UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN JOSE DIVISION

BLADEROOM GROUP LIMITED, et al.,

Plaintiffs,

v.

EMERSON ELECTRIC CO, et al.,

Defendants.

Case No. 5:15-cv-01370-EJD

ORDER GRANTING IN PART MOTION TO COMPEL

Docket No. 1083

Pursuant to Federal Rules of Civil Procedure 26(b)(1) and 37, Defendants Emerson Electric Co. and Emerson Network Power Solutions, Inc. and Defendant Liebert Corporation (now known as Vertiv Corporation) (collectively, "Emerson") move to compel production of the Settlement Agreement ("Agreement") between Plaintiff BladeRoom and Facebook, Inc. ("Facebook") now rather than later. Dkt. No. 1083. BladeRoom filed an opposition (Dkt. No. 1086), which Meta Platforms Inc. ("Meta"), formerly Facebook, joined (Dkt. No. 1089), and Emerson filed a reply (Dkt. No. 1090). For the reasons stated below, the motion to compel production is granted in part.

I. BACKGROUND

BladeRoom initiated this action for misappropriation of trade secrets and breach of contract in March of 2015. BladeRoom's complaints include allegations that Emerson and Facebook conspired to misappropriate trade secrets. *See* Second Amended Complaint ("SAC") ¶ 136, Dkt. No. 107; Ex. A.

Jury selection commenced on April 3, 2018, with all named parties participating in the proceedings. Dkt. No. 747. Days later, on April 9, 2018, BladeRoom and Facebook entered the

Agreement. Dkt. No. 770. The next day the Court dismissed Facebook from the case with prejudice. Dkt. No. 772. The case proceeded to trial as to Emerson.

On May 10, 2018, the jury ultimately awarded BladeRoom $10 million in lost profits damages and $20 million in unjust enrichment damages for both of its claims against Emerson. Dkt. No. 867. Post trial, Emerson moved to compel production of the Agreement, asserting that under California Code of Civil Procedure section 877, the settlement should be offset against its liability. Dkt. No. 891. Section 877 provides that when one joint tortfeasor settles, that settlement "shall reduce the claims against the other[] [tortfeasor] in the amount [of the settlement]." Cal. Civ. Proc. § 877. Before ruling on the motion, the Court requested and received further briefing on four issues:

1. Are unjust enrichment damages subject to offset under California Civil Code § 877?
2. Does Civil Code § 877 apply to claims for breach of contract, when the defendants are not "co-obligors mutually subject to contribution rights?
3. Is it correct or incorrect to find that despite the separate claims alleged in the Second Amended Complaint, Facebook and Emerson caused BladeRoom only one indivisible injury: the unauthorized and uncompensated appropriation of BladeRoom's confidential information?
4. What evidence, with citations made to the record, shows that BladeRoom was injured in multiple ways by Emerson alone and Facebook alone? Conversely, what evidence, with citations made to the record, shows that BladeRoom suffered only one indivisible injury?

Dkt. Nos. 931, 938, 939, 940. After considering the parties' submissions, the Court denied Emerson's motion, reasoning that (1) section 877 was inapplicable to breach of contract damages because Facebook and Emerson were not co-obligors on the contract at issue; (2) there was no chance of double recovery as to the unjust enrichment damages (which were measured based on Emerson's profits) and therefore there was no need to apply section 877 to those damages; and (3)

there was no way to calculate an offset because the jury's verdict did not apportion damages between the breach of contract and misappropriation of trade secret claims. Order Denying Defendant's Motion To Compel Settlement Agreement ("Order"), Dkt. No. 945. Emerson raised the offset issue twice more. Dkt. Nos. 957, 969. The Court denied both motions. Dkt. Nos. 964, 985.

Emerson appealed the judgment and other pre-and post-trial rulings, including the Court's rulings relating to production of the Agreement and offset. The Ninth Circuit reversed and remanded for a new trial. *BladeRoom Grp. Ltd. v. Emerson Elec. Co.*, 11 F.4th 1010 (9th Cir. 2021). The new trial will decide whether Emerson's alleged breach of contract and misappropriation of trade secrets occurred during the term of the Confidentiality Agreement, i.e., prior to August 2013. The panel did not address Emerson's arguments relating to production of the Agreement and offset. Judge Rawlinson wrote a concurring opinion that discussed the Agreement's discoverability:

> BladeRoom concedes that Facebook and Emerson were joint tortfeasors and that they "conspired" to misappropriate BladeRoom's trade secrets. With that concession, California law required an offset. *See* Calif. Civ. Proc. Code § 877(a); *see also Dell'Oca Bank of NY Trust Co., N.A.*, 159 Cal. App. 4th 531, 561, 71 Cal. Rptr. 3d 737 (2008). In the event a retrial results in the imposition of damages against Emerson, the court should apply an offset for the amount of the settlement between BladeRoom and Facebook. *See* Calif. Civil Proc. Code § 877(a) (providing that when one tortfeasor settles a case, that settlement "shall reduce the claims against the other[ ] [tortfeasor] in the amount [of the settlement]"); *see also Dell'Oca*, 159 Cal. App. 4th at 561, 71 Cal. Rptr. 3d 737 (construing § 877 broadly to allow "an offset for sums paid to settle plaintiffs' claims against the other defendants").
>
> Correspondingly, Emerson would be entitled to discovery of the settlement terms. . . . Any concerns regarding unauthorized disclosure of the settlement terms may be addressed by a protective order fashioned by the district court.

Id. at 1028 (citations omitted). No other member of the panel joined Judge Rawlinson's concurrence.

II. DISCUSSION

As an initial matter, BladeRoom contends that Emerson is required, but has failed, to show

good cause to reopen discovery. Opp'n at 6. The Court disagrees. There is good cause to reopen discovery for the limited purpose Emerson proposes because the Ninth Circuit has remanded the case for retrial.

Turning to the merits, Federal Rule of Civil Procedure 26 authorizes discovery of "any nonprivileged matter that is relevant to any party's claim or defense and proportional to the needs of the case." Fed. R. Civ. P. 26(b)(1). Here, the Agreement has relevance to a potential offset under California Code of Civil Procedure section 877 in light of BladeRoom's conspiracy allegations and the impending retrial of all of BladeRoom's claims. *See Burke v. Regalado*, 935 F.3d 960, 1048 (10th Cir. 2019) (finding "the settlement agreement is not only relevant but also is necessary to resolving the setoff issue," and ordering the district court to compel production of the agreement upon remand). "Information within this scope of discovery need not be admissible in evidence to be discoverable." Fed. R. Civ. P. 26(b)(1). Further, the confidentiality of the Agreement does not bar its discovery. *See Phillips ex rel. Ests. of Byrd v. Gen. Motors Corp.*, 307 F.3d 1206, 1212 (9th Cir. 2002) (indicating that confidential settlement information may be produced under appropriate circumstances and explaining that courts have "broad discretion . . . to decide when a protective order is appropriate and what degree of protection is required"); *DIRECTV, Inc. v. Puccinelli*, 224 F.R.D. 677, 684-85 (D. Kan. 2004) ("[A] general concern for protecting confidentiality does not equate to privilege."); *White v. Kenneth Warren & Son, Ltd.*, 203 F.R.D. 364, 369 (N.D. Ill. 2001) (compelling disclosure of confidential settlement agreement subject to a protective order and with instruction the parties not discuss or further disclose the agreement absent an order from the court); *St. Bernard Par. v. Lafarge N. Am., Inc.*, 914 F.3d 969, 975 (5th Cir. 2019) (explaining that "discovery of confidential settlement agreements is generally available under an appropriate protective order").

Although the Agreement is discoverable, the Court declines to order production before the case proceeds to trial. First, the Court continues to be mindful "of the policy in favor of protecting settlement negotiations from being admitted as evidence, thus serving to encourage settlements." *Advanced Cardiovascular Sys. Inc. v. Medtronic, Inc.*, 265 F.3d 1294, 1308 (Fed. Cir. 2001).

Second, as Judge Rawlinson noted, offset is available "[i]n the event a retrial results in the imposition of damages against Emerson." *BladeRoom*, 11 F.4th at 1028. Thus, it would be premature to order production of the Agreement unless and until BladeRoom presents evidence of two predicates to offset: evidence of Emerson and Facebook's alleged conspiracy to misappropriate BladeRoom's trade secrets and evidence of lost profits damages. *See* Order at 6 (only one of BladeRoom's two claims could possibly qualify for offset, i.e., trade secret misappropriation, and only one category of damages could possibly qualify for an offset, i.e. lost profits). Before the case proceeds to trial there is at least a theoretical possibility that BladeRoom may choose to limit its case to evidence of only Emerson's alleged misappropriation and resulting profits. If this occurs, the Agreement would no longer be relevant to any issue in the case, and therefore not subject to discovery.

Emerson asserts that the Agreement has evidentiary value independent of damages to show potential bias of Facebook trial witnesses and whether BladeRoom witnesses are incrementally more biased and more motivated to attribute greater responsibility for alleged misconduct to Emerson than Facebook. However, it is not necessary to disclose the terms of the Agreement to probe bias. Rather, it is sufficient for cross-examination purposes for Emerson to introduce evidence of the fact of the Agreement. *See In re: Cathode Ray Tube (CRT) Antitrust Litigation*, 2016 WL 6216664, at *8 (N.D. Cal. Oct. 25, 2016) ("Defendants will be permitted to introduce evidence or argument regarding the fact of settlement . . . ."). Before Emerson does so, however, it must alert BladeRoom and the Court, outside the presence of the jury, of its intent to do so.

Lastly, Emerson contends that the Agreement should be produced to "level the strategic playing field so Emerson, like BladeRoom, can factor the Agreement into trial and settlement strategy." Reply at 1. The Court is unpersuaded that there is any unfairness in maintaining the confidentiality of the Agreement unless and until BladeRoom introduces evidence at trial to establish a basis for offset.

III. CONCLUSION

For the reasons discussed above, the motion to compel is GRANTED in part. The Court

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