IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

IN RE CHANBOND, LLC, PATENT LITIGATION	Civil Action No. 15-842-RGA CONSOLIDATED

MEMORANDUM OPINION

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April 16, 2021

/s/ Richard G. Andrews
ANDREWS, U.S. DISTRICT JUDGE:

Before the Court is Defendants' Motion to Reopen Fact Discovery for Limited Investigation of Standing Issues. (D.I. 524). I have reviewed the parties' briefing. (D.I. 525, 529, 535, 556).

I. BACKGROUND

In September 2015, Plaintiff ChanBond filed thirteen suits against numerous defendants (collectively, "Defendants") asserting infringement of U.S. Patent Nos. 7,941,822 ("the '822 Patent"), 8,341,679 ("the '679 Patent"), and 8,984,565 ("the '565 Patent"). (*See, e.g.*, D.I. 1 (complaint against Atlantic Broadband Group, LLC)). The actions were consolidated for all pre-trial purposes. (D.I. 107).

Fact discovery closed on July 6, 2018. (D.I. 271). On July 2, 2020, I held a pretrial conference and issued a Pretrial Order. (D.I. 507). The first trial, between Plaintiff and Defendant Cox Communications, is scheduled for May 17, 2021. (D.I. 527). Defendants now move to reopen fact discovery for a limited investigation into standing issues.[1] (D.I. 524).

II. LEGAL STANDARD

A federal court has broad discretion to manage discovery. *See Sempier v. Johnson & Higgins*, 45 F.3d 724, 734 (3d. Cir. 1995). Under Federal Rule of Civil Procedure 16, a scheduling order, including one for discovery, may only be modified "for good cause and with the judge's consent." Fed. R. Civ. P. 16(b)(4). To establish good cause in a motion to reopen discovery, the movant "must show that a more diligent pursuit of discovery was impossible." *Dow Chem. Can. Inc. v. HRD Corp.*, 287 F.R.D. 268, 270 (D. Del. 2012), *aff'd*, 587 F. App'x 741, 744-45 (3d Cir. 2014). When a final pretrial order has been issued, the "court may modify

[1] As the briefing has proceeded, Defendants have raised additional issues.

the order. . . only to prevent manifest injustice." Fed. R. Civ. P. 16(e); *see also Xcoal Energy & Res. v. Bluestone Energy Sales Corp.*, 2020 WL 5369109, at *6 n.9 (D. Del. Sept. 8, 2020).

III. ANALYSIS

Defendants' motion to reopen discovery centers on whether ChanBond has standing in this suit. This argument is premised on a dispute between ChanBond's former owner, Deirdre Leane, ChanBond, and Chanbond's present owner, UnifiedOnline.

A. Dispute over ChanBond's Ownership

At the time of filing suit, ChanBond was owned by Deirdre Leane. In October 2015, Ms. Leane entered into an Interest Sales Agreement ("ISA") with UnifiedOnline. (D.I. 525, Exh. D at 89 of 355). The ISA provided, "Seller [Ms. Leane] owns 100% of the limited liability company membership interests" of ChanBond, and, "Purchaser [UnifiedOnline] wishes to acquire Seller's entire interest in ChanBond, following which Purchaser will become the sole interest holder of ChanBond." (*Id.*). Under this agreement, UnifiedOnline acquired Ms. Leane's entire interest in ChanBond in exchange for five million dollars and 44,700,000 shares of UnifiedOnline. (*Id.* at 89, 92 of 355).

Section 8.3 of the ISA sets forth certain limitations on assignment:

> Limitations on Assignment. Except as expressly permitted in this Section, none of Purchaser or ChanBond may grant or assign any rights or delegate any duties under this agreement to any Third Party (including by way of a 'change in control') or may sell, transfer, or spin-off any of the interests in ChanBond or any of its material assets without the prior written consent of Seller.

(D.I. 525-1, Exh. D at 99 of 355). At her deposition on April 24, 2018, Ms. Leane testified that the ISA transferred "100 percent [of ChanBond's] membership interest," including "all rights and obligations," to UnifiedOnline. (D.I. 525-1, Exh. B at 19, 29 of 355).

On September 2, 2020, Defendants received an email from Ms. Leane's counsel, informing them of a dispute between Ms. Leane and ChanBond. (D.I. 525-1, Exh. E at 125 of 355). The email stated, "As we read Section 8.3 of the ISA, Ms. Leane's written consent is required given that a license is a transfer of an interest in the patents-in-suit, which in turn are material assets of ChanBond." (*Id.*). The email warned, "[P]lease take notice that to the extent that you enter into any settlement with ChanBond that includes a transfer of any interest in the patents-in-suit, without Ms. Leane's written approval of the settlement terms, you do so at your own risk." (*Id.*). This letter spurred Defendants to file the instant motion.

Ms. Leane's dispute with ChanBond and UnifiedOnline is currently playing out in two other courts. Ms. Leane and her consulting company IPNav are suing ChanBond and UnifiedOnline in the Northern District of Texas. (D.I. 536-1, Exh. N at 2 of 111). Ms. Leane also sued Mishcon de Reya LLP, Mishcon de Reya New York LLP, King & Wood Mallesons LLP, Robert Whitman and Mark Raskin (Plaintiff's attorneys in this litigation) in the Supreme Court of New York. (*Id.*, Exh. Q at 38 of 111).

B. Defendants' Motion to Reopen Discovery for Limited Investigation of Standing Issues

Defendants argue that good cause exists to reopen discovery for the limited purpose of investigating standing. (D.I. 525 at 5). Defendants contend that the September 2020 email from Ms. Leane's counsel raises questions about whether Plaintiff has standing to proceed to trial. (*Id.*). Defendants argue that they could not have reasonably obtained discovery on the issues raised in the September 2020 email, as the email came after the close of fact discovery and the email reflects a change in Ms. Leane's understanding of her rights under the ISA. (*Id.*).

Defendants also assert that they acted diligently during discovery and after receipt of the September 2020 email. (*Id.* at 6). Defendants state that they sought discovery on ownership of

the asserted patents from ChanBond, as well as from third parties UnifiedOnline and Ms. Leane. (*Id.*). Further, Defendants argue that upon receipt of the September 2020 email, they promptly reached out to ChanBond to discuss their concerns, but such concerns were dismissed. (*Id.* at 7). The essence of Defendants' argument is that good cause exists to reopen discovery as they diligently sought information pertaining to ownership of the patents during discovery and that they now seek new information which they could not have sought during discovery. (*Id.* at 6-8). Lastly, Defendants argue that reopening discovery will not prejudice Plaintiff as it will be a limited and inexpensive delay that will help Plaintiff determine its own rights in the dispute. (*Id.* at 10-11).

Plaintiff argues that Defendants have not shown good cause to reopen discovery because the information Defendants now seek could and should have been sought during discovery. (D.I. 529 at 8-9). Plaintiff contends that it produced the ISA to Defendants almost four years ago and that Defendants had a full and fair opportunity to seek discovery concerning the agreement. (*Id.* at 8). Plaintiff states that Defendants sought discovery regarding the ISA and deposed Ms. Leane, UnifiedOnline, ChanBond, and William Carter (ChanBond's manager and UnifiedOnline's CEO) regarding the ISA. (*Id.* at 8-9).

Plaintiff further argues that even if Defendants could show good cause, their motion should still be denied as the discovery sought is not relevant or likely to lead to the discovery of relevant information. (*Id.* at 11). Plaintiff contends that there is no unambiguous language in the ISA's Limitations on Assignment Section; thus, the extrinsic evidence that Defendants seek in discovery is irrelevant. (*Id.*). Plaintiff asserts that the plain and unambiguous meaning of Section 8.3 is that Ms. Leane's consent is not necessary for a license to one of the patents-in-suit because such a license is not a transfer or sale of a material asset. (*Id.* at 13). Lastly, Plaintiff argues that

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