.I. 11 at 3-4; D.I. 12; *see also* D.I. 16 at 3-4) Covidien asserts (and there is no evidence to the contrary) that Rex in fact failed to provide it with notice during the *Intuitive* case that Rex would be producing the Covidien license pursuant to the Protective Order. And separate and apart from that, there is certainly no evidence that Rex provided notice to Covidien during the *Intuitive* case that it would be disclosing details of the Covidien license *in open court during trial*.⁶

For these reasons, the Court finds that Petitioner has demonstrated a *prima facie* case of civil contempt. Accordingly, the Court certifies the following facts:

⁶ In asserting that it should not be found to be in contempt, Rex also argues that Covidien has not been prejudiced. (D.I. 11 at 4) But prejudice is not one of the elements that the Court must consider in determining whether Covidien has established a *prima facie* case of contempt. (*See* D.I. 16 at 9); *Lane Labs-USA, Inc.*, 624 F.3d at 582. Rex cites to no caselaw that indicates otherwise.

1. Rex and Covidien engaged in a mediation before then-Chief United States Magistrate Judge Mary Pat Thyng on March 30, 2020. (*Covidien*, D.I. 37 at ¶ 1)
2. The mediation was governed by the Mediation Order, which included the requirement that “[t]he contents of the mediation statements and the mediation conference discussions, including any resolution or settlement, shall remain confidential, shall not be used in the present litigation nor any other litigation (whether presently pending or filed in the future)” and that breach of this requirement “shall subject the violator to sanctions.” (*Id.* at ¶ 8 (emphasis omitted))
3. Rex and Covidien resolved the litigation pursuant to the mediation, and thereafter executed the Covidien license. (D.I. 1 at 2; D.I. 11 at 3; D.I. 12 at ¶ 4)
4. Rex disclosed the Covidien license to Intuitive in the Intuitive case. (*See* D.I. 12 at ¶ 7)
5. Neither Rex nor Covidien has located notice by Rex to Covidien that it would be disclosing the Covidien license. (D.I. 1, ex. G at 1)
6. Rex sealed all references to the contents of the Covidien license in filings made in the Intuitive case prior to trial. (D.I. 12 at ¶ 11)
7. During the pre-trial conference in the Intuitive case, Rex’s counsel indicated that he may want to seal the courtroom to preserve the confidentiality of the Covidien license. (*Intuitive*, D.I. 255 at 100)
8. During trial, Rex made numerous references to the Covidien license, including the amount of money that Covidien had paid Rex in settling the Covidien case, in open court. (*Intuitive*, D.I. 259 at 127, 133, 165-169; D.I. 261 at 499, 577, 605)
9. Rex did not provide notice to Covidien that it would be making such references in open court. (D.I. 1 at 3; *id.*, ex. A; D.I. 16 at 5)
10. These references violated the requirement in the Confidentiality Order that the contents of “the mediation conference discussions, including any resolution or settlement, shall remain confidential[.]”

For the reasons expressed above, the Court concludes that Covidien has met its burden to demonstrate that Rex violated the Mediation Order. Therefore, the Court recommends that Petitioner’s motion for order to show cause be GRANTED and that the District Court require Rex to appear before the District Court on a date convenient to the District Court to show cause why Rex should not be held in contempt of the Mediation Order.⁷

IV. CONCLUSION

For the reasons outlined above, the Court recommends GRANTING Petitioner’s motion for order to show cause.

This Report and Recommendation is filed pursuant to 28 U.S.C. § 636(b)(1)(B), Fed. R. Civ. P. 72(b)(1), and D. Del. LR 72.1. The parties may serve and file specific written objections within fourteen (14) days after being served with a copy of this Report and Recommendation. Fed. R. Civ. P. 72(b)(2). The failure of a party to object to legal conclusions may result in the loss of the right to *de novo* review in the district court. *See Henderson v. Carlson*, 812 F.2d 874, 878–79 (3d Cir. 1987); *Sincavage v. Barnhart*, 171 F. App’x 924, 925 n.1 (3d Cir. 2006).

The parties are directed to the Court’s Standing Order for Objections Filed Under Fed. R. Civ. P. 72, dated March 7, 2022, a copy of which is available on the District Court’s website, located at <http://www.ded.uscourts.gov>.

⁷ Should the District Court find, after a *de novo* hearing, that Rex is in contempt of the Mediation Order, the Court recommends that the District Court impose the sanctions suggested by Covidien—i.e., that, at a minimum, Rex be required to reimburse Covidien for the fees and costs incurred by Covidien in bringing the Motion. (D.I. 16 at 2 n.2); *see also In re Linerboard*, 361 F. App’x at 398-99 (noting that compensatory sanctions may include the reasonable costs of prosecuting the contempt); *Robin Woods*, 28 F.3d at 401 (“Compensatory sanctions . . . must not exceed the actual loss suffered by the party that was wronged.”) (internal quotation marks and citation omitted).

Because this Report and Recommendation may contain confidential information, it has been released under seal, pending review by the parties to allow them to submit a single, jointly proposed, redacted version (if necessary) of the Report and Recommendation. Any such redacted version shall be submitted no later than **January 31, 2025** for review by the Court. It should be accompanied by a motion for redaction that shows that the presumption of public access to judicial records has been rebutted with respect to the proposed redacted material, by including a factually-detailed explanation as to how that material is the “kind of information that courts will protect and that disclosure will work a clearly defined and serious injury to the party seeking closure.” *In re Avandia Mktg., Sales Pracs. & Prods. Liab. Litig.*, 924 F.3d 662, 672 (3d Cir. 2019) (internal quotation marks and citation omitted). The Court will subsequently issue a publicly-available version of its Report and Recommendation.

Dated: January 28, 2025


Christopher J. Burke
UNITED STATES MAGISTRATE JUDGE